

This is an important document and requires your immediate attention. If you are in any doubt as to how to deal with it, you should consult your financial or other professional advisor.

## Bidder's Statement

# Accept the Recommended Offer

to acquire all the ordinary shares in

**Royalco Resources Limited (RCO)**  
(ACN 096 321 532)

By



**Fitzroy River Corporation Limited (Fitzroy)**  
(ACN 075 760 655)

**OFFER PRICE OF**

**\$0.20 PER ROYALCO SHARE**



If you have any queries about the Offer, you may also call Justin Clyne (Company Secretary) on 02 9993 4407 between 9.00am and 5.00pm (AEDT) Monday to Friday.

# Important Information

## Key Dates

Event	Date
Date of <a href="#">replacement Bidder's Statement</a>	<a href="#">2144</a> December 2016
Offer opens (date of Offer)	28 December 2016
Close of Offer*	30 January 2017

\* This date is indicative only and may be changed as permitted by the Corporations Act.

## Bidder's Statement and Offer

This is a [replacement Bidder's Statement dated 21 December 2016](#). It replaces the Bidder's Statement dated 14 December 2016 given by Fitzroy to RCO and each holder of Royalco Shares under Part 6.5 of Chapter 6 of the Corporations Act. This Bidder's Statement was approved by a unanimous resolution of the Board of Fitzroy. It includes an Offer for Royalco Shares dated 14 December 2016. The Offer extends to Royalco Shares on issue on 14 December 2016 and any Royalco Shares issued during the Offer Period.

## ASIC and ASX

[A copy of this replacement bidder's statement was lodged with ASIC on 21 December 2016. This replacement bidder's statement replaces the original bidder's statement lodged with ASIC on 14 December 2016. It incorporates the original bidder's statement lodged with ASIC on 14 December 2016.](#) A copy of this [replacement Bidder's Statement](#) was lodged with ASIC and ASX on ~~14-21~~ December 2016. None of ASX, ASIC nor any of their officers takes any responsibility for the contents of this Bidder's Statement.

## Investment decision

This is an important document. This Bidder's Statement does not take into account the individual investment objectives, financial situation or any particular needs of each Royalco Shareholder or any other person. Royalco Shareholders may wish to seek independent financial and taxation advice before making a decision as to whether to accept the Offer.

## Disclaimer

Except for historical information contained in this booklet, there may be matters discussed in this Bidder's Statement that are forward-looking statements. Such statements are only predictions and are subject to inherent risks and uncertainty. Forward-looking statements, which are based on assumptions and estimates and describe Fitzroy's future plans, strategies and expectations, are generally identifiable by the use of the words 'anticipate', 'will', 'believe', 'estimate', 'expect', 'intend', 'seek' or similar expressions. Royalco Shareholders are cautioned not to place undue reliance on forward-looking statements. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties both general and specific that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Those risks and uncertainties include factors and risks specific to the industry in which Fitzroy and RCO operate as well as general economic

conditions and prevailing exchange rates and interest rates. Actual events or results may differ materially.

All forward-looking statements attributable to Fitzroy, or persons acting on behalf of Fitzroy, are expressly qualified in their entirety by the cautionary statements in this Section. Except as expressly required by the Corporations Act, Fitzroy makes no undertaking to publicly update or revise any forward-looking statements provided in this Bidder's Statement, whether as a result of new information, future events or otherwise, or the list of risks affecting this information.

None of Fitzroy's officers, any person named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, except to the extent required by law.

## Offers outside Australia

The distribution of this Bidder's Statement may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Bidder's Statement should inform themselves of, and observe, those restrictions.

## Important notice to US shareholders

The Offer is made for the shares of an Australian registered company. It is important that US shareholders understand that the Offer is subject to disclosure requirements in Australia that are materially different from those in the US. You should be aware that, subject to the Corporations Act, Fitzroy may purchase Royalco Shares otherwise than under the Offer, such as in open market or privately negotiated purchases after the end of the Offer Period.

## Defined terms

Defined terms used in this Bidder's Statement are capitalised. Definitions of these terms are set out in Section 10. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 10, words and phrases in the Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

## Sources of Information

Information included in this Bidder's Statement relating to RCO and its business has been derived solely from publicly available sources published by RCO, including RCO's Annual Reports and RCO's announcements to ASX and on its website.

Subject to the foregoing and to the maximum extent permitted by law, Fitzroy and its Directors disclaim all liability for any information concerning RCO included in this Bidder's Statement. Royalco Shareholders

should form their own views concerning RCO from publicly available information.

## Directory

### **Bidder**

Fitzroy River Corporation Limited  
Level 11, 2 Bligh Street  
Sydney NSW 2000  
+61 2 9993 4407

### **Financial Advisor**

TC Corporate Pty Ltd  
Level 10, 167 Macquarie Street  
Sydney NSW 2000  
+61 2 9377 1555

### **Legal Advisor**

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

### **Fitzroy Directors**

Malcolm McComas  
Susan Thomas  
Justin Clyne

### **Company Secretary**

Justin Clyne

### **Broker to the Offer**

Taylor Collison Limited  
Level 10, 167 Macquarie Street  
Sydney NSW 2000  
+61 2 9377 1500

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## Chairman's letter



~~14-21~~ December 2016

Dear Royalco Shareholders

I am pleased to introduce the recommended Offer by Fitzroy to acquire your Royalco Shares for 20 cents cash per Royalco Share. The Offer represents a 2.0 cents per share or 11% increase in consideration to that offered by Fitzroy in its now lapsed on-market offer announced on 19 October 2016.

The Offer ~~is unconditional<sup>1</sup> and~~ enables you to sell your Royalco Shares without the need to pay brokerage fees. ~~As the Offer is unconditional,<sup>2</sup>~~ Fitzroy has instructed its broker, Taylor Collison, to purchase Royalco Shares on-market at the Offer price (but reserves the right to withdraw those instructions at its discretion.) This provides Royalco Shareholders with the ability to sell some or all of their Royalco Shares on-market and receive a cash payment on a T+2 basis.

**The Royalco board recommends Shareholders accept the Offer in the absence of a superior proposal.**

### Reasons to accept the Offer

Fitzroy is offering all cash consideration to acquire your Royalco Shares. The value and certainty of Fitzroy's all-cash Offer should be compared with the risks and uncertainties of remaining a Royalco Shareholder.

- **The Offer is at a premium to net assets**  
The Offer capitalises Royalco at \$10.54 million. This is a 3.6% premium to Royalco's net assets (\$10.17 million) and 3.5 times Royalco's net tangible assets (\$2.99 million) at 30 June 2016;
- **Royalco's Chairman and his Associates have sold almost half of their shareholding to Fitzroy**  
On 13 December 2016, an Associate of Royalco Chairman Mr Peter Topham sold 2,669,000 Royalco shares to Fitzroy at the Offer price, taking Fitzroy's shareholding in Royalco to 19.99%. Mr Topham has stated that he and his Associates intend to accept Fitzroy's Offer for the balance of their shareholding, in the absence of a superior proposal;
- **Fitzroy's Offer is superior to the attempt by High Peak Royalties Limited (High Peak) to obtain control of Royalco without a takeover offer**  
High Peak has nominated three directors to replace the existing Royalco directors at a spill meeting to be held in early 2017. If High Peak's nominees are appointed, control of the Royalco Board will pass without High Peak making a takeover offer;
- There is very low trading liquidity in Royalco Shares and the Offer allows you to sell all your Royalco Shares;
- There is no competing offer to acquire your Royalco Shares; and
- The RCO Share price may fall after the Offer.

<sup>1</sup>-Other than with respect to a "prescribed occurrences" condition.

<sup>2</sup>-Other than with respect to a "prescribed occurrences" condition.

**How to accept the Offer**

If you choose to accept the Offer you can either direct your Broker to accept for your CHES holding, or complete and sign the enclosed Acceptance Form and return it in the reply paid envelope so that it is received before the closing date.

The Offer is scheduled to close at 7:00pm (AEDT) on 30 January 2017 (but it may be extended). Alternatively, you can sell your Royalco Shares on-market and receive a cash payment on a T+2 basis.

If you require additional assistance, please call Justin Clyne, Fitzroy's company secretary on +61 2 9993 4407.

Yours faithfully



Malcolm McComas  
Chairman  
Fitzroy River Corporation

## Summary of the Offer

The information set out below is only a summary of the Offer. You should read the entire Bidder's Statement before deciding whether to accept the Offer.

<b>The Bidder</b>	Fitzroy is the company making the Offer.
<b>The Offer</b>	Fitzroy is offering to acquire all of your Royalco Shares.
<b>Offer Consideration</b>	You are being offered 20 cents cash for every 1 Royalco Share you own.
<b>Recommendation of RCO board</b>	The RCO board recommends you accept the Offer in the absence of a superior proposal.
<b>Closing date</b>	The Offer is scheduled to close at 7:00pm (AEDT) on 30 January 2017 (but it may be extended).
<b><u>Unconditional on prescribed occurrences</u></b>	The Offer is <del>unconditional (other than in respect of subject to thea</del> "prescribed occurrences" condition <u>only</u> <sup>3</sup> ). Fitzroy may choose to waive the Condition in accordance with the Offer.
<b>Settlement terms</b>	If you accept the Offer, you will be paid the Offer Consideration on the later of: <ul style="list-style-type: none"> <li>(a) 1 month after the date you validly accept the Offer; or</li> <li>(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 14 days after the end of the Offer Period.</li> </ul>
<b>How to accept the Offer</b>	<p><b>CHES Holdings</b></p> <p>If your Royalco Shares are in a CHES Holding, to accept the Offer you must either:</p> <ul style="list-style-type: none"> <li>(a) instruct your controlling participant (usually your Broker) to accept the Offer on your behalf; or</li> <li>(b) complete, sign and return the enclosed Acceptance Form in accordance with the instructions on it.</li> </ul> <p><b>Issuer Sponsored Holdings</b></p> <p>If your Royalco Shares are in an Issuer Sponsored Holding, to accept the Offer you must complete, sign and return the Acceptance Form in accordance with the instructions on it.</p> <p>Signed Acceptance Forms must be received before the end of the Offer Period by:</p> <p>Boardroom Pty Limited at either GPO Box 3993 Sydney NSW 2001 or Level 12/225 George Street, Sydney NSW 2000 A business reply-paid envelope is enclosed.</p> <p>If you wish to sell your Royalco Shares on-market, please contact your Broker.</p>
<b>No stamp duty</b>	You will not pay any stamp duty on accepting the Offer.
<b>What to do next</b>	<p>You should read this Bidder's Statement in its entirety before making a decision as to whether or not to accept the Offer for your Royalco Shares or whether or not to sell your Royalco Shares on-market.</p> <p>If you wish to accept the Offer, please see section 9 of this Bidder's Statement.</p> <p>If you wish to sell your Royalco Shares on-market, please contact your Broker.</p>
<b>Further information</b>	For questions about your Royalco Shares, the Offer, or how to accept the Offer please refer to the remainder of this Bidder's Statement.

<sup>3</sup> These include RCO splitting or consolidating its shares, RCO or a subsidiary buying-back or reducing its capital, RCO or a subsidiary issuing securities, RCO or a subsidiary disposing of the whole or a substantial part of its business or property, or the occurrence of insolvency events in respect of RCO or a subsidiary. See further the Section 9 of this Bidder's Statement for further details.

## Why you should accept the Offer

### 1. THE OFFER PRICE IS AN ATTRACTIVE CASH PRICE

The all cash consideration of 20 cents per Royalco Share is being offered to all Royalco Shareholders.

This is 2.0 cents per Share more or 11% higher than the price offered by Fitzroy in its recent on-market takeover offer which lapsed on 12 December 2016. This price is also 2.0 cents higher than the price at which Fitzroy acquired 4,548,215 Royalco Shares (8.6% of Royalco Shares) on 15 August 2016 from an institutional shareholder.

The Offer values Royalco at \$10.54 million. This is a 3.6% premium to Royalco's net assets (\$10.17 million) and 3.5 times Royalco's net tangible assets (\$2.99 million) at 30 June 2016.

### 2. RECOMMENDED OFFER

The **Royalco board recommends** that Royalco Shareholders accept the Offer, in the absence of a superior proposal.

### 3. ROYALCO CHAIRMAN INTENDS TO ACCEPT THE OFFER

An Associate of Royalco Chairman Mr Peter Topham sold 2,669,000 Royalco Shares (representing 46% of their Royalco shareholding) to Fitzroy at the Offer price on 13 December 2016 and Mr Topham has stated he intends to accept the Offer for the RCO Shares he controls in the absence of a superior proposal.

### 4. THERE ARE RISKS ASSOCIATED WITH CONTINUING TO HOLD ROYALCO SHARES

Retaining your Royalco Shareholding carries significant risk as outlined below.

#### (a) UNCERTAINTY OF OUTCOME OF THE SPILL MEETING

High Peak has nominated three directors to replace existing RCO directors at the spill meeting to be held in early 2017. If High Peak's nominees are appointed, control of the Royalco Board will effectively pass without High Peak making a takeover offer.

#### (b) ROYALCO SHARES ARE VERY THINLY TRADED

Royalco Shares are very thinly traded. As at 14 December 2016, approximately 80% of RCO's Shares were held by the top 20 Royalco Shareholders. There are only approximately 500 Royalco Shareholders in total.

Depending on the level of acceptances Fitzroy receives under the Offer, the market for Royalco Shares may become even less liquid following the Offer. The Offer represents an opportunity for all Royalco Shareholders to sell all their Royalco Shares for cash.

### 5. ROYALCO SHARE PRICE MAY FALL AFTER THE CLOSE OF THE OFFER

While there are many factors influencing the market price of Royalco Shares, there is a risk that the Royalco Share price will fall after the close of the Offer.



## **6. THERE IS NO COMPETING OFFER**

As at the date of this Bidder's Statement, the Offer is the only available offer for all Royalco Shares.

## **7. THERE ARE RISKS ASSOCIATED WITH BEING A MINORITY SHAREHOLDER**

Depending on the level of acceptances Fitzroy receives under the Offer, the market for Royalco Shares may become even less liquid than at present. This could make it more difficult for you to sell your Royalco Shares at an attractive price in the future.

If the number of Royalco Shareholders is less than that required by the ASX Listing Rules then ASX may suspend and/or de-list Royalco. If this occurs, any remaining Royalco Shareholders will not be able to sell their Royalco Shares on-market. Consequently, there may be a reduced likelihood of a subsequent takeover bid for Royalco from parties other than Fitzroy.

After the Offer closes, if Fitzroy's Voting Power in Royalco is less than 90%, Royalco Shares may trade below the Offer Price.

If Fitzroy becomes entitled to do so, it intends to exercise its entitlement under the Corporations Act to compulsorily acquire the remaining Royalco Shares Fitzroy does not own. If your Royalco Shares are compulsorily acquired you will be paid later than Royalco Shareholders who accept the Offer.

## 1. Key questions

This Section answers some key questions that you may have about the Offer and should only be read in conjunction with the entire Bidder's Statement.

### 1.1. What is the Bidder's Statement?

The Bidder's Statement sets out the terms of Fitzroy's Offer and information relating to the Offer and the consideration you will receive.

### 1.2. What is the Offer?

Fitzroy is offering to acquire your Royalco Shares by way of an off-market takeover offer. The cash Offer is unconditional on the ~~(other than in respect of a~~ "prescribed occurrences" condition only<sup>4</sup>).

The Offer extends to Royalco Shares on issue at 7.00pm on 14 December 2016 and any Royalco Shares issued during the Offer Period.

The Offer consideration is 20 cents for every Royalco Share you hold.

### 1.3. What are the tax consequences if I accept the Offer?

Please consult your financial, tax or other professional adviser on the tax implications of accepting the Offer. However, a general summary of the likely Australian tax consequences is set out in Section 6.

### 1.4. How do I accept the Offer?

#### *CHESSE Holdings*

If your Royalco Shares are in a CHESSE Holding, to accept the Offer you must either:

- (a) instruct your Controlling Participant (usually your Broker) to accept the Offer on your behalf; or
- (b) complete, sign and return the enclosed Acceptance Form in accordance with the instructions on it.

#### *Issuer Sponsored Holdings*

If your Royalco Shares are in an Issuer Sponsored Holding, to accept the Offer you must complete, sign and return the Acceptance Form in accordance with the instructions on it.

#### *Participants*

If you are a Participant (as defined in the ASX Settlement Rules) (typically, a stockbroker who is a participating organisation of ASX Settlement), the above does not apply. To accept the Offer you must initiate acceptance in accordance with the ASX Settlement Rules.

### 1.5. Can I sell my Royalco Shares on-market?

Yes, Fitzroy has instructed its Broker, Taylor Collison, to immediately commence purchasing Royalco Shares on-market at the Offer price. (Fitzroy reserves the right to withdraw those instructions in its discretion.)

Royalco Shareholders who sell their Royalco Shares on the ASX will receive payment from their Broker. Settlement of trades on the ASX is on a T+2 basis (being 2 business days after the date of the transaction).

Royalco Shareholders who sell Royalco Shares on the ASX cannot subsequently accept the Offer in respect of their Royalco Shares sold on the ASX. In addition, Royalco Shareholders who sell Royalco Shares on the ASX may incur brokerage charges which they may not incur if they accept the Offer.

<sup>4</sup> These include RCO splitting or consolidating its shares, RCO or a subsidiary buying-back or reducing its capital, RCO or a subsidiary issuing securities, RCO or a subsidiary disposing of the whole or a substantial part of its business or property, or the occurrence of insolvency events in respect of RCO or a subsidiary. See further the Section 9 of this Bidder's Statement for further details.

**1.6. Can I accept the Offer for part of my holding?**

No, you can only accept for all of your holding. Your acceptance will be treated as being for all your Royalco Shares plus any additional Royalco Shares registered as held by you at the date your acceptance is processed.

**1.7. Are there any conditions to the Offer?**

The Offer is only conditional on there being no "prescribed occurrences". "Prescribed occurrences" are certain events which, if they occur, will give Fitzroy the right not to proceed with the Offer. Some of these events include RCO splitting or consolidating its shares, RCO or a subsidiary buying-back or reducing its capital, RCO or a subsidiary issuing securities, RCO or a subsidiary disposing of the whole or a substantial part of its business or property, or the occurrence of insolvency events in respect of RCO or a subsidiary. This condition is set out in full in Section 9.7 of this Bidder's Statement.

**1.8. What happens if I accept the Offer?**

Once you accept the Offer in respect of all of your Royalco Shares, you will not be able to sell those Royalco Shares or otherwise deal with the Rights attaching to those Royalco Shares subject to your limited statutory rights to withdraw your acceptance in certain circumstances.

**1.9. What happens if I do not accept the Offer?**

Subject to what is stated below, you will remain the holder of your Royalco Shares if you do not accept the Offer.

If Fitzroy obtains a relevant interest in at least 90% of the Royalco Shares (by number) on issue at any time during the Offer Period and the Condition is satisfied or waived, Fitzroy presently intends to proceed to compulsorily acquire your Royalco Shares if you have not accepted the Offer (see Section 4). At the conclusion of the compulsory acquisition process, you will receive 20 cents for every 1 fully paid Royalco Share which is compulsorily acquired. You will receive consideration for your Royalco Shares sooner if you accept the Offer.

If Fitzroy obtains an interest in less than 90% of Royalco Shares, Fitzroy will not be able to proceed to compulsorily acquire your Royalco Shares. Fitzroy's intentions if it has an interest in less than 90% of Royalco Shares are described in Section 4.

**1.10. Can I withdraw my acceptance?**

Under the terms of the Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. Such a withdrawal right will arise if, after you accept the Offer, Fitzroy varies the Offer in a way that postpones for more than 1 month the time when Fitzroy has to pay you under the Offer.

**1.11. When does the Offer close?**

The Offer is currently scheduled to close at 7:00 pm (AEDT) on 30 January 2017, unless extended or withdrawn.

**1.12. Can Fitzroy extend the Offer Period?**

Yes, the Offer can be extended by Fitzroy or otherwise in accordance with the Corporations Act. You will be sent written notice of any extension, as required by the Corporations Act.

**1.13. If I accept the Offer, when will I receive the cash consideration?**

If you accept this Offer, Fitzroy will, in the usual course, pay to you the cash consideration to which you are entitled on or before the earlier of:

- (a) the day 1 month after you accept this Offer or, if this Offer is subject to the Condition when accepted, 1 month after the contract resulting from your acceptance becomes unconditional; and

- (b) the day 14 days after the end of the Offer Period, provided that the Offer has become unconditional.

Full details of when you will be paid cash consideration are set out in Section 9.6.

#### **1.14. Will I need to pay brokerage or stamp duty if I accept the Offer?**

You will not pay any stamp duty on accepting the Offer. If your Royalco Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Fitzroy, you will not incur any brokerage connected with you accepting the Offer. If your Royalco Shares are in a CHESS Holding or you hold your Royalco Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually, your Broker or the bank, custodian or other nominee) whether it will charge any transaction fees or service charges connected with you accepting the Offer.

## **2. About Fitzroy**

### **2.1. Corporate**

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.

### **2.2. Directors of Fitzroy**

The Fitzroy Directors are:

- (a) Malcolm McComas (Chair);
- (b) Susan Thomas; and
- (c) Justin Clyne.

### **2.3. Public announcements by Fitzroy**

Fitzroy is a disclosing entity for the purposes of section 111AC(1) of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require Fitzroy to:

- (a) prepare and lodge with ASX both yearly and half-yearly financial statements accompanied by a directors' statement and report and an audit or review report; and
- (b) immediately notify ASX of any information concerning Fitzroy of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities in Fitzroy, subject to certain limited exceptions related mainly to confidential information.

Copies of documents lodged at ASIC in relation to Fitzroy may be obtained from or inspected at an office of ASIC. Copies of documents lodged with ASX in relation to Fitzroy may be obtained from ASX's website ([www.asx.com.au](http://www.asx.com.au)).

## **3. About RCO**

### **3.1. Disclaimer**

The following description of RCO and the financial information concerning RCO contained in this Section has been prepared by Fitzroy using publicly available information. To the extent permitted by law, Fitzroy does not make any representation or warranty, express or implied, as to the currency, accuracy or completeness of such information.

The primary sources of information about RCO used by Fitzroy are as follows:

- (a) Annual Reports to Royalco Shareholders;
- (b) announcements issued by RCO through ASX; and

(c) the RCO website.

### 3.2. Overview of RCO and its principal business activities

The principal activities of RCO were:

- (a) management of resource based royalties; and
- (b) investigating other exploration development opportunities.

### 3.3. Directors

As at the date of this Bidder's Statement, there are 3 directors of RCO, being:

- (a) Peter Topham;
- (b) Bruce Pertzelt; and
- (c) Nick Boicos.

### 3.4. Major Royalco Shareholders

Based on RCO's Annual Report for 2016 and substantial shareholder notices released to the ASX, RCO currently has the following substantial Royalco Shareholders:

Name	Number of Royalco Shares	Percentage of issued capital
High Peak Royalties Limited	11,261,552	21.36%
Fitzroy River Corporation Limited <sup>1</sup>	10,766,356, <del>542,500</del>	<del>19.99%</del> 20.42%
Noontide Investments Ltd	9,798,132	18.59%
David Lindsay Ogg and Associates	3,695,260	7.01%
Keryn Anne Topham and Associates <sup>1</sup>	3,136,140	5.95%

**Notes:**

1. Fitzroy's holding includes 2,669,000 Royalco Shares acquired from Keryn Anne Topham on 13 December 2016. As at ~~the date of this document~~ 14 December 2016 no substantial holder notice has been released to ASX.

### 3.5. Overview of RCO's historical financial performance

A summary of the historical consolidated financial performance of RCO and its controlled entities for the financial years ended 30 June 2015 and 30 June 2016 is set out below<sup>1</sup>:

\$	30 June 2016	30 June 2015
Revenue from continuing activities	841,935	1,145,315
Expenses	(1,594,121)	(1,583,422)
Loss before income tax expense from continuing operations	(752,186)	(438,107)
Loss after income tax for the year attributable to the owners of RCO	(752,186)	(1,186,110)

**Notes:**

1. The above information has been drawn from the audited financial statements for RCO and its controlled entities and associated disclosure included in RCO's Annual Reports for the years ended 30 June 2015 and 2016 (inclusive).

### 3.6. RCO statement of financial position

The consolidated statement of financial position of RCO as at 30 June 2016 and 30 June 2015 is set out below,<sup>1</sup>

\$	30 June 2016	30 June 2015
Total current assets	3,290,632	4,074,528
Total non-current assets	7,208,581	7,631,448
Total assets	10,499,213	11,705,976
Total current liabilities	322,779	251,637
Total non-current liabilities	5,998	4,575
Total liabilities	328,777	256,212
Net assets	10,170,436	11,449,764

#### Notes:

- The information above has been drawn from the audited financial statements for RCO and its controlled entities and associated disclosure included in RCO's Annual Reports for the financial years ended 30 June 2015 and 30 June 2016.

### 3.7. Cash levels as disclosed in Appendix 4C

RCO reports its cash commitments to ASX on a quarterly basis. These reports, known as Appendix 4C reports, require RCO to disclose its cash levels and known cash commitments at the end of each quarter. The table below summarises the end of quarter closing cash balances for the past four reported quarters.

\$	30 Sep 2016	30 June 2016	31 March 2016	31 Dec 2015
Cash at end of quarter	2,845,000	3,148,000	3,163,000	3,449,000

### 3.8. ASX announcements

RCO is a disclosing entity for the purposes of section 111AC(1) of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require RCO to:

- prepare and lodge with ASIC both yearly and half-yearly financial statements accompanied by a directors' statement and report and an audit or review report; and
- immediately notify ASX of any information concerning RCO of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities in RCO, subject to certain limited exceptions related mainly to confidential information.

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

Since the 2016 Annual Report and Appendix 4G lodged on 22 September 2016, RCO has issued the following announcements to ASX:

Date	Announcement
14 October 2016	Director Resignation and Final Directors Interest Notice
18 October 2016	Notice of Annual General Meeting / Proxy Form
19 October 2016	FZR: On-Market Cash Offer for Royalco Resources Limited
19 October 2016	FZR: Bidder's Statement
19 October 2016	Change in substantial holding from FZR
19 October 2016	On-market cash offer - RCO response

Date	Announcement
21 October 2016	September Quarterly Activities and Cash Flow Report
27 October 2016	FZR: Dispatch of Bidder's Statement
28 October 2016	RCO Target's Statement
03 November 2016	Dispatch of Target's Statement
23 November 2016	Resignation and Appointment of Directors
24 November 2016	Change of Directors and AGM Results
25 November 2016	FZR: Extension of Bid for Royalco Resources
29 November 2016	Spill Meeting nominations
30 November 2016	Change in substantial holding from HPR
30 November 2016	HPR: Royalco Resources Limited Spill Motion Successful
01 December 2016	Spill Meeting nomination
06 December 2016	Supplementary Target's Statement
13 December 2016	Fitzroy: Close of On Market Offer for Royalco Resources
14 December 2016	Change in substantial holding (Fitzroy)
14 December 2016	Fitzroy River Corporation Limited announces recommended takeover offer for Royalco Resources Ltd
<a href="#">14 December 2016</a>	<a href="#">FZR: Bidder's Statement for Royalco</a>
<a href="#">14 December 2016</a>	<a href="#">Shareholder Distribution and Top 20</a>
<a href="#">14 December 2016</a>	<a href="#">Change of Director's Interest Notice</a>
<a href="#">14 December 2016</a>	<a href="#">Royalco responding to new Fitzroy Takeover Offer</a>
<a href="#">19 December 2016</a>	<a href="#">Target's Statement</a>
<a href="#">20 December 2016</a>	<a href="#">Change in substantial holding</a>
<a href="#">21 December 2016</a>	<a href="#">FZR: Welcomes Royalco's Formal Recommendation of FZR's Offer</a>

### 3.9. RCO options

RCO executives are entitled to participate in RCO's employee option share plan. There are no securities on issue under this plan.

## 4. Fitzroy's intentions

### 4.1. General

This Section 4 sets out Fitzroy's intentions in relation to:

- (a) the continuation of RCO's business;
- (b) any significant changes to be made to RCO's business, including any redeployment of RCO's fixed assets; and
- (c) the future employment of RCO's employees.

Fitzroy's intentions are based on the information known and the circumstances that exist at the date of this Bidder's Statement.

Fitzroy has reviewed information in the public domain concerning RCO, its business and the general business environment in which it operates. Based on its review of that material, and on its current assessment of RCO's operations, Fitzroy's intentions in relation to RCO are summarised below. Statements set out in this Section are statements of current intentions only which may change as new information becomes available or circumstances change.

#### **4.2. Strategic review**

As Fitzroy does not currently have access to all material information, facts and circumstances which it considers necessary to assess the operational, commercial, taxation and financial implications of its current intentions, final decisions on these matters have not been made. Upon completion of the Offer, and in the event that Fitzroy controls more than 50% of RCO's Shares, Fitzroy proposes to conduct a review of the strategy, operations, activities, assets and employees of RCO in light of the information which then becomes available to it (**Review**).

Final decisions will only be reached in light of all material facts and circumstances. Accordingly, the statements set out in this Section are statements of current intention only which may change as new information becomes available or circumstances change.

#### **4.3. Fitzroy's intentions upon controlling 90% or more of Royalco Shares**

This Section sets out Fitzroy's intentions if it controls 90% or more of Royalco Shares and becomes entitled to proceed to compulsory acquisition of Royalco Shares under the Corporations Act.

- (a) Fitzroy currently intends to proceed to compulsory acquisition of the remaining Royalco Shares if it becomes entitled to do so under the Corporations Act.
- (b) Fitzroy will seek to remove RCO from the Official List of ASX.
- (c) Fitzroy intends to replace all non-executive RCO directors with nominees of Fitzroy.
- (d) Fitzroy intends to undertake the Review.
- (e) Subject to the outcome of the Review, Fitzroy expects to continue to operate the RCO business in substantially the same manner as it is presently operated by RCO.

#### **4.4. Fitzroy's intentions upon controlling more than 50% but less than 90% of Royalco Shares**

If, by virtue of acceptance of the Offer or pre-Offer acquisitions, acquires a Relevant Interest in RCO of more than 50% but less than 90%, its current intentions are as set out below.

- (a) RCO will become a controlled entity of Fitzroy.
- (b) Fitzroy intends to undertake the Review.
- (c) Subject to the Corporations Act and the Review, Fitzroy proposes to seek the appointment of a majority of Fitzroy nominees to the board although it has not made any decision as to who would be nominated for appointment. Fitzroy may also seek to add to, replace or reorganise the roles of a proportion of the members of the RCO board of directors to reflect the proportionate ownership interest of Fitzroy and other Royalco Shareholders.
- (d) Fitzroy may seek to remove RCO from the Official List of ASX.
- (e) Fitzroy may, at some later time, acquire further Royalco Shares in a manner consistent with the Corporations Act.
- (f) If Fitzroy becomes entitled at some later time to exercise general compulsory acquisition rights under Part 6A.2 of the Corporations Act, it may exercise those rights.
- (g) Fitzroy intends to undertake the activities referred to in Section 4.6 to the extent permitted by its control of RCO.

#### **4.5. Fitzroy's intentions upon controlling 50% or less of Royalco Shares**

If Fitzroy does not achieve a Relevant Interest in more than 50% of RCO, to the extent possible through its non-controlling holding of Royalco Shares, Fitzroy will endeavour to give effect to the



intentions set out in Section 4.4. However, Fitzroy considers that its ability to effect the intentions set out in Section 4.4 will be significantly limited if Fitzroy is unable to achieve a Relevant Interest in RCO of more than 50%.

Fitzroy may consider acquiring additional Royalco Shares under the “creep” provisions of Item 9 in section 611 of the Corporations Act (which provides that Fitzroy and its Associates may acquire up to 3% of Royalco Shares every 6 months) until it achieves a majority Voting Power. Fitzroy has not yet decided whether it will acquire further Royalco Shares as this will depend upon the extent to which Fitzroy has the capacity to acquire further Royalco Shares and market conditions at that time.

#### **4.6. Intentions generally**

Except for the changes and intentions set out in this Section 4, Fitzroy intends, based on the information presently known to it:

- (a) to continue the RCO business; and
- (b) not to make any major changes to the business of RCO; and
- (c) not to make any changes to the employment terms of RCO’s employees.

As at the date of the Bidder’s Statement, Fitzroy reserves its position in relation to the spill meeting that will be held in early 2017. Fitzroy notes that High Peak, currently RCO’s largest shareholder, has nominated three directors to replace the existing RCO directors at the spill meeting to be held in early 2017. If High Peak’s nominees are appointed, control of the RCO board will effectively pass without High Peak making a takeover offer.

#### **4.7. Limitations on intentions**

The intentions and statements of future conduct set out in this Section 4 must be read as being subject to:

- (a) the law (including the Corporations Act) and the Listing Rules, including in particular the requirements of the Corporations Act and the Listing Rules in relation to conflicts of interest and “related party” transactions given that, if Fitzroy gains control of RCO but does not acquire all of the Royalco Shares, it will be treated as a related party of RCO for these purposes;
- (b) the legal obligation of the RCO directors at the time, including any nominees of Fitzroy, to act in good faith and in the best interests of RCO and for proper purposes and to have regard to the interest of all Royalco Shareholders (in which regard the role of independent directors of RCO will also be important); and
- (c) the outcome of the Review.

## **5. Sources of Offer consideration**

### **5.1. Consideration under the Offer**

The total amount that Fitzroy would be required to pay for Royalco Shares if Fitzroy acquires all of the Royalco Shares on issue on the date of this Bidder’s Statement in which it and its Associates do not have a Relevant Interest at the Offer Price is approximately \$8.434 million.

The total cash consideration payable by Fitzroy as described in this Section 5 excludes any costs payable by Fitzroy in relation to the Offer.

### **5.2. Financial position of Fitzroy**

Fitzroy currently has \$7.550 million of cash in its bank accounts that is either at call or on short term deposit.

Fitzroy has received a letter from its financier that confirms the availability of Fitzroy's cash held on short term deposit for the purpose of funding the cash consideration payable by Fitzroy. Fitzroy's cash reserves, together with the short term debt facility (see below) are sufficient for Fitzroy to fund the total cash consideration under the Offer.

### 5.3. Fitzroy funding

The Offer is not subject to a financing condition.

Fitzroy estimates that the total transaction costs associated with the Offer (other than the Offer Price payable for all Royalco Shares) are not expected to exceed \$100,000.

Fitzroy intends to fund the cash consideration under the Offer using available cash reserves and a short term debt facility.

To meet its funding obligation under the Offer, Fitzroy has available to it:

- (a) \$7.550 million in cash reserves detailed above; and
- (b) a debt facility, with sufficient undrawn commitment of funds which is immediately available for drawdown to fund the Offer consideration and working capital. This facility is unsecured and is not subject to any events of default, undertakings, representations or other provisions that could give rise to termination rights or earlier repayment obligations. Fitzroy has no reason to believe that a drawdown will not be able to be made and the terms of the facility do not have any material pre-conditions to the making available of the funds outside of Fitzroy's control. Further details on the short term debt facility are set out below:
  - (i) the facility has been provided by ASX listed entity Mercantile Investment Company Limited (MVT) (ACN 121 415 576);
  - (ii) MVT is not related to Fitzroy or Royalco;
  - (iii) the facility has been provided for use in relation to the Offer only;
  - (iv) if drawn, the loan must be repaid on 12 December 2017 (unless extended with MVT's consent); and
  - (v) the loan can be repaid by Fitzroy in part or in full at any time with accrued interest.

## 6. Tax considerations

### 6.1. General

The following is a summary of the principal Australian tax consequences generally applicable to Royalco Shareholders who dispose of their Royalco Shares under the Offer for cash consideration. These consequences will depend on the individual circumstances of Royalco Shareholders. You should make your own inquiries and seek independent professional advice on your circumstances.

The comments set out below are relevant only to those Royalco Shareholders who hold their Royalco Shares as capital assets for the purpose of investment and who do not (or would not) hold those Royalco Shares in connection with the conduct of a business. Certain Royalco Shareholders (such as those engaged in a business of trading or investment, those who acquired their Royalco Shares for the purpose of resale at a profit or those which are banks, insurance companies, tax exempt organisations, superannuation funds or persons who acquired their Royalco Shares in the course of their employment with RCO) will or may be subject to special or different tax consequences specific to their circumstances.

The following outline is based upon Australian taxation law and practice in effect as at the date of this Bidder's Statement. It is not intended to be an authoritative or complete statement or analysis of the taxation laws applicable to the particular circumstances of every Royalco Shareholder. Royalco

Shareholders should seek independent professional advice regarding the taxation consequences of disposing of Royalco Shares in the light of their own particular circumstances.

## **6.2. Australian resident Royalco Shareholders**

If you accept the Offer, you will be treated as having disposed of your Royalco Shares. If you held them on capital account and you dispose of them, such a disposal is likely to constitute a CGT event for CGT purposes. Australian resident Royalco Shareholders may make a capital gain or capital loss on the disposal of an Royalco Share under the Offer.

In general, the capital gain or loss on the disposal of an Royalco Share under the Offer is the difference between the value of the capital proceeds (i.e. the cash consideration received from Fitzroy) and the cost base of the Royalco Share. The cost base of Royalco Shares is generally their cost of acquisition or deemed cost of acquisition. Certain other amounts associated with acquisition and disposal, such as brokerage or stamp duty, may be added to the cost base.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain. Capital gains made during an income year are reduced by any capital losses made during that same income year. This may be reduced further by capital losses carried forward from prior years. A 'CGT Discount' may be available to reduce further the taxable gain for certain Royalco Shareholders (see further below). The remaining net capital gain is included as assessable income in your income tax return and is subject to income tax at your marginal tax rate in the year in which you dispose of the Royalco Shares. A net capital loss may be carried forward to be offset against future capital gains (not against other income for income tax purposes).

An Royalco Shareholder who is an individual, complying superannuation entity or trustee of a trust may be eligible for a 'CGT Discount' if they acquired (or are deemed to have acquired) their Royalco Shares at least 12 months before the time they accept the Offer. The CGT Discount is not available to companies, nor does it apply to Royalco Shares owned (or deemed to be owned) for less than the relevant 12 month period.

## **6.3. Non-resident Royalco Shareholders**

Royalco Shareholders who are not resident in Australia for tax purposes should also consider the tax consequences under the laws of their country of residence, as well as under Australian law. In Australia, the CGT rules only apply to non-residents of Australia in relation to 'taxable Australian property'. Royalco Shares held by an Royalco Shareholder who is not an Australian resident for tax purposes will be taxable Australian property only if the Royalco Shares:

- (a) are an indirect Australian real property interest; or
- (b) were used at any time by the Royalco Shareholder in carrying on a business through a permanent establishment in Australia; or
- (c) were included under a CGT deferral election when the Royalco Shareholder ceased to be an Australian resident.

Royalco Shares will generally not constitute an indirect Australian real property interest unless the total market value of Australian real property assets is more than 50% of the total market value of RCO's assets and the shareholding represents at least 10% (including associate interests) of either the total shares or voting right or distribution rights.

## **6.4. Stamp duty and GST**

Any stamp duty payable pursuant to the Offer will be the liability of Fitzroy and will be paid by Fitzroy. Royalco Shareholders may be charged GST on costs (such as advisor fees) that relate to their acceptance of the Offer. Royalco Shareholders may be entitled to input tax credits for such costs, but should seek independent advice in relation to their individual circumstances.

## 7. Information on Royalco Shares

### 7.1. RCO capital structure

As at the date of this Bidder's Statement, there are 52,714,183 Royalco Shares on issue.

### 7.2. Royalco Share trading

Fitzroy acquired 4,548,215 Royalco Shares at 18 cents per share on 15 August 2016 (increasing its Voting Power in RCO to 14.9%). Fitzroy subsequently acquired 2,669,000 Royalco Shares from an Associate of Royalco Chairman Mr Peter Toham on 13 December 2016 (increasing its Voting Power in RCO to 19.99%). It has acquired 263,856 RCO Shares since 14 December 2016 (increasing its Voting Power in RCO to 20.42%).

In the six months prior to the Announcement Date, the highest closing price and lowest closing price of Royalco Shares traded on ASX were as follows:

- (a) High: 22.5 cents
- (b) Low: 17.0 cents

### 7.3. Fitzroy and its Associates' interests in RCO

As at the date of this Bidder's Statement, Fitzroy had a Relevant Interest in a total of 10,542,500 Royalco Shares (see Section 3.4 for details).

As at the date of this Bidder's Statement, Fitzroy and its Associates had Voting Power of 19.99% in RCO.

## 8. Other material information

### 8.1. No collateral benefits

Neither Fitzroy nor any of its Associates has, during the period of four months ending on the day immediately before the date of this Bidder's Statement, given, or offered or agreed to give, a benefit to another person likely to induce the other person, or an Associate, to:

- (a) accept the Offer; or
- (b) dispose of Royalco Shares,

which benefit was not offered to all Royalco Shareholders under the Offer.

### 8.2. No escalation agreements

Neither Fitzroy nor any Associate of Fitzroy has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

### 8.3. No dealings in Royalco Shares

Other than as described in Section 7.2 above, in the four months prior to the date of this Bidder's Statement, neither Fitzroy nor any of its Associates has dealt in any Royalco Shares.

### 8.4. Material contracts

Fitzroy is not aware of the terms of any contracts to which RCO or any of its controlled entities are a party that contain provisions entitling the contract counterparty to terminate the contract in the event of a change of control of RCO.

Fitzroy has not engaged in any discussions with any party with whom RCO or a controlled entity of RCO has a substantive contract for the provision of goods or services to assess the impact of a change of control of RCO on any contract.

#### **8.5. Regulatory approvals**

There are no regulatory approvals that Fitzroy needs to obtain before acquiring Royalco Shares before or under the Offer.

#### **8.6. Consents**

Taylor Collison has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as the Broker to Fitzroy in this Bidder's Statement in the form and context in which it is so named.

TC Corporate Pty Ltd (**TC Corporate**) has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as the financial advisor to Fitzroy in this Bidder's Statement in the form and context in which it is so named.

Watson Mangioni Lawyers Pty Limited (**Watson Mangioni**) has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as legal advisor to the Offer in the form and context in which it is named.

Each of Taylor Collison, TC Corporate and Watson Mangioni:

- (a) has not authorised or caused the issue of the Bidder's Statement;
- (b) does not make, or purport to make, any statement in this Bidder's Statement other than as specified in this Section;
- (c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Bidder's Statement other than the reference to its name and the statements (if any) included in this Bidder's Statement with the consent of that party as specified in this Section.

#### **8.7. Date for determining holders of Royalco Shares**

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) is 16 December 2016.

#### **8.8. Potential for waiver of Prescribed Occurrences Condition**

The Offer is subject only to the prescribed occurrences condition set out in Section 9.7. Under the terms of the Offer and the Corporations Act, any or all of those Conditions may be waived by Fitzroy.

If an event occurs which results (or would result) in the non-fulfilment of the Condition, Fitzroy might not make a decision as to whether it will either rely on that non-fulfilment, or instead waive the Condition, until the date for giving notice as to the status of the Condition of the Offer under section 630(3) of the Corporations Act.

If Fitzroy decides that it will waive the Condition, it will announce that decision to ASX in accordance with section 650F of the Corporations Act. If the Condition is not fulfilled, and Fitzroy decides to rely on the non-fulfilment, then any contract resulting from acceptance of the Offer will become void at (or, in some cases, shortly after) the end of the Offer Period, and the relevant Royalco Shares will be returned to the holder.

#### **8.9. Status and effect of the Condition**

As at the date of this Bidder's Statement, Fitzroy is not aware of any events or circumstances which would result in the non-fulfilment of the Condition in Section 9.7.

### **8.10. ASIC modifications and exemptions**

ASIC has published various other Class Order instruments providing for modifications and exemptions that apply generally to all persons, including Fitzroy.

### **8.11. On-market acquisitions by Fitzroy**

Subject to the requirements of the Corporations Act, Fitzroy may acquire Royalco Shares on market at prices at the Offer Price during normal trading on the ASX.

As disclosed earlier in this document, Fitzroy has instructed its Broker, Taylor Collison, to immediately commence purchasing Royalco Shares on-market at the Offer Price. (Fitzroy reserves the right to withdraw those instructions in its discretion.)

Any such purchases by Fitzroy will be disclosed to the ASX in substantial shareholder notices which Fitzroy is required to lodge under the Corporations Act.

Royalco Shareholders who sell their Royalco Shares on the ASX will receive payment from their Broker. Settlement of trades on the ASX is on a T+2 basis (being 2 business days after the date of the transaction).

Royalco Shareholders who sell Royalco Shares on the ASX cannot subsequently accept the Offer in respect of their Royalco Shares sold on the ASX. In addition, Royalco Shareholders who sell Royalco Shares on the ASX may incur brokerage charges which they may not incur if they accept the Offer.

### **8.12. Other material information**

There is no other information material to the making of a decision by an offeree whether or not to accept an Offer (being information that is known to Fitzroy and has not previously been disclosed to the holders of Royalco Shares) other than as disclosed in this Bidder's Statement.

### **8.13. ASIC modifications and exemptions**

This Bidder's Statement includes or is accompanied by statements that are made in, or based on, statements made in documents lodged with ASIC or ASX. Under the terms of ASIC Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Bidder's Statement. A list of all such documents is set out in Section 3.8.

In accordance with your right to obtain a copy of the above documents free of charge under ASIC Class Order 13/521, please contact Fitzroy on +61 2 9993 4407.

Fitzroy has not obtained from ASIC any modifications or exemptions from the Corporations Act in relation to the Offer.

### **8.14. Costs and expenses**

All costs and expenses of the preparation and circulation of this Bidder's Statement and the Offer, and all transfer duty payable on transfer of your Royalco Shares will be paid by the Bidder.

## **9. Offer Terms**

### **9.1. Fitzroy's Offer**

- (a) Fitzroy offers to acquire your Royalco Shares on the terms and conditions of this Offer. You may accept this Offer in respect of your Royalco Shares.
- (b) The consideration being offered by Fitzroy is 20 cents for every Royalco Share you own.

- (c) If you accept this Offer and Fitzroy acquires your Royalco Shares, Fitzroy is also entitled to any Rights in respect of your Royalco Shares.

## 9.2. Offer Period

Unless withdrawn, this Offer remains open for acceptance during the period commencing on the date of this Offer and ending at 7:00pm on 30 January 2017 (AEDT), subject to any extension of that period in accordance with the Corporations Act.

## 9.3. Who may accept

- (a) An offer in the form of this Offer is being made to:
- (i) each holder of Royalco Shares registered, or entitled to be registered, in the register of members of RCO at 7:00pm (AEDT) on 14 December 2016; and
  - (ii) each other holder of Royalco Shares who becomes so registered before the end of the Offer Period.
- (b) If at the time this Offer is made to you another person is, or at any time during the Offer Period and before this Offer is accepted becomes, the holder of, or entitled to be registered as the holder of, some or all of your Royalco Shares (**transferred shares**), Fitzroy is deemed, in place of this Offer, to have made at that time a corresponding Offer on the same terms and conditions:
- (i) to the other person, relating to the transferred shares; and
  - (ii) to you, relating to your Royalco Shares other than the transferred shares (if any).
- (c) If at any time during the Offer Period and before this Offer is accepted, you hold your Royalco Shares in two or more distinct portions (for example, you hold some as trustee, nominee or otherwise on account of another person) within the meaning of section 653B of the Corporations Act:
- (i) this Offer is deemed to consist of a separate corresponding Offer to you in relation to each distinct portion of your Royalco Shares;
  - (ii) to accept any of those corresponding Offers, you must specify:
    - (A) by written notice accompanying your Acceptance Form; or
    - (B) if the notice relates to Royalco Shares in a CHESS Holding, in an electronic form approved by the ASX Settlement Operating Rules,

that your Royalco Shares consist of distinct portions and the number of the Royalco Shares to which the acceptance relates; and
  - (iii) otherwise, section 653B of the Corporations Act applies to this Offer in respect of your Royalco Shares and any acceptance of this Offer by you.

## 9.4. How to accept this Offer

- (a) You may only accept this Offer in respect of all of your Royalco Shares.
- (b) You may only accept this Offer during the Offer Period.
- (c) If your Royalco Shares are held in a CHESS Holding, you can only accept this Offer in accordance with the ASX Settlement Operating Rules.
- (d) To accept this Offer, you should proceed as follows:

- (i) you may complete and sign the Acceptance Form in accordance with the instructions on the Acceptance Form and return it (together with any documents required by the instructions on it), so that the envelope in which they are sent is received by Fitzroy in accordance with the Acceptance Form before the end of the Offer Period; or
- (ii) if your Royalco Shares are held in a CHESS Holding (as an alternative to completing the Acceptance Form) you may either:
  - (A) instruct your Controlling Participant to initiate acceptance of the Offer in accordance with Rule 14.4 of the ASX Settlement Operating Rules before the end of the Offer Period; or
  - (B) if you are a Broker or an ASX Settlement Participant, initiate acceptance of the Offer in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

### **9.5. Effect of acceptance**

- (a) By accepting the Offer in accordance with Section 9.4, you will have:
  - (i) accepted this Offer in respect of all of your Royalco Shares;
  - (ii) agreed to transfer your Royalco Shares to Fitzroy (subject to this Offer and the contract resulting from your acceptance of it becoming unconditional);
  - (iii) represented and warranted to Fitzroy that your Royalco Shares will at the time of acceptance of this Offer and at the time of their transfer to Fitzroy be fully paid up and that Fitzroy will acquire good title to and beneficial ownership of your Royalco Shares free from all Encumbrances and other adverse third party interests of any kind;
  - (iv) on the Offer or the contract resulting from your acceptance of the Offer becoming unconditional, irrevocably appointed Fitzroy and each of its directors, secretaries and officers severally as your attorney to do all things which you could lawfully do in relation to your Royalco Shares or in exercise of any right derived from the holding of such Royalco Shares, including without limitation:
    - (A) attending and voting at any general meeting of RCO;
    - (B) notifying RCO that your address in the records of RCO for all purposes including the dispatch of notices of meeting, annual reports and dividends should be altered to an address nominated by Fitzroy; and
    - (C) doing all things incidental and ancillary to any of the above.

This appointment terminates on the registration of Fitzroy as the registered holder of your Royalco Shares.

Fitzroy must indemnify you and keep you indemnified in respect of all costs, expenses and obligations which might otherwise be incurred or undertaken as a result of the exercise by an attorney of any powers under this Section 9.4;
  - (v) agreed that in exercising the powers conferred by the power of attorney under Section 9.4 the attorney may act in the interests of Fitzroy as the intended registered holder and beneficial holder of those Royalco Shares;
  - (vi) agreed not to attend or vote in person at any general meeting of RCO or to exercise or purport to exercise any of the powers conferred on an attorney under Section 9.4;
  - (vii) represented and warranted to Fitzroy that the making of the Offer to you and your acceptance of this Offer is lawful under any Foreign Law which applies to you, to the making of this Offer or to your acceptance of this Offer;



- (viii) agreed to indemnify Fitzroy and RCO fully in respect of any claim, demand, action, suit or proceeding made or brought against RCO and any loss, expense, damage or liability whatsoever suffered or incurred by Fitzroy or RCO or both Fitzroy and RCO, in each case as a result of any representation or warranty made by you not being true; and
  - (ix) irrevocably authorised and directed RCO to pay to Fitzroy or to account to Fitzroy for all dividends and other distributions and entitlements which are declared, paid or made or which arise or accrue after the date of this Offer in respect of the Royalco Shares which Fitzroy acquires pursuant to this Offer, subject to your acceptance of this Offer is validly withdrawn pursuant to section 650E of the Corporations Act or the contract resulting from that acceptance becomes void, to Fitzroy accounting to you for any such dividends, distributions and entitlements received by it.
- (b) By completing, signing and returning the Acceptance Form, you will also have:
- (i) authorised Fitzroy and each of its directors, secretaries, officers, servants and agents severally to complete the Acceptance Form by correcting any errors in or omissions from the Acceptance Form as may be necessary for either or both of the following purposes:
    - (A) to make the Acceptance Form an effectual acceptance of this Offer; and
    - (B) to enable registration of the transfer to Fitzroy of your Royalco Shares; and
  - (ii) authorised Fitzroy and each of its directors, secretaries, officers, servants, and agents severally on your behalf to initiate acceptance or instruct your Controlling Participant to initiate acceptance in accordance with Rule 14.14 of the ASX Settlement Operating Rules.
- (c) Fitzroy may at any time in its absolute discretion:
- (i) treat the receipt by it of an Acceptance Form during the Offer Period as a valid acceptance although it does not receive all or any requirements for a valid acceptance have not been complied with; and
  - (ii) where you have satisfied the requirements for acceptance in respect of only some of your Royalco Shares, treat the acceptance as a valid acceptance only in respect of those Royalco Shares.
- (d) In respect of any part of an acceptance treated by Fitzroy as valid, Fitzroy must provide you with the relevant Cash Consideration in accordance with Section 9.6.

#### **9.6. Consideration for your Royalco Shares**

- (a) The obligation of Fitzroy to pay to you to which you are entitled as Cash Consideration under the Offer will be satisfied by Fitzroy dispatching or procuring the dispatch to you a cheque made payable to you by pre-paid ordinary mail or, in the case of addresses outside Australia, by pre-paid airmail, to your address as shown on the Register (or such other address as you may notify in writing to Fitzroy).
- (b) Subject to Section 9.6(c) of this Offer, if the contract resulting from your acceptance of this Offer becomes unconditional, Fitzroy will provide the cash consideration to which you are entitled on acceptance of this Offer on or before the earlier of:
  - (i) 1 month after the date this Offer is validly accepted by you or, if this Offer is subject to the Condition when accepted, within 1 month after this Offer or the contract resulting from your acceptance of this Offer becomes unconditional; and
  - (ii) 14 days after the end of the Offer Period.

Under no circumstances will interest be paid on the consideration for the accepted Shares under this Offer, regardless of any delay in making payment or any extension of this Offer.

- (c) Where the Acceptance Form requires an additional document to be given with your acceptance (such as a power of attorney):
- (i) if that document is given with your acceptance, Fitzroy will provide the consideration in accordance with paragraph (b);
  - (ii) if that document is given after your acceptance and before the end of the Offer Period while the Offer is subject to the Condition, Fitzroy will provide the consideration 1 month after the Offer becomes unconditional;
  - (iii) if the document is given after your acceptance and before the end of the Offer Period while the Offer is not subject to the Condition, Fitzroy will provide the consideration 14 days after the document is received; or
  - (iv) if that document is received after the end of the Offer Period, Fitzroy will provide the consideration within 14 days after that document is received.
- (d) If Fitzroy becomes entitled to any Rights as a result of your acceptance of this Offer, it may require you to give Fitzroy all documents necessary to vest those Rights in Fitzroy or otherwise to give Fitzroy the benefit or value of those Rights. If you do not give those documents to Fitzroy, or if you have received the benefit of those Rights, then Fitzroy may reduce the total amount of cash consideration to which you are otherwise entitled under this Offer by the amount (or value, as reasonably assessed by Fitzroy) of those Rights. For the avoidance of doubt, Fitzroy will not be entitled to deduct the value of any franking credits attaching to any dividends or capital distributions declared or paid by RCO.
- (e) If, at the time of acceptance of this Offer, any consent, authority or clearance of the Reserve Bank of Australia and/or the Australian Taxation Office is required for you to receive any consideration under this Offer or you are resident in or a resident of a place to which, or you are a person to whom:
- (i) the Banking (Foreign Exchange) Regulations 1959 (Cth);
  - (ii) Part 4 of the Charter of the United Nations Act 1945 (Cth);
  - (iii) the Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth);
  - (iv) Part 9 of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth);
  - (v) any other regulations made under Part 4 of the Charter of the United Nations Act 1945 (Cth); or
  - (vi) any other law of Australia that would make it unlawful for Fitzroy to provide Consideration for your Royalco Shares,
  - (vii) applies, then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive (and you will not be entitled to receive) any consideration under this Offer unless and until all requisite consents, authorities or clearances have been obtained.

#### **9.7. Prescribed Occurrences Condition**

- (a) This Offer and the contract that results from acceptance of this Offer are each subject to the fulfilment of the following condition:

**No Prescribed Occurrences:** none of the following happens during the period commencing on the Announcement Date and ending on the expiry of the Offer Period (each being a separate condition):

- (i) the shares of RCO or any of the Controlled Entities of RCO are converted into a larger or smaller number of shares;
  - (ii) RCO or a subsidiary of RCO resolves to reduce its share capital in any way;
  - (iii) RCO or a subsidiary of RCO:
  - (iv) enters into a buy-back agreement; or
  - (v) resolves to approve the terms of a buy-back agreement under sections 257C or 257D of the Corporations Act;
  - (vi) RCO or a subsidiary of RCO 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;
  - (vii) RCO or a subsidiary of RCO issues or agrees to issue convertible notes;
  - (viii) RCO or a subsidiary of RCO disposes or agrees to dispose of the whole or a substantial part of its business or property;
  - (ix) RCO or a subsidiary of RCO grants or agrees to grant an Encumbrance over the whole or a substantial part of its business or property; or
  - (x) an Insolvency Event occurs with respect to RCO or a subsidiary of RCO.
- (b) Each paragraph of Section 9.7:
- (i) is and must be construed as a separate condition; and
  - (ii) subject to the Corporations Act, operates only for the benefit of Fitzroy and any breach or non-fulfilment of such condition may be relied upon only by Fitzroy which may waive (generally or in respect of a particular event) the breach or non-fulfilment of that Condition.
- (c) The Condition does not prevent a contract to sell your Royalco Shares resulting from your acceptance of this Offer but:
- (i) breach of the Condition entitles Fitzroy to rescind that contract by notice to you; and
  - (ii) non-fulfilment of the Condition at the end of the Offer Period will have the consequences set out in this Section 9.7.
- (d) Where an event occurs that would mean at the time the event occurs the Condition to which this Offer or the contract resulting from your acceptance of this Offer is then subject would not be fulfilled, each paragraph of the Condition in Section 9.7 affected by that event becomes two separate Conditions on identical terms except that:
- (i) one of them relates solely to that event; and
  - (ii) the other specifically excludes that event.

Fitzroy may declare the Offer free under Section 9.7 from any paragraph of the Condition without declaring it free from the other paragraphs and may do so at different times.

- (e) Subject to the Corporations Act, Fitzroy may declare this Offer and any contract resulting from acceptance of this Offer free from the Condition by giving written notice to RCO not later than 3 business days after the end of the Offer Period.

(f) The date for giving the notice on the status of the Condition as required by section 630(1) of the Corporations Act is 23 January 2017 (subject to extension in accordance with the Corporations Act) if the Offer Period is extended.

~~(f)~~(g) Your acceptance or the contract resulting from your acceptance of this Offer is void if:

- (i) at the end of the Offer Period the Condition in Section 9.7 is not fulfilled; and
- (ii) Fitzroy has not declared this Offer and any contract resulting from the acceptance of it free of the Condition in accordance with Section 9.7(e).

### **9.8. Withdrawal of Offers**

- (a) This Offer, if not previously accepted, may be withdrawn by Fitzroy, but only with ASIC's written consent (which consent may be given subject to any conditions which may be imposed by ASIC).
- (b) Subject to ASIC's consent (and any conditions imposed by ASIC), withdrawal of this Offer may be effected by written notice from Fitzroy given to RCO.
- (c) Subject to any conditions imposed by ASIC on its consent, where Fitzroy withdraws this Offer, if not previously accepted, automatically becomes incapable of acceptance.

### **9.9. Variation**

Fitzroy may vary this Offer in accordance with the Corporations Act.

### **9.10. Stamp duty**

Fitzroy must pay all stamp duty payable on the transfer of your Royalco Shares to it if you accept this Offer.

### **9.11. Governing law**

This Offer and any contract that results from your acceptance of this Offer is governed by the laws in force in NSW.

This Offer is dated 14 December 2016.

## 10. Definitions and interpretation

### 10.1. Definitions

The following defined terms are used throughout this Bidder's Statement unless the context otherwise requires. These terms are used throughout this Bidder's Statement.

<b>\$ or c</b>	Australian dollars or cents.
<b>Acceptance Form</b>	The acceptance form for the Offer accompanying this Bidder's Statement.
<b>Announcement Date</b>	The date on which the Offer was announced to ASX, namely 14 December 2016.
<b>ASIC</b>	Australian Securities & Investments Commission.
<b>Associate</b>	Has the same meaning given to that term in section 9 of the Corporations Act
<b>ASX</b>	ASX Limited (ACN 008 624 691) on the market it administers being Australian Securities Exchange (as the context requires).
<b>ASX Settlement</b>	ASX Settlement Pty Limited (ACN 008 504 532).
<b>ASX Settlement Operating Rules</b>	The operating rules of the settlement facility provided by ASX Settlement.
<b>Bidder's Statement</b>	This document, being the <u>replacement</u> statement made by Fitzroy under Part 6.5 Division 2 of the Corporations Act..
<b>Board</b>	The board of Directors of Fitzroy.
<b>Broker</b>	A person who is a share broker and participant in CHESS.
<b>Business Day</b>	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.
<b>CGT</b>	Capital gains tax.
<b>CHESS</b>	The Clearing House Electronic Subregister System which provides for the electronic transfer, settlement and registration of securities in Australia.
<b>CHESS Holding</b>	A holding of Royalco Shares on the CHESS subregister of RCO.
<b>Condition</b>	Each condition set out in Section 9.7.
<b>controlled entity</b>	Has the meaning given to that word in the Corporations Act.
<b>Controlling Participant</b>	Has the meaning given in the ASX Settlement Operating Rules.
<b>Corporations Act</b>	The <i>Corporations Act 2001</i> (Cth).
<b>Director</b>	A director of Fitzroy.

<b>Fitzroy</b>	Fitzroy River Corporation Limited (ACN 075 760 655).
<b>Governmental Agency</b>	Any government, semi-government, administrative, fiscal, judicial or regulatory body, department, commission, authority, tribunal, agency or entity.
<b>GST</b>	Goods and services tax.
<b>Insolvency Event</b>	means with respect to RCO or a subsidiary, an event referred to in section 652C(2) of the Corporations Act.
<b>Listing Rules</b>	The listing rules of ASX.
<b>Offer</b>	The offer as set out in Section 9 of this Bidder's Statement (or, if the context so requires, Section 9 of this Bidder's Statement itself) and includes a reference to that offer as varied in accordance with the Corporations Act.
<b>Offer Period</b>	The period for which the Offer remains open as set out in Section 9.
<b>Offer Price</b>	20 cents per Royalco Share.
<b>Official List</b>	The office list of entities that ASX has admitted and not removed.
<b>Official Quotation</b>	Official quotation of a security on a market operated by ASX.
<b>PPSA</b>	<i>Personal Property Securities Act 2009</i> (Cth). <ul style="list-style-type: none"> <li>(a) PPS the PPSA and any regulation made at any time under the PPSA, including the PPS Regulations (each as amended from time to time); and</li> <li>(b) any amendment made at any time to any other legislation as a consequence of a law or regulation referred to in paragraph (a).</li> </ul>
<b>PPSR Regulations</b>	<i>Personal Property Securities Regulations 2010</i> (Cth).
<b>Prescribed Occurrences</b>	The events referred to in Section 652C(1) and (2) of the Corporations Act.
<b>RCO or Royalco</b>	Royalco Resources Limited (ACN 096 321 532).
<b>Royalco Share</b>	A fully paid ordinary share in the capital of RCO.
<b>Royalco Shareholder</b>	A registered holder of Royalco Shares.
<b>Relevant Interest</b>	Has the meaning given in sections 608 and 609 of the Corporations Act.
<b>Rights</b>	All accretions, rights or benefits of whatever kind attaching to or arising from Royalco Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares, stock units, notes, bonds, options or other securities, declared or paid by RCO or any of its Subsidiaries.

<b>Security</b>	Has the meaning as given in section 92 of the Corporations Act.
<b>Security interest</b>	Any: <ul style="list-style-type: none"> <li>(a) "security interest" as defined in the PPS Law;</li> <li>(b) security for payment of money, performance of obligations or protection against default (including a mortgage, bill of sale, charge, lien, pledge, trust, power or title retention arrangement, right of set-off, assignment of income, garnishee order or monetary claim and flawed deposit arrangements);</li> <li>(c) a thing or preferential interest or arrangement of any kind giving a person priority or preference over claims of other persons or creditors with respect to any property or asset,</li> </ul> <p style="margin-left: 40px;">and includes any agreement to create any of them or allow them to exist.</p>
<b>Subsidiary</b>	Has the meaning given in the Corporations Act.
<b>Taylor Collison</b>	Taylor Collison Limited (ACN 008 172 450) (AFSL 247083).
<b>Trading Day</b>	Has the meaning given in the ASX Listing Rules.
<b>Voting Power</b>	Has the same meaning given to that term in section 610 of the Corporations Act.

## 10.2. Interpretation

In this Bidder's Statement, unless the context requires otherwise:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a person in this Bidder's Statement or any other document or agreement includes its successors and permitted assigns;
- (c) a reference to a gender includes any gender;
- (d) a reference to an item in a Section, Schedule, Annexure or Appendix is a reference to an item in the section of or schedule, annexure or appendix to this Bidder's Statement and references to this Bidder's Statement include its schedules and any annexures;
- (e) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (f) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a Governmental Agency;
- (g) headings are included for convenience only and do not affect interpretation;
- (h) a reference to a document or agreement including this Bidder's Statement, includes a reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;
- (i) a reference to a thing includes a part of that thing and includes but is not limited to a right;

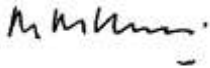
- (j) the terms included, including and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (k) a reference to a statute or statutory provision includes but is not limited to:
  - (i) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
  - (ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
  - (iii) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (l) reference to \$, A\$, Australian Dollars or dollars, c or cents is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia; and
- (m) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.

## 11. Approval of Bidder's Statement

This Bidder's Statement has been approved by a unanimous resolution of the Directors of Fitzroy.

Dated ~~14~~21 December 2016

Signed for and on behalf of Fitzroy River Corporation Limited



Malcolm McComas



This is an important document and requires your immediate attention. If you are in any doubt as to how to deal with it, you should consult your financial or other professional advisor.

## Bidder's Statement

# Accept the Recommended Offer

to acquire all the ordinary shares in

**Royalco Resources Limited (RCO)**  
(ACN 096 321 532)

By



**Fitzroy River Corporation Limited (Fitzroy)**  
(ACN 075 760 655)

**OFFER PRICE OF**

**\$0.20 PER ROYALCO SHARE**



If you have any queries about the Offer, you may also call Justin Clyne (Company Secretary) on 02 9993 4407 between 9.00am and 5.00pm (AEDT) Monday to Friday.

# Important Information

## Key Dates

Event	Date
Date of replacement Bidder's Statement	21 December 2016
Offer opens (date of Offer)	28 December 2016
Close of Offer*	30 January 2017

\* This date is indicative only and may be changed as permitted by the Corporations Act.

### Bidder's Statement and Offer

This is a replacement Bidder's Statement dated 21 December 2016. It replaces the Bidder's Statement dated 14 December 2016 given by Fitzroy to RCO and each holder of Royalco Shares under Part 6.5 of Chapter 6 of the Corporations Act. This Bidder's Statement was approved by a unanimous resolution of the Board of Fitzroy. It includes an Offer for Royalco Shares dated 14 December 2016. The Offer extends to Royalco Shares on issue on 14 December 2016 and any Royalco Shares issued during the Offer Period.

### ASIC and ASX

A copy of this replacement bidder's statement was lodged with ASIC on 21 December 2016. This replacement bidder's statement replaces the original bidder's statement lodged with ASIC on 14 December 2016. It incorporates the original bidder's statement lodged with ASIC on 14 December 2016. A copy of this replacement Bidder's Statement was lodged with ASIC and ASX on 21 December 2016. None of ASX, ASIC nor any of their officers takes any responsibility for the contents of this Bidder's Statement.

### Investment decision

This is an important document. This Bidder's Statement does not take into account the individual investment objectives, financial situation or any particular needs of each Royalco Shareholder or any other person. Royalco Shareholders may wish to seek independent financial and taxation advice before making a decision as to whether to accept the Offer.

### Disclaimer

Except for historical information contained in this booklet, there may be matters discussed in this Bidder's Statement that are forward-looking statements. Such statements are only predictions and are subject to inherent risks and uncertainty. Forward-looking statements, which are based on assumptions and estimates and describe Fitzroy's future plans, strategies and expectations, are generally identifiable by the use of the words 'anticipate', 'will', 'believe', 'estimate', 'expect', 'intend', 'seek' or similar expressions. Royalco Shareholders are cautioned not to place undue reliance on forward-looking statements. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties both general and specific that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Those risks and uncertainties include factors and risks specific to the industry in which Fitzroy and RCO operate as well as general economic conditions and prevailing exchange rates and interest rates. Actual events or results may differ materially.

All forward-looking statements attributable to Fitzroy, or persons acting on behalf of Fitzroy, are expressly qualified in their entirety by the cautionary statements in this Section. Except as expressly required by the Corporations Act, Fitzroy makes no undertaking to publicly update or revise any forward-looking statements provided in this Bidder's Statement, whether as a result of new information, future events or otherwise, or the list of risks affecting this information.

None of Fitzroy's officers, any person named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, except to the extent required by law.

### Offers outside Australia

The distribution of this Bidder's Statement may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Bidder's Statement should inform themselves of, and observe, those restrictions.

### Important notice to US shareholders

The Offer is made for the shares of an Australian registered company. It is important that US shareholders understand that the Offer is subject to disclosure requirements in Australia that are materially different from those in the US. You should be aware that, subject to the Corporations Act, Fitzroy may purchase Royalco Shares otherwise than under the Offer, such as in open market or privately negotiated purchases after the end of the Offer Period.

### Defined terms

Defined terms used in this Bidder's Statement are capitalised. Definitions of these terms are set out in Section 10. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 10, words and phrases in the Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

### Sources of Information

Information included in this Bidder's Statement relating to RCO and its business has been derived solely from publicly available sources published by RCO, including RCO's Annual Reports and RCO's announcements to ASX and on its website.

Subject to the foregoing and to the maximum extent permitted by law, Fitzroy and its Directors disclaim all liability for any information concerning RCO included in this Bidder's Statement. Royalco Shareholders should form their own views concerning RCO from publicly available information.

## Directory

### **Bidder**

Fitzroy River Corporation Limited  
Level 11, 2 Bligh Street  
Sydney NSW 2000  
+61 2 9993 4407

### **Financial Advisor**

TC Corporate Pty Ltd  
Level 10, 167 Macquarie Street  
Sydney NSW 2000  
+61 2 9377 1555

### **Legal Advisor**

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

### **Fitzroy Directors**

Malcolm McComas  
Susan Thomas  
Justin Clyne

### **Company Secretary**

Justin Clyne

### **Broker to the Offer**

Taylor Collison Limited  
Level 10, 167 Macquarie Street  
Sydney NSW 2000  
+61 2 9377 1500

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## Chairman's letter



21 December 2016

Dear Royalco Shareholders

I am pleased to introduce the recommended Offer by Fitzroy to acquire your Royalco Shares for 20 cents cash per Royalco Share. The Offer represents a 2.0 cents per share or 11% increase in consideration to that offered by Fitzroy in its now lapsed on-market offer announced on 19 October 2016.

The Offer enables you to sell your Royalco Shares without the need to pay brokerage fees. Fitzroy has instructed its broker, Taylor Collison, to purchase Royalco Shares on-market at the Offer price (but reserves the right to withdraw those instructions at its discretion.) This provides Royalco Shareholders with the ability to sell some or all of their Royalco Shares on-market and receive a cash payment on a T+2 basis.

**The Royalco board recommends Shareholders accept the Offer in the absence of a superior proposal.**

### Reasons to accept the Offer

Fitzroy is offering all cash consideration to acquire your Royalco Shares. The value and certainty of Fitzroy's all-cash Offer should be compared with the risks and uncertainties of remaining a Royalco Shareholder.

- **The Offer is at a premium to net assets**  
The Offer capitalises Royalco at \$10.54 million. This is a 3.6% premium to Royalco's net assets (\$10.17 million) and 3.5 times Royalco's net tangible assets (\$2.99 million) at 30 June 2016;
- **Royalco's Chairman and his Associates have sold almost half of their shareholding to Fitzroy**  
On 13 December 2016, an Associate of Royalco Chairman Mr Peter Topham sold 2,669,000 Royalco shares to Fitzroy at the Offer price, taking Fitzroy's shareholding in Royalco to 19.99%. Mr Topham has stated that he and his Associates intend to accept Fitzroy's Offer for the balance of their shareholding, in the absence of a superior proposal;
- **Fitzroy's Offer is superior to the attempt by High Peak Royalties Limited (High Peak) to obtain control of Royalco without a takeover offer**  
High Peak has nominated three directors to replace the existing Royalco directors at a spill meeting to be held in early 2017. If High Peak's nominees are appointed, control of the Royalco Board will pass without High Peak making a takeover offer;
- There is very low trading liquidity in Royalco Shares and the Offer allows you to sell all your Royalco Shares;
- There is no competing offer to acquire your Royalco Shares; and
- The RCO Share price may fall after the Offer.

**How to accept the Offer**

If you choose to accept the Offer you can either direct your Broker to accept for your CHESS holding, or complete and sign the enclosed Acceptance Form and return it in the reply paid envelope so that it is received before the closing date.

The Offer is scheduled to close at 7:00pm (AEDT) on 30 January 2017 (but it may be extended). Alternatively, you can sell your Royalco Shares on-market and receive a cash payment on a T+2 basis.

If you require additional assistance, please call Justin Clyne, Fitzroy's company secretary on +61 2 9993 4407.

Yours faithfully



Malcolm McComas  
Chairman  
Fitzroy River Corporation

## Summary of the Offer

The information set out below is only a summary of the Offer. You should read the entire Bidder's Statement before deciding whether to accept the Offer.

<b>The Bidder</b>	Fitzroy is the company making the Offer.
<b>The Offer</b>	Fitzroy is offering to acquire all of your Royalco Shares.
<b>Offer Consideration</b>	You are being offered 20 cents cash for every 1 Royalco Share you own.
<b>Recommendation of RCO board</b>	The RCO board recommends you accept the Offer in the absence of a superior proposal.
<b>Closing date</b>	The Offer is scheduled to close at 7:00pm (AEDT) on 30 January 2017 (but it may be extended).
<b>Conditional on prescribed occurrences</b>	The Offer is subject to the "prescribed occurrences" condition only <sup>1</sup> . Fitzroy may choose to waive the Condition in accordance with the Offer.
<b>Settlement terms</b>	If you accept the Offer, you will be paid the Offer Consideration on the later of: <ul style="list-style-type: none"> <li>(a) 1 month after the date you validly accept the Offer; or</li> <li>(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 14 days after the end of the Offer Period.</li> </ul>
<b>How to accept the Offer</b>	<p><b>CHES Holdings</b></p> <p>If your Royalco Shares are in a CHES Holding, to accept the Offer you must either:</p> <ul style="list-style-type: none"> <li>(a) instruct your controlling participant (usually your Broker) to accept the Offer on your behalf; or</li> <li>(b) complete, sign and return the enclosed Acceptance Form in accordance with the instructions on it.</li> </ul> <p><b>Issuer Sponsored Holdings</b></p> <p>If your Royalco Shares are in an Issuer Sponsored Holding, to accept the Offer you must complete, sign and return the Acceptance Form in accordance with the instructions on it.</p> <p>Signed Acceptance Forms must be received before the end of the Offer Period by:</p> <p>Boardroom Pty Limited  at either GPO Box 3993 Sydney NSW 2001  or Level 12/225 George Street, Sydney NSW 2000  A business reply-paid envelope is enclosed.</p> <p>If you wish to sell your Royalco Shares on-market, please contact your Broker.</p>
<b>No stamp duty</b>	You will not pay any stamp duty on accepting the Offer.
<b>What to do next</b>	<p>You should read this Bidder's Statement in its entirety before making a decision as to whether or not to accept the Offer for your Royalco Shares or whether or not to sell your Royalco Shares on-market.</p> <p>If you wish to accept the Offer, please see section 9 of this Bidder's Statement.</p> <p>If you wish to sell your Royalco Shares on-market, please contact your Broker.</p>
<b>Further information</b>	For questions about your Royalco Shares, the Offer, or how to accept the Offer please refer to the remainder of this Bidder's Statement.

<sup>1</sup> These include RCO splitting or consolidating its shares, RCO or a subsidiary buying-back or reducing its capital, RCO or a subsidiary issuing securities, RCO or a subsidiary disposing of the whole or a substantial part of its business or property, or the occurrence of insolvency events in respect of RCO or a subsidiary. See further the Section 9 of this Bidder's Statement for further details.

## Why you should accept the Offer

### 1. THE OFFER PRICE IS AN ATTRACTIVE CASH PRICE

The all cash consideration of 20 cents per Royalco Share is being offered to all Royalco Shareholders.

This is 2.0 cents per Share more or 11% higher than the price offered by Fitzroy in its recent on-market takeover offer which lapsed on 12 December 2016. This price is also 2.0 cents higher than the price at which Fitzroy acquired 4,548,215 Royalco Shares (8.6% of Royalco Shares) on 15 August 2016 from an institutional shareholder.

The Offer values Royalco at \$10.54 million. This is a 3.6% premium to Royalco's net assets (\$10.17 million) and 3.5 times Royalco's net tangible assets (\$2.99 million) at 30 June 2016.

### 2. RECOMMENDED OFFER

The **Royalco board recommends** that Royalco Shareholders accept the Offer, in the absence of a superior proposal.

### 3. ROYALCO CHAIRMAN INTENDS TO ACCEPT THE OFFER

An Associate of Royalco Chairman Mr Peter Topham sold 2,669,000 Royalco Shares (representing 46% of their Royalco shareholding) to Fitzroy at the Offer price on 13 December 2016 and Mr Topham has stated he intends to accept the Offer for the RCO Shares he controls in the absence of a superior proposal.

### 4. THERE ARE RISKS ASSOCIATED WITH CONTINUING TO HOLD ROYALCO SHARES

Retaining your Royalco Shareholding carries significant risk as outlined below.

#### (a) UNCERTAINTY OF OUTCOME OF THE SPILL MEETING

High Peak has nominated three directors to replace existing RCO directors at the spill meeting to be held in early 2017. If High Peak's nominees are appointed, control of the Royalco Board will effectively pass without High Peak making a takeover offer.

#### (b) ROYALCO SHARES ARE VERY THINLY TRADED

Royalco Shares are very thinly traded. As at 14 December 2016, approximately 80% of RCO's Shares were held by the top 20 Royalco Shareholders. There are only approximately 500 Royalco Shareholders in total.

Depending on the level of acceptances Fitzroy receives under the Offer, the market for Royalco Shares may become even less liquid following the Offer. The Offer represents an opportunity for all Royalco Shareholders to sell all their Royalco Shares for cash.

### 5. ROYALCO SHARE PRICE MAY FALL AFTER THE CLOSE OF THE OFFER

While there are many factors influencing the market price of Royalco Shares, there is a risk that the Royalco Share price will fall after the close of the Offer.

## **6. THERE IS NO COMPETING OFFER**

As at the date of this Bidder's Statement, the Offer is the only available offer for all Royalco Shares.

## **7. THERE ARE RISKS ASSOCIATED WITH BEING A MINORITY SHAREHOLDER**

Depending on the level of acceptances Fitzroy receives under the Offer, the market for Royalco Shares may become even less liquid than at present. This could make it more difficult for you to sell your Royalco Shares at an attractive price in the future.

If the number of Royalco Shareholders is less than that required by the ASX Listing Rules then ASX may suspend and/or de-list Royalco. If this occurs, any remaining Royalco Shareholders will not be able to sell their Royalco Shares on-market. Consequently, there may be a reduced likelihood of a subsequent takeover bid for Royalco from parties other than Fitzroy.

After the Offer closes, if Fitzroy's Voting Power in Royalco is less than 90%, Royalco Shares may trade below the Offer Price.

If Fitzroy becomes entitled to do so, it intends to exercise its entitlement under the Corporations Act to compulsorily acquire the remaining Royalco Shares Fitzroy does not own. If your Royalco Shares are compulsorily acquired you will be paid later than Royalco Shareholders who accept the Offer.



## 1. Key questions

This Section answers some key questions that you may have about the Offer and should only be read in conjunction with the entire Bidder's Statement.

### 1.1. What is the Bidder's Statement?

The Bidder's Statement sets out the terms of Fitzroy's Offer and information relating to the Offer and the consideration you will receive.

### 1.2. What is the Offer?

Fitzroy is offering to acquire your Royalco Shares by way of an off-market takeover offer. The cash Offer is conditional on the "prescribed occurrences" condition only<sup>2</sup>.

The Offer extends to Royalco Shares on issue at 7.00pm on 14 December 2016 and any Royalco Shares issued during the Offer Period.

The Offer consideration is 20 cents for every Royalco Share you hold.

### 1.3. What are the tax consequences if I accept the Offer?

Please consult your financial, tax or other professional adviser on the tax implications of accepting the Offer. However, a general summary of the likely Australian tax consequences is set out in Section 6.

### 1.4. How do I accept the Offer?

#### *CHESSE Holdings*

If your Royalco Shares are in a CHESSE Holding, to accept the Offer you must either:

- (a) instruct your Controlling Participant (usually your Broker) to accept the Offer on your behalf; or
- (b) complete, sign and return the enclosed Acceptance Form in accordance with the instructions on it.

#### *Issuer Sponsored Holdings*

If your Royalco Shares are in an Issuer Sponsored Holding, to accept the Offer you must complete, sign and return the Acceptance Form in accordance with the instructions on it.

#### *Participants*

If you are a Participant (as defined in the ASX Settlement Rules) (typically, a stockbroker who is a participating organisation of ASX Settlement), the above does not apply. To accept the Offer you must initiate acceptance in accordance with the ASX Settlement Rules.

### 1.5. Can I sell my Royalco Shares on-market?

Yes, Fitzroy has instructed its Broker, Taylor Collison, to immediately commence purchasing Royalco Shares on-market at the Offer price. (Fitzroy reserves the right to withdraw those instructions in its discretion.)

Royalco Shareholders who sell their Royalco Shares on the ASX will receive payment from their Broker. Settlement of trades on the ASX is on a T+2 basis (being 2 business days after the date of the transaction).

Royalco Shareholders who sell Royalco Shares on the ASX cannot subsequently accept the Offer in respect of their Royalco Shares sold on the ASX. In addition, Royalco Shareholders who sell Royalco Shares on the ASX may incur brokerage charges which they may not incur if they accept the Offer.

<sup>2</sup> These include RCO splitting or consolidating its shares, RCO or a subsidiary buying-back or reducing its capital, RCO or a subsidiary issuing securities, RCO or a subsidiary disposing of the whole or a substantial part of its business or property, or the occurrence of insolvency events in respect of RCO or a subsidiary. See further the Section 9 of this Bidder's Statement for further details.

**1.6. Can I accept the Offer for part of my holding?**

No, you can only accept for all of your holding. Your acceptance will be treated as being for all your Royalco Shares plus any additional Royalco Shares registered as held by you at the date your acceptance is processed.

**1.7. Are there any conditions to the Offer?**

The Offer is only conditional on there being no "prescribed occurrences". "Prescribed occurrences" are certain events which, if they occur, will give Fitzroy the right not to proceed with the Offer. Some of these events include RCO splitting or consolidating its shares, RCO or a subsidiary buying-back or reducing its capital, RCO or a subsidiary issuing securities, RCO or a subsidiary disposing of the whole or a substantial part of its business or property, or the occurrence of insolvency events in respect of RCO or a subsidiary. This condition is set out in full in Section 9.7 of this Bidder's Statement.

**1.8. What happens if I accept the Offer?**

Once you accept the Offer in respect of all of your Royalco Shares, you will not be able to sell those Royalco Shares or otherwise deal with the Rights attaching to those Royalco Shares subject to your limited statutory rights to withdraw your acceptance in certain circumstances.

**1.9. What happens if I do not accept the Offer?**

Subject to what is stated below, you will remain the holder of your Royalco Shares if you do not accept the Offer.

If Fitzroy obtains a relevant interest in at least 90% of the Royalco Shares (by number) on issue at any time during the Offer Period and the Condition is satisfied or waived, Fitzroy presently intends to proceed to compulsorily acquire your Royalco Shares if you have not accepted the Offer (see Section 4). At the conclusion of the compulsory acquisition process, you will receive 20 cents for every 1 fully paid Royalco Share which is compulsorily acquired. You will receive consideration for your Royalco Shares sooner if you accept the Offer.

If Fitzroy obtains an interest in less than 90% of Royalco Shares, Fitzroy will not be able to proceed to compulsorily acquire your Royalco Shares. Fitzroy's intentions if it has an interest in less than 90% of Royalco Shares are described in Section 4.

**1.10. Can I withdraw my acceptance?**

Under the terms of the Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. Such a withdrawal right will arise if, after you accept the Offer, Fitzroy varies the Offer in a way that postpones for more than 1 month the time when Fitzroy has to pay you under the Offer.

**1.11. When does the Offer close?**

The Offer is currently scheduled to close at 7:00 pm (AEDT) on 30 January 2017, unless extended or withdrawn.

**1.12. Can Fitzroy extend the Offer Period?**

Yes, the Offer can be extended by Fitzroy or otherwise in accordance with the Corporations Act. You will be sent written notice of any extension, as required by the Corporations Act.

**1.13. If I accept the Offer, when will I receive the cash consideration?**

If you accept this Offer, Fitzroy will, in the usual course, pay to you the cash consideration to which you are entitled on or before the earlier of:

- (a) the day 1 month after you accept this Offer or, if this Offer is subject to the Condition when accepted, 1 month after the contract resulting from your acceptance becomes unconditional; and

- (b) the day 14 days after the end of the Offer Period, provided that the Offer has become unconditional.

Full details of when you will be paid cash consideration are set out in Section 9.6.

#### **1.14. Will I need to pay brokerage or stamp duty if I accept the Offer?**

You will not pay any stamp duty on accepting the Offer. If your Royalco Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Fitzroy, you will not incur any brokerage connected with you accepting the Offer. If your Royalco Shares are in a CHESS Holding or you hold your Royalco Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually, your Broker or the bank, custodian or other nominee) whether it will charge any transaction fees or service charges connected with you accepting the Offer.

## **2. About Fitzroy**

### **2.1. Corporate**

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.

### **2.2. Directors of Fitzroy**

The Fitzroy Directors are:

- (a) Malcolm McComas (Chair);
- (b) Susan Thomas; and
- (c) Justin Clyne.

### **2.3. Public announcements by Fitzroy**

Fitzroy is a disclosing entity for the purposes of section 111AC(1) of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require Fitzroy to:

- (a) prepare and lodge with ASX both yearly and half-yearly financial statements accompanied by a directors' statement and report and an audit or review report; and
- (b) immediately notify ASX of any information concerning Fitzroy of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities in Fitzroy, subject to certain limited exceptions related mainly to confidential information.

Copies of documents lodged at ASIC in relation to Fitzroy may be obtained from or inspected at an office of ASIC. Copies of documents lodged with ASX in relation to Fitzroy may be obtained from ASX's website ([www.asx.com.au](http://www.asx.com.au)).

## **3. About RCO**

### **3.1. Disclaimer**

The following description of RCO and the financial information concerning RCO contained in this Section has been prepared by Fitzroy using publicly available information. To the extent permitted by law, Fitzroy does not make any representation or warranty, express or implied, as to the currency, accuracy or completeness of such information.

The primary sources of information about RCO used by Fitzroy are as follows:

- (a) Annual Reports to Royalco Shareholders;
- (b) announcements issued by RCO through ASX; and

- (c) the RCO website.

### 3.2. Overview of RCO and its principal business activities

The principal activities of RCO were:

- (a) management of resource based royalties; and  
 (b) investigating other exploration development opportunities.

### 3.3. Directors

As at the date of this Bidder's Statement, there are 3 directors of RCO, being:

- (a) Peter Topham;  
 (b) Bruce Pertzelt; and  
 (c) Nick Boicos.

### 3.4. Major Royalco Shareholders

Based on RCO's Annual Report for 2016 and substantial shareholder notices released to the ASX, RCO currently has the following substantial Royalco Shareholders:

Name	Number of Royalco Shares	Percentage of issued capital
High Peak Royalties Limited	11,261,552	21.36%
Fitzroy River Corporation Limited <sup>1</sup>	10,766,356	20.42%
Noontide Investments Ltd	9,798,132	18.59%
David Lindsay Ogg and Associates	3,695,260	7.01%
Keryn Anne Topham and Associates <sup>1</sup>	3,136,140	5.95%

**Notes:**

1. Fitzroy's holding includes 2,669,000 Royalco Shares acquired from Keryn Anne Topham on 13 December 2016. As at 14 December 2016 no substantial holder notice had been released to ASX.

### 3.5. Overview of RCO's historical financial performance

A summary of the historical consolidated financial performance of RCO and its controlled entities for the financial years ended 30 June 2015 and 30 June 2016 is set out below<sup>1</sup>:

\$	30 June 2016	30 June 2015
Revenue from continuing activities	841,935	1,145,315
Expenses	(1,594,121)	(1,583,422)
Loss before income tax expense from continuing operations	(752,186)	(438,107)
Loss after income tax for the year attributable to the owners of RCO	(752,186)	(1,186,110)

**Notes:**

1. The above information has been drawn from the audited financial statements for RCO and its controlled entities and associated disclosure included in RCO's Annual Reports for the years ended 30 June 2015 and 2016 (inclusive).

### 3.6. RCO statement of financial position

The consolidated statement of financial position of RCO as at 30 June 2016 and 30 June 2015 is set out below,<sup>1</sup>

\$	30 June 2016	30 June 2015
Total current assets	3,290,632	4,074,528
Total non-current assets	7,208,581	7,631,448
Total assets	10,499,213	11,705,976
Total current liabilities	322,779	251,637
Total non-current liabilities	5,998	4,575
Total liabilities	328,777	256,212
Net assets	10,170,436	11,449,764

**Notes:**

- The information above has been drawn from the audited financial statements for RCO and its controlled entities and associated disclosure included in RCO's Annual Reports for the financial years ended 30 June 2015 and 30 June 2016.

### 3.7. Cash levels as disclosed in Appendix 4C

RCO reports its cash commitments to ASX on a quarterly basis. These reports, known as Appendix 4C reports, require RCO to disclose its cash levels and known cash commitments at the end of each quarter. The table below summarises the end of quarter closing cash balances for the past four reported quarters.

\$	30 Sep 2016	30 June 2016	31 March 2016	31 Dec 2015
Cash at end of quarter	2,845,000	3,148,000	3,163,000	3,449,000

### 3.8. ASX announcements

RCO is a disclosing entity for the purposes of section 111AC(1) of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require RCO to:

- prepare and lodge with ASIC both yearly and half-yearly financial statements accompanied by a directors' statement and report and an audit or review report; and
- immediately notify ASX of any information concerning RCO of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities in RCO, subject to certain limited exceptions related mainly to confidential information.

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

Since the 2016 Annual Report and Appendix 4G lodged on 22 September 2016, RCO has issued the following announcements to ASX:

Date	Announcement
14 October 2016	Director Resignation and Final Directors Interest Notice
18 October 2016	Notice of Annual General Meeting / Proxy Form
19 October 2016	FZR: On-Market Cash Offer for Royalco Resources Limited
19 October 2016	FZR: Bidder's Statement
19 October 2016	Change in substantial holding from FZR
19 October 2016	On-market cash offer - RCO response

Date	Announcement
21 October 2016	September Quarterly Activities and Cash Flow Report
27 October 2016	FZR: Dispatch of Bidder's Statement
28 October 2016	RCO Target's Statement
03 November 2016	Dispatch of Target's Statement
23 November 2016	Resignation and Appointment of Directors
24 November 2016	Change of Directors and AGM Results
25 November 2016	FZR: Extension of Bid for Royalco Resources
29 November 2016	Spill Meeting nominations
30 November 2016	Change in substantial holding from HPR
30 November 2016	HPR: Royalco Resources Limited Spill Motion Successful
01 December 2016	Spill Meeting nomination
06 December 2016	Supplementary Target's Statement
13 December 2016	Fitzroy: Close of On Market Offer for Royalco Resources
14 December 2016	Change in substantial holding (Fitzroy)
14 December 2016	Fitzroy River Corporation Limited announces recommended takeover offer for Royalco Resources Ltd
14 December 2016	FZR: Bidder's Statement for Royalco
14 December 2016	Shareholder Distribution and Top 20
14 December 2016	Change of Director's Interest Notice
14 December 2016	Royalco responding to new Fitzroy Takeover Offer
19 December 2016	Target's Statement
20 December 2016	Change in substantial holding
21 Decmber 2016	FZR: Welcomes Royalco's Formal Recommendation of FZR's Offer

### 3.9. RCO options

RCO executives are entitled to participate in RCO's employee option share plan. There are no securities on issue under this plan.

## 4. Fitzroy's intentions

### 4.1. General

This Section 4 sets out Fitzroy's intentions in relation to:

- (a) the continuation of RCO's business;
- (b) any significant changes to be made to RCO's business, including any redeployment of RCO's fixed assets; and
- (c) the future employment of RCO's employees.

Fitzroy's intentions are based on the information known and the circumstances that exist at the date of this Bidder's Statement.

Fitzroy has reviewed information in the public domain concerning RCO, its business and the general business environment in which it operates. Based on its review of that material, and on its current assessment of RCO's operations, Fitzroy's intentions in relation to RCO are summarised below. Statements set out in this Section are statements of current intentions only which may change as new information becomes available or circumstances change.

#### **4.2. Strategic review**

As Fitzroy does not currently have access to all material information, facts and circumstances which it considers necessary to assess the operational, commercial, taxation and financial implications of its current intentions, final decisions on these matters have not been made. Upon completion of the Offer, and in the event that Fitzroy controls more than 50% of RCO's Shares, Fitzroy proposes to conduct a review of the strategy, operations, activities, assets and employees of RCO in light of the information which then becomes available to it (**Review**).

Final decisions will only be reached in light of all material facts and circumstances. Accordingly, the statements set out in this Section are statements of current intention only which may change as new information becomes available or circumstances change.

#### **4.3. Fitzroy's intentions upon controlling 90% or more of Royalco Shares**

This Section sets out Fitzroy's intentions if it controls 90% or more of Royalco Shares and becomes entitled to proceed to compulsory acquisition of Royalco Shares under the Corporations Act.

- (a) Fitzroy currently intends to proceed to compulsory acquisition of the remaining Royalco Shares if it becomes entitled to do so under the Corporations Act.
- (b) Fitzroy will seek to remove RCO from the Official List of ASX.
- (c) Fitzroy intends to replace all non-executive RCO directors with nominees of Fitzroy.
- (d) Fitzroy intends to undertake the Review.
- (e) Subject to the outcome of the Review, Fitzroy expects to continue to operate the RCO business in substantially the same manner as it is presently operated by RCO.

#### **4.4. Fitzroy's intentions upon controlling more than 50% but less than 90% of Royalco Shares**

If, by virtue of acceptance of the Offer or pre-Offer acquisitions, acquires a Relevant Interest in RCO of more than 50% but less than 90%, its current intentions are as set out below.

- (a) RCO will become a controlled entity of Fitzroy.
- (b) Fitzroy intends to undertake the Review.
- (c) Subject to the Corporations Act and the Review, Fitzroy proposes to seek the appointment of a majority of Fitzroy nominees to the board although it has not made any decision as to who would be nominated for appointment. Fitzroy may also seek to add to, replace or reorganise the roles of a proportion of the members of the RCO board of directors to reflect the proportionate ownership interest of Fitzroy and other Royalco Shareholders.
- (d) Fitzroy may seek to remove RCO from the Official List of ASX.
- (e) Fitzroy may, at some later time, acquire further Royalco Shares in a manner consistent with the Corporations Act.
- (f) If Fitzroy becomes entitled at some later time to exercise general compulsory acquisition rights under Part 6A.2 of the Corporations Act, it may exercise those rights.
- (g) Fitzroy intends to undertake the activities referred to in Section 4.6 to the extent permitted by its control of RCO.

#### **4.5. Fitzroy's intentions upon controlling 50% or less of Royalco Shares**

If Fitzroy does not achieve a Relevant Interest in more than 50% of RCO, to the extent possible through its non-controlling holding of Royalco Shares, Fitzroy will endeavour to give effect to the

intentions set out in Section 4.4. However, Fitzroy considers that its ability to effect the intentions set out in Section 4.4 will be significantly limited if Fitzroy is unable to achieve a Relevant Interest in RCO of more than 50%.

Fitzroy may consider acquiring additional Royalco Shares under the “creep” provisions of Item 9 in section 611 of the Corporations Act (which provides that Fitzroy and its Associates may acquire up to 3% of Royalco Shares every 6 months) until it achieves a majority Voting Power. Fitzroy has not yet decided whether it will acquire further Royalco Shares as this will depend upon the extent to which Fitzroy has the capacity to acquire further Royalco Shares and market conditions at that time.

#### **4.6. Intentions generally**

Except for the changes and intentions set out in this Section 4, Fitzroy intends, based on the information presently known to it:

- (a) to continue the RCO business; and
- (b) not to make any major changes to the business of RCO; and
- (c) not to make any changes to the employment terms of RCO’s employees.

As at the date of the Bidder’s Statement, Fitzroy reserves its position in relation to the spill meeting that will be held in early 2017. Fitzroy notes that High Peak, currently RCO’s largest shareholder, has nominated three directors to replace the existing RCO directors at the spill meeting to be held in early 2017. If High Peak’s nominees are appointed, control of the RCO board will effectively pass without High Peak making a takeover offer.

#### **4.7. Limitations on intentions**

The intentions and statements of future conduct set out in this Section 4 must be read as being subject to:

- (a) the law (including the Corporations Act) and the Listing Rules, including in particular the requirements of the Corporations Act and the Listing Rules in relation to conflicts of interest and “related party” transactions given that, if Fitzroy gains control of RCO but does not acquire all of the Royalco Shares, it will be treated as a related party of RCO for these purposes;
- (b) the legal obligation of the RCO directors at the time, including any nominees of Fitzroy, to act in good faith and in the best interests of RCO and for proper purposes and to have regard to the interest of all Royalco Shareholders (in which regard the role of independent directors of RCO will also be important); and
- (c) the outcome of the Review.

## **5. Sources of Offer consideration**

### **5.1. Consideration under the Offer**

The total amount that Fitzroy would be required to pay for Royalco Shares if Fitzroy acquires all of the Royalco Shares on issue on the date of this Bidder’s Statement in which it and its Associates do not have a Relevant Interest at the Offer Price is approximately \$8.434 million.

The total cash consideration payable by Fitzroy as described in this Section 5 excludes any costs payable by Fitzroy in relation to the Offer.

### **5.2. Financial position of Fitzroy**

Fitzroy currently has \$7.550 million of cash in its bank accounts that is either at call or on short term deposit.



Fitzroy has received a letter from its financier that confirms the availability of Fitzroy's cash held on short term deposit for the purpose of funding the cash consideration payable by Fitzroy. Fitzroy's cash reserves, together with the short term debt facility (see below) are sufficient for Fitzroy to fund the total cash consideration under the Offer.

### 5.3. Fitzroy funding

The Offer is not subject to a financing condition.

Fitzroy estimates that the total transaction costs associated with the Offer (other than the Offer Price payable for all Royalco Shares) are not expected to exceed \$100,000.

Fitzroy intends to fund the cash consideration under the Offer using available cash reserves and a short term debt facility.

To meet its funding obligation under the Offer, Fitzroy has available to it:

- (a) \$7.550 million in cash reserves detailed above; and
- (b) a debt facility, with sufficient undrawn commitment of funds which is immediately available for drawdown to fund the Offer consideration and working capital. This facility is unsecured and is not subject to any events of default, undertakings, representations or other provisions that could give rise to termination rights or earlier repayment obligations. Fitzroy has no reason to believe that a drawdown will not be able to be made and the terms of the facility do not have any material pre-conditions to the making available of the funds outside of Fitzroy's control. Further details on the short term debt facility are set out below:
  - (i) the facility has been provided by ASX listed entity Mercantile Investment Company Limited (MVT) (ACN 121 415 576);
  - (ii) MVT is not related to Fitzroy or Royalco;
  - (iii) the facility has been provided for use in relation to the Offer only;
  - (iv) if drawn, the loan must be repaid on 12 December 2017 (unless extended with MVT's consent); and
  - (v) the loan can be repaid by Fitzroy in part or in full at any time with accrued interest.

## 6. Tax considerations

### 6.1. General

The following is a summary of the principal Australian tax consequences generally applicable to Royalco Shareholders who dispose of their Royalco Shares under the Offer for cash consideration. These consequences will depend on the individual circumstances of Royalco Shareholders. You should make your own inquiries and seek independent professional advice on your circumstances.

The comments set out below are relevant only to those Royalco Shareholders who hold their Royalco Shares as capital assets for the purpose of investment and who do not (or would not) hold those Royalco Shares in connection with the conduct of a business. Certain Royalco Shareholders (such as those engaged in a business of trading or investment, those who acquired their Royalco Shares for the purpose of resale at a profit or those which are banks, insurance companies, tax exempt organisations, superannuation funds or persons who acquired their Royalco Shares in the course of their employment with RCO) will or may be subject to special or different tax consequences specific to their circumstances.

The following outline is based upon Australian taxation law and practice in effect as at the date of this Bidder's Statement. It is not intended to be an authoritative or complete statement or analysis of the taxation laws applicable to the particular circumstances of every Royalco Shareholder. Royalco

Shareholders should seek independent professional advice regarding the taxation consequences of disposing of Royalco Shares in the light of their own particular circumstances.

## **6.2. Australian resident Royalco Shareholders**

If you accept the Offer, you will be treated as having disposed of your Royalco Shares. If you held them on capital account and you dispose of them, such a disposal is likely to constitute a CGT event for CGT purposes. Australian resident Royalco Shareholders may make a capital gain or capital loss on the disposal of an Royalco Share under the Offer.

In general, the capital gain or loss on the disposal of an Royalco Share under the Offer is the difference between the value of the capital proceeds (i.e. the cash consideration received from Fitzroy) and the cost base of the Royalco Share. The cost base of Royalco Shares is generally their cost of acquisition or deemed cost of acquisition. Certain other amounts associated with acquisition and disposal, such as brokerage or stamp duty, may be added to the cost base.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain. Capital gains made during an income year are reduced by any capital losses made during that same income year. This may be reduced further by capital losses carried forward from prior years. A 'CGT Discount' may be available to reduce further the taxable gain for certain Royalco Shareholders (see further below). The remaining net capital gain is included as assessable income in your income tax return and is subject to income tax at your marginal tax rate in the year in which you dispose of the Royalco Shares. A net capital loss may be carried forward to be offset against future capital gains (not against other income for income tax purposes).

An Royalco Shareholder who is an individual, complying superannuation entity or trustee of a trust may be eligible for a 'CGT Discount' if they acquired (or are deemed to have acquired) their Royalco Shares at least 12 months before the time they accept the Offer. The CGT Discount is not available to companies, nor does it apply to Royalco Shares owned (or deemed to be owned) for less than the relevant 12 month period.

## **6.3. Non-resident Royalco Shareholders**

Royalco Shareholders who are not resident in Australia for tax purposes should also consider the tax consequences under the laws of their country of residence, as well as under Australian law. In Australia, the CGT rules only apply to non-residents of Australia in relation to 'taxable Australian property'. Royalco Shares held by an Royalco Shareholder who is not an Australian resident for tax purposes will be taxable Australian property only if the Royalco Shares:

- (a) are an indirect Australian real property interest; or
- (b) were used at any time by the Royalco Shareholder in carrying on a business through a permanent establishment in Australia; or
- (c) were included under a CGT deferral election when the Royalco Shareholder ceased to be an Australian resident.

Royalco Shares will generally not constitute an indirect Australian real property interest unless the total market value of Australian real property assets is more than 50% of the total market value of RCO's assets and the shareholding represents at least 10% (including associate interests) of either the total shares or voting right or distribution rights.

## **6.4. Stamp duty and GST**

Any stamp duty payable pursuant to the Offer will be the liability of Fitzroy and will be paid by Fitzroy. Royalco Shareholders may be charged GST on costs (such as advisor fees) that relate to their acceptance of the Offer. Royalco Shareholders may be entitled to input tax credits for such costs, but should seek independent advice in relation to their individual circumstances.

## **7. Information on Royalco Shares**

### **7.1. RCO capital structure**

As at the date of this Bidder's Statement, there are 52,714,183 Royalco Shares on issue.

### **7.2. Royalco Share trading**

Fitzroy acquired 4,548,215 Royalco Shares at 18 cents per share on 15 August 2016 (increasing its Voting Power in RCO to 14.9%). Fitzroy subsequently acquired 2,669,000 Royalco Shares from an Associate of Royalco Chairman Mr Peter Toham on 13 December 2016 (increasing its Voting Power in RCO to 19.99%). It has acquired 263,856 RCO Shares since 14 December 2016 (increasing its Voting Power in RCO to 20.42%).

In the six months prior to the Announcement Date, the highest closing price and lowest closing price of Royalco Shares traded on ASX were as follows:

- (a) High: 22.5 cents
- (b) Low: 17.0 cents

### **7.3. Fitzroy and its Associates' interests in RCO**

As at the date of this Bidder's Statement, Fitzroy had a Relevant Interest in a total of 10,542,500 Royalco Shares (see Section 3.4 for details).

As at the date of this Bidder's Statement, Fitzroy and its Associates had Voting Power of 19.99% in RCO.

## **8. Other material information**

### **8.1. No collateral benefits**

Neither Fitzroy nor any of its Associates has, during the period of four months ending on the day immediately before the date of this Bidder's Statement, given, or offered or agreed to give, a benefit to another person likely to induce the other person, or an Associate, to:

- (a) accept the Offer; or
- (b) dispose of Royalco Shares,

which benefit was not offered to all Royalco Shareholders under the Offer.

### **8.2. No escalation agreements**

Neither Fitzroy nor any Associate of Fitzroy has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

### **8.3. No dealings in Royalco Shares**

Other than as described in Section 7.2 above, in the four months prior to the date of this Bidder's Statement, neither Fitzroy nor any of its Associates has dealt in any Royalco Shares.

### **8.4. Material contracts**

Fitzroy is not aware of the terms of any contracts to which RCO or any of its controlled entities are a party that contain provisions entitling the contract counterparty to terminate the contract in the event of a change of control of RCO.

Fitzroy has not engaged in any discussions with any party with whom RCO or a controlled entity of RCO has a substantive contract for the provision of goods or services to assess the impact of a change of control of RCO on any contract.

### **8.5. Regulatory approvals**

There are no regulatory approvals that Fitzroy needs to obtain before acquiring Royalco Shares before or under the Offer.

### **8.6. Consents**

Taylor Collison has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as the Broker to Fitzroy in this Bidder's Statement in the form and context in which it is so named.

TC Corporate Pty Ltd (**TC Corporate**) has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as the financial advisor to Fitzroy in this Bidder's Statement in the form and context in which it is so named.

Watson Mangioni Lawyers Pty Limited (**Watson Mangioni**) has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as legal advisor to the Offer in the form and context in which it is named.

Each of Taylor Collison, TC Corporate and Watson Mangioni:

- (a) has not authorised or caused the issue of the Bidder's Statement;
- (b) does not make, or purport to make, any statement in this Bidder's Statement other than as specified in this Section;
- (c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Bidder's Statement other than the reference to its name and the statements (if any) included in this Bidder's Statement with the consent of that party as specified in this Section.

### **8.7. Date for determining holders of Royalco Shares**

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) is 16 December 2016.

### **8.8. Potential for waiver of Prescribed Occurrences Condition**

The Offer is subject only to the prescribed occurrences condition set out in Section 9.7. Under the terms of the Offer and the Corporations Act, any or all of those Conditions may be waived by Fitzroy.

If an event occurs which results (or would result) in the non-fulfilment of the Condition, Fitzroy might not make a decision as to whether it will either rely on that non-fulfilment, or instead waive the Condition, until the date for giving notice as to the status of the Condition of the Offer under section 630(3) of the Corporations Act.

If Fitzroy decides that it will waive the Condition, it will announce that decision to ASX in accordance with section 650F of the Corporations Act. If the Condition is not fulfilled, and Fitzroy decides to rely on the non-fulfilment, then any contract resulting from acceptance of the Offer will become void at (or, in some cases, shortly after) the end of the Offer Period, and the relevant Royalco Shares will be returned to the holder.

### **8.9. Status and effect of the Condition**

As at the date of this Bidder's Statement, Fitzroy is not aware of any events or circumstances which would result in the non-fulfilment of the Condition in Section 9.7.

### **8.10. ASIC modifications and exemptions**

ASIC has published various other Class Order instruments providing for modifications and exemptions that apply generally to all persons, including Fitzroy.

### **8.11. On-market acquisitions by Fitzroy**

Subject to the requirements of the Corporations Act, Fitzroy may acquire Royalco Shares on market at prices at the Offer Price during normal trading on the ASX.

As disclosed earlier in this document, Fitzroy has instructed its Broker, Taylor Collison, to immediately commence purchasing Royalco Shares on-market at the Offer Price. (Fitzroy reserves the right to withdraw those instructions in its discretion.)

Any such purchases by Fitzroy will be disclosed to the ASX in substantial shareholder notices which Fitzroy is required to lodge under the Corporations Act.

Royalco Shareholders who sell their Royalco Shares on the ASX will receive payment from their Broker. Settlement of trades on the ASX is on a T+2 basis (being 2 business days after the date of the transaction).

Royalco Shareholders who sell Royalco Shares on the ASX cannot subsequently accept the Offer in respect of their Royalco Shares sold on the ASX. In addition, Royalco Shareholders who sell Royalco Shares on the ASX may incur brokerage charges which they may not incur if they accept the Offer.

### **8.12. Other material information**

There is no other information material to the making of a decision by an offeree whether or not to accept an Offer (being information that is known to Fitzroy and has not previously been disclosed to the holders of Royalco Shares) other than as disclosed in this Bidder's Statement.

### **8.13. ASIC modifications and exemptions**

This Bidder's Statement includes or is accompanied by statements that are made in, or based on, statements made in documents lodged with ASIC or ASX. Under the terms of ASIC Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Bidder's Statement. A list of all such documents is set out in Section 3.8.

In accordance with your right to obtain a copy of the above documents free of charge under ASIC Class Order 13/521, please contact Fitzroy on +61 2 9993 4407.

Fitzroy has not obtained from ASIC any modifications or exemptions from the Corporations Act in relation to the Offer.

### **8.14. Costs and expenses**

All costs and expenses of the preparation and circulation of this Bidder's Statement and the Offer, and all transfer duty payable on transfer of your Royalco Shares will be paid by the Bidder.

## **9. Offer Terms**

### **9.1. Fitzroy's Offer**

- (a) Fitzroy offers to acquire your Royalco Shares on the terms and conditions of this Offer. You may accept this Offer in respect of your Royalco Shares.
- (b) The consideration being offered by Fitzroy is 20 cents for every Royalco Share you own.

- (c) If you accept this Offer and Fitzroy acquires your Royalco Shares, Fitzroy is also entitled to any Rights in respect of your Royalco Shares.

## 9.2. Offer Period

Unless withdrawn, this Offer remains open for acceptance during the period commencing on the date of this Offer and ending at 7:00pm on 30 January 2017 (AEDT), subject to any extension of that period in accordance with the Corporations Act.

## 9.3. Who may accept

- (a) An offer in the form of this Offer is being made to:
- (i) each holder of Royalco Shares registered, or entitled to be registered, in the register of members of RCO at 7:00pm (AEDT) on 14 December 2016; and
  - (ii) each other holder of Royalco Shares who becomes so registered before the end of the Offer Period.
- (b) If at the time this Offer is made to you another person is, or at any time during the Offer Period and before this Offer is accepted becomes, the holder of, or entitled to be registered as the holder of, some or all of your Royalco Shares (**transferred shares**), Fitzroy is deemed, in place of this Offer, to have made at that time a corresponding Offer on the same terms and conditions:
- (i) to the other person, relating to the transferred shares; and
  - (ii) to you, relating to your Royalco Shares other than the transferred shares (if any).
- (c) If at any time during the Offer Period and before this Offer is accepted, you hold your Royalco Shares in two or more distinct portions (for example, you hold some as trustee, nominee or otherwise on account of another person) within the meaning of section 653B of the Corporations Act:
- (i) this Offer is deemed to consist of a separate corresponding Offer to you in relation to each distinct portion of your Royalco Shares;
  - (ii) to accept any of those corresponding Offers, you must specify:
    - (A) by written notice accompanying your Acceptance Form; or
    - (B) if the notice relates to Royalco Shares in a CHESS Holding, in an electronic form approved by the ASX Settlement Operating Rules,

that your Royalco Shares consist of distinct portions and the number of the Royalco Shares to which the acceptance relates; and
  - (iii) otherwise, section 653B of the Corporations Act applies to this Offer in respect of your Royalco Shares and any acceptance of this Offer by you.

## 9.4. How to accept this Offer

- (a) You may only accept this Offer in respect of all of your Royalco Shares.
- (b) You may only accept this Offer during the Offer Period.
- (c) If your Royalco Shares are held in a CHESS Holding, you can only accept this Offer in accordance with the ASX Settlement Operating Rules.
- (d) To accept this Offer, you should proceed as follows:

- (i) you may complete and sign the Acceptance Form in accordance with the instructions on the Acceptance Form and return it (together with any documents required by the instructions on it), so that the envelope in which they are sent is received by Fitzroy in accordance with the Acceptance Form before the end of the Offer Period; or
- (ii) if your Royalco Shares are held in a CHESS Holding (as an alternative to completing the Acceptance Form) you may either:
  - (A) instruct your Controlling Participant to initiate acceptance of the Offer in accordance with Rule 14.4 of the ASX Settlement Operating Rules before the end of the Offer Period; or
  - (B) if you are a Broker or an ASX Settlement Participant, initiate acceptance of the Offer in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

### **9.5. Effect of acceptance**

- (a) By accepting the Offer in accordance with Section 9.4, you will have:
  - (i) accepted this Offer in respect of all of your Royalco Shares;
  - (ii) agreed to transfer your Royalco Shares to Fitzroy (subject to this Offer and the contract resulting from your acceptance of it becoming unconditional);
  - (iii) represented and warranted to Fitzroy that your Royalco Shares will at the time of acceptance of this Offer and at the time of their transfer to Fitzroy be fully paid up and that Fitzroy will acquire good title to and beneficial ownership of your Royalco Shares free from all Encumbrances and other adverse third party interests of any kind;
  - (iv) on the Offer or the contract resulting from your acceptance of the Offer becoming unconditional, irrevocably appointed Fitzroy and each of its directors, secretaries and officers severally as your attorney to do all things which you could lawfully do in relation to your Royalco Shares or in exercise of any right derived from the holding of such Royalco Shares, including without limitation:
    - (A) attending and voting at any general meeting of RCO;
    - (B) notifying RCO that your address in the records of RCO for all purposes including the dispatch of notices of meeting, annual reports and dividends should be altered to an address nominated by Fitzroy; and
    - (C) doing all things incidental and ancillary to any of the above.

This appointment terminates on the registration of Fitzroy as the registered holder of your Royalco Shares.

Fitzroy must indemnify you and keep you indemnified in respect of all costs, expenses and obligations which might otherwise be incurred or undertaken as a result of the exercise by an attorney of any powers under this Section 9.4;
  - (v) agreed that in exercising the powers conferred by the power of attorney under Section 9.4 the attorney may act in the interests of Fitzroy as the intended registered holder and beneficial holder of those Royalco Shares;
  - (vi) agreed not to attend or vote in person at any general meeting of RCO or to exercise or purport to exercise any of the powers conferred on an attorney under Section 9.4;
  - (vii) represented and warranted to Fitzroy that the making of the Offer to you and your acceptance of this Offer is lawful under any Foreign Law which applies to you, to the making of this Offer or to your acceptance of this Offer;

- (viii) agreed to indemnify Fitzroy and RCO fully in respect of any claim, demand, action, suit or proceeding made or brought against RCO and any loss, expense, damage or liability whatsoever suffered or incurred by Fitzroy or RCO or both Fitzroy and RCO, in each case as a result of any representation or warranty made by you not being true; and
  - (ix) irrevocably authorised and directed RCO to pay to Fitzroy or to account to Fitzroy for all dividends and other distributions and entitlements which are declared, paid or made or which arise or accrue after the date of this Offer in respect of the Royalco Shares which Fitzroy acquires pursuant to this Offer, subject to your acceptance of this Offer is validly withdrawn pursuant to section 650E of the Corporations Act or the contract resulting from that acceptance becomes void, to Fitzroy accounting to you for any such dividends, distributions and entitlements received by it.
- (b) By completing, signing and returning the Acceptance Form, you will also have:
- (i) authorised Fitzroy and each of its directors, secretaries, officers, servants and agents severally to complete the Acceptance Form by correcting any errors in or omissions from the Acceptance Form as may be necessary for either or both of the following purposes:
    - (A) to make the Acceptance Form an effectual acceptance of this Offer; and
    - (B) to enable registration of the transfer to Fitzroy of your Royalco Shares; and
  - (ii) authorised Fitzroy and each of its directors, secretaries, officers, servants, and agents severally on your behalf to initiate acceptance or instruct your Controlling Participant to initiate acceptance in accordance with Rule 14.14 of the ASX Settlement Operating Rules.
- (c) Fitzroy may at any time in its absolute discretion:
- (i) treat the receipt by it of an Acceptance Form during the Offer Period as a valid acceptance although it does not receive all or any requirements for a valid acceptance have not been complied with; and
  - (ii) where you have satisfied the requirements for acceptance in respect of only some of your Royalco Shares, treat the acceptance as a valid acceptance only in respect of those Royalco Shares.
- (d) In respect of any part of an acceptance treated by Fitzroy as valid, Fitzroy must provide you with the relevant Cash Consideration in accordance with Section 9.6.

#### **9.6. Consideration for your Royalco Shares**

- (a) The obligation of Fitzroy to pay to you to which you are entitled as Cash Consideration under the Offer will be satisfied by Fitzroy dispatching or procuring the dispatch to you a cheque made payable to you by pre-paid ordinary mail or, in the case of addresses outside Australia, by pre-paid airmail, to your address as shown on the Register (or such other address as you may notify in writing to Fitzroy).
- (b) Subject to Section 9.6(c) of this Offer, if the contract resulting from your acceptance of this Offer becomes unconditional, Fitzroy will provide the cash consideration to which you are entitled on acceptance of this Offer on or before the earlier of:
  - (i) 1 month after the date this Offer is validly accepted by you or, if this Offer is subject to the Condition when accepted, within 1 month after this Offer or the contract resulting from your acceptance of this Offer becomes unconditional; and
  - (ii) 14 days after the end of the Offer Period.



Under no circumstances will interest be paid on the consideration for the accepted Shares under this Offer, regardless of any delay in making payment or any extension of this Offer.

- (c) Where the Acceptance Form requires an additional document to be given with your acceptance (such as a power of attorney):
- (i) if that document is given with your acceptance, Fitzroy will provide the consideration in accordance with paragraph (b);
  - (ii) if that document is given after your acceptance and before the end of the Offer Period while the Offer is subject to the Condition, Fitzroy will provide the consideration 1 month after the Offer becomes unconditional;
  - (iii) if the document is given after your acceptance and before the end of the Offer Period while the Offer is not subject to the Condition, Fitzroy will provide the consideration 14 days after the document is received; or
  - (iv) if that document is received after the end of the Offer Period, Fitzroy will provide the consideration within 14 days after that document is received.
- (d) If Fitzroy becomes entitled to any Rights as a result of your acceptance of this Offer, it may require you to give Fitzroy all documents necessary to vest those Rights in Fitzroy or otherwise to give Fitzroy the benefit or value of those Rights. If you do not give those documents to Fitzroy, or if you have received the benefit of those Rights, then Fitzroy may reduce the total amount of cash consideration to which you are otherwise entitled under this Offer by the amount (or value, as reasonably assessed by Fitzroy) of those Rights. For the avoidance of doubt, Fitzroy will not be entitled to deduct the value of any franking credits attaching to any dividends or capital distributions declared or paid by RCO.
- (e) If, at the time of acceptance of this Offer, any consent, authority or clearance of the Reserve Bank of Australia and/or the Australian Taxation Office is required for you to receive any consideration under this Offer or you are resident in or a resident of a place to which, or you are a person to whom:
- (i) the Banking (Foreign Exchange) Regulations 1959 (Cth);
  - (ii) Part 4 of the Charter of the United Nations Act 1945 (Cth);
  - (iii) the Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth);
  - (iv) Part 9 of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth);
  - (v) any other regulations made under Part 4 of the Charter of the United Nations Act 1945 (Cth); or
  - (vi) any other law of Australia that would make it unlawful for Fitzroy to provide Consideration for your Royalco Shares,
  - (vii) applies, then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive (and you will not be entitled to receive) any consideration under this Offer unless and until all requisite consents, authorities or clearances have been obtained.

#### **9.7. Prescribed Occurrences Condition**

- (a) This Offer and the contract that results from acceptance of this Offer are each subject to the fulfilment of the following condition:

**No Prescribed Occurrences:** none of the following happens during the period commencing on the Announcement Date and ending on the expiry of the Offer Period (each being a separate condition):

- (i) the shares of RCO or any of the Controlled Entities of RCO are converted into a larger or smaller number of shares;
  - (ii) RCO or a subsidiary of RCO resolves to reduce its share capital in any way;
  - (iii) RCO or a subsidiary of RCO:
  - (iv) enters into a buy-back agreement; or
  - (v) resolves to approve the terms of a buy-back agreement under sections 257C or 257D of the Corporations Act;
  - (vi) RCO or a subsidiary of RCO 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;
  - (vii) RCO or a subsidiary of RCO issues or agrees to issue convertible notes;
  - (viii) RCO or a subsidiary of RCO disposes or agrees to dispose of the whole or a substantial part of its business or property;
  - (ix) RCO or a subsidiary of RCO grants or agrees to grant an Encumbrance over the whole or a substantial part of its business or property; or
  - (x) an Insolvency Event occurs with respect to RCO or a subsidiary of RCO.
- (b) Each paragraph of Section 9.7:
- (i) is and must be construed as a separate condition; and
  - (ii) subject to the Corporations Act, operates only for the benefit of Fitzroy and any breach or non-fulfilment of such condition may be relied upon only by Fitzroy which may waive (generally or in respect of a particular event) the breach or non-fulfilment of that Condition.
- (c) The Condition does not prevent a contract to sell your Royalco Shares resulting from your acceptance of this Offer but:
- (i) breach of the Condition entitles Fitzroy to rescind that contract by notice to you; and
  - (ii) non-fulfilment of the Condition at the end of the Offer Period will have the consequences set out in this Section 9.7.
- (d) Where an event occurs that would mean at the time the event occurs the Condition to which this Offer or the contract resulting from your acceptance of this Offer is then subject would not be fulfilled, each paragraph of the Condition in Section 9.7 affected by that event becomes two separate Conditions on identical terms except that:
- (i) one of them relates solely to that event; and
  - (ii) the other specifically excludes that event.

Fitzroy may declare the Offer free under Section 9.7 from any paragraph of the Condition without declaring it free from the other paragraphs and may do so at different times.

- (e) Subject to the Corporations Act, Fitzroy may declare this Offer and any contract resulting from acceptance of this Offer free from the Condition by giving written notice to RCO not later than 3 business days after the end of the Offer Period.
- (f) The date for giving the notice on the status of the Condition as required by section 630(1) of the Corporations Act is 23 January 2017 (subject to extension in accordance with the Corporations Act) if the Offer Period is extended.
- (g) Your acceptance or the contract resulting from your acceptance of this Offer is void if:
  - (i) at the end of the Offer Period the Condition in Section 9.7 is not fulfilled; and
  - (ii) Fitzroy has not declared this Offer and any contract resulting from the acceptance of it free of the Condition in accordance with Section 9.7(e).

#### **9.8. Withdrawal of Offers**

- (a) This Offer, if not previously accepted, may be withdrawn by Fitzroy, but only with ASIC's written consent (which consent may be given subject to any conditions which may be imposed by ASIC).
- (b) Subject to ASIC's consent (and any conditions imposed by ASIC), withdrawal of this Offer may be effected by written notice from Fitzroy given to RCO.
- (c) Subject to any conditions imposed by ASIC on its consent, where Fitzroy withdraws this Offer, if not previously accepted, automatically becomes incapable of acceptance.

#### **9.9. Variation**

Fitzroy may vary this Offer in accordance with the Corporations Act.

#### **9.10. Stamp duty**

Fitzroy must pay all stamp duty payable on the transfer of your Royalco Shares to it if you accept this Offer.

#### **9.11. Governing law**

This Offer and any contract that results from your acceptance of this Offer is governed by the laws in force in NSW.

This Offer is dated 14 December 2016.

## 10. Definitions and interpretation

### 10.1. Definitions

The following defined terms are used throughout this Bidder's Statement unless the context otherwise requires. These terms are used throughout this Bidder's Statement.

<b>\$ or c</b>	Australian dollars or cents.
<b>Acceptance Form</b>	The acceptance form for the Offer accompanying this Bidder's Statement.
<b>Announcement Date</b>	The date on which the Offer was announced to ASX, namely 14 December 2016.
<b>ASIC</b>	Australian Securities & Investments Commission.
<b>Associate</b>	Has the same meaning given to that term in section 9 of the Corporations Act
<b>ASX</b>	ASX Limited (ACN 008 624 691) on the market it administers being Australian Securities Exchange (as the context requires).
<b>ASX Settlement</b>	ASX Settlement Pty Limited (ACN 008 504 532).
<b>ASX Settlement Operating Rules</b>	The operating rules of the settlement facility provided by ASX Settlement.
<b>Bidder's Statement</b>	This document, being the replacement statement made by Fitzroy under Part 6.5 Division 2 of the Corporations Act..
<b>Board</b>	The board of Directors of Fitzroy.
<b>Broker</b>	A person who is a share broker and participant in CHESS.
<b>Business Day</b>	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.
<b>CGT</b>	Capital gains tax.
<b>CHESS</b>	The Clearing House Electronic Subregister System which provides for the electronic transfer, settlement and registration of securities in Australia.
<b>CHESS Holding</b>	A holding of Royalco Shares on the CHESS subregister of RCO.
<b>Condition</b>	Each condition set out in Section 9.7.
<b>controlled entity</b>	Has the meaning given to that word in the Corporations Act.
<b>Controlling Participant</b>	Has the meaning given in the ASX Settlement Operating Rules.
<b>Corporations Act</b>	The <i>Corporations Act 2001</i> (Cth).
<b>Director</b>	A director of Fitzroy.

<b>Fitzroy</b>	Fitzroy River Corporation Limited (ACN 075 760 655).
<b>Governmental Agency</b>	Any government, semi-government, administrative, fiscal, judicial or regulatory body, department, commission, authority, tribunal, agency or entity.
<b>GST</b>	Goods and services tax.
<b>Insolvency Event</b>	means with respect to RCO or a subsidiary, an event referred to in section 652C(2) of the Corporations Act.
<b>Listing Rules</b>	The listing rules of ASX.
<b>Offer</b>	The offer as set out in Section 9 of this Bidder's Statement (or, if the context so requires, Section 9 of this Bidder's Statement itself) and includes a reference to that offer as varied in accordance with the Corporations Act.
<b>Offer Period</b>	The period for which the Offer remains open as set out in Section 9.
<b>Offer Price</b>	20 cents per Royalco Share.
<b>Official List</b>	The office list of entities that ASX has admitted and not removed.
<b>Official Quotation</b>	Official quotation of a security on a market operated by ASX.
<b>PPSA</b>	<i>Personal Property Securities Act 2009</i> (Cth). <ul style="list-style-type: none"> <li>(a) PPS the PPSA and any regulation made at any time under the PPSA, including the PPS Regulations (each as amended from time to time); and</li> <li>(b) any amendment made at any time to any other legislation as a consequence of a law or regulation referred to in paragraph (a).</li> </ul>
<b>PPSR Regulations</b>	<i>Personal Property Securities Regulations 2010</i> (Cth).
<b>Prescribed Occurrences</b>	The events referred to in Section 652C(1) and (2) of the Corporations Act.
<b>RCO or Royalco</b>	Royalco Resources Limited (ACN 096 321 532).
<b>Royalco Share</b>	A fully paid ordinary share in the capital of RCO.
<b>Royalco Shareholder</b>	A registered holder of Royalco Shares.
<b>Relevant Interest</b>	Has the meaning given in sections 608 and 609 of the Corporations Act.
<b>Rights</b>	All accretions, rights or benefits of whatever kind attaching to or arising from Royalco Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares, stock units, notes, bonds, options or other securities, declared or paid by RCO or any of its Subsidiaries.

<b>Security</b>	Has the meaning as given in section 92 of the Corporations Act.
<b>Security interest</b>	Any: <ul style="list-style-type: none"> <li>(a) "security interest" as defined in the PPS Law;</li> <li>(b) security for payment of money, performance of obligations or protection against default (including a mortgage, bill of sale, charge, lien, pledge, trust, power or title retention arrangement, right of set-off, assignment of income, garnishee order or monetary claim and flawed deposit arrangements);</li> <li>(c) a thing or preferential interest or arrangement of any kind giving a person priority or preference over claims of other persons or creditors with respect to any property or asset,</li> </ul> <p>and includes any agreement to create any of them or allow them to exist.</p>
<b>Subsidiary</b>	Has the meaning given in the Corporations Act.
<b>Taylor Collison</b>	Taylor Collison Limited (ACN 008 172 450) (AFSL 247083).
<b>Trading Day</b>	Has the meaning given in the ASX Listing Rules.
<b>Voting Power</b>	Has the same meaning given to that term in section 610 of the Corporations Act.

## 10.2. Interpretation

In this Bidder's Statement, unless the context requires otherwise:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a person in this Bidder's Statement or any other document or agreement includes its successors and permitted assigns;
- (c) a reference to a gender includes any gender;
- (d) a reference to an item in a Section, Schedule, Annexure or Appendix is a reference to an item in the section of or schedule, annexure or appendix to this Bidder's Statement and references to this Bidder's Statement include its schedules and any annexures;
- (e) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (f) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a Governmental Agency;
- (g) headings are included for convenience only and do not affect interpretation;
- (h) a reference to a document or agreement including this Bidder's Statement, includes a reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;
- (i) a reference to a thing includes a part of that thing and includes but is not limited to a right;

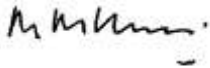
- (j) the terms included, including and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (k) a reference to a statute or statutory provision includes but is not limited to:
  - (i) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
  - (ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
  - (iii) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (l) reference to \$, A\$, Australian Dollars or dollars, c or cents is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia; and
- (m) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.

## **11. Approval of Bidder's Statement**

This Bidder's Statement has been approved by a unanimous resolution of the Directors of Fitzroy.

**Dated** 21 December 2016

**Signed for and on behalf of Fitzroy River Corporation Limited**



**Malcolm McComas**