

On-market Cash Offer

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

Offers to acquire all the ordinary shares in

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

at 18 cents cash for each RCO Share

ACCEPT THIS OFFER

**To accept this Offer, please instruct your stockbroker to sell your RCO Shares
on-market to Fitzroy**



TAYLOR COLLISON

Broker to the Offer



WATSON MANGIONI

Legal Advisor to Fitzroy

**This is an important document and requires your immediate
attention**

Important Information

Bidder's Statement and Offer

This is a Bidder's Statement dated 19 October 2016 given by Fitzroy to RCO and each holder of RCO Shares under Part 6.5 of Chapter 6 of the Corporations Act and in compliance with sections 636 and 637 of the Corporations Act.

The Offer relates to all RCO Shares that exist or will exist at any time during the Offer Period.

ASIC

A copy of this Bidder's Statement was lodged with ASIC on 19 October 2016. Neither ASIC nor any of its 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 RCO Shareholder or any other person. RCO 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. RCO 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.

Defined terms

Defined terms used in this Bidder's Statement are capitalised. Definitions of these terms are set out in Section 9. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 9, 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. RCO Shareholders should form their own views concerning RCO from publicly available information.

Important Dates

Event	Date
Announcement Date A copy of the announcement is set out in Annexure A	Wednesday, 19 October 2016
Date Bidder's Statement served on RCO and lodged with ASIC and ASX	Wednesday, 19 October 2016
Date of Bidder's Statement	Wednesday, 19 October 2016
Date from which RCO Shareholders can sell RCO Shares to Fitzroy	Wednesday, 19 October 2016
Opening date of Offer Period	Thursday, 3 November 2016
Closing date *	Monday, 5 December 2016

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

Directory

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Chairman's letter

19 October 2016

Dear Royalco Shareholders

Unconditional, on-market, cash takeover Offer for Royalco

On behalf of Fitzroy River Corporation Limited, I am pleased to provide you with this on-market offer to acquire all of your shares in Royalco Resources Limited.

If you sell your RCO Shares to Fitzroy, we will pay you 18 cents cash per RCO Share.

You will be paid within two Trading Days of your acceptance.

The Offer allows all RCO Shareholders the opportunity to sell their RCO Shares at the same price that Fitzroy paid for 4,548,215 RCO Shares (8.6% of RCO's Shares) to an institutional shareholder on 15 August 2016. This acquisition of RCO Shares represents almost 2/3rds of the RCO Shares traded in 2016.

Reasons to accept the Offer

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

RCO Shareholders should consider that:

- the Offer is unconditional;
- RCO has made total losses of approximately \$7.169 million over the past four financial years;
- RCO's net assets have fallen by 42% over the past four financial years (from approximately \$17.662 million in 2013 to \$10.170 million in 2016¹);
- there is very low trading liquidity in RCO Shares and the Offer allows you to sell all your RCO Shares; and
- there is no competing offer to acquire your RCO Shares.

To accept the Offer, you must sell your RCO Shares by no later than the close of trading on Monday, 5 December 2016.

If you require additional assistance, please call our stockbroker Taylor Collison on +61 2 9377 1500.

Yours faithfully

A handwritten signature in black ink, appearing to read 'M. McComas'.

Malcolm McComas
Chairman
Fitzroy River Corporation

¹ After dividend payments of \$4.481m.

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Why you should accept the Offer

1. THE OFFER PRICE IS AN ATTRACTIVE CASH PRICE

The all cash consideration of 18 cents per RCO Share is being offered to all RCO Shareholders.

This is the price at which Fitzroy acquired 4,548,215 RCO Shares (8.6% of RCO Shares) on 15 August 2016 from an institutional shareholder.

Fitzroy is extending to all RCO Shareholders the opportunity to sell their RCO Shares at the same price as this earlier trade.

2. YOU CAN SELL YOUR RCO SHARES IMMEDIATELY

You can accept the Offer immediately by instructing your broker to sell your RCO Shares on market to Fitzroy.

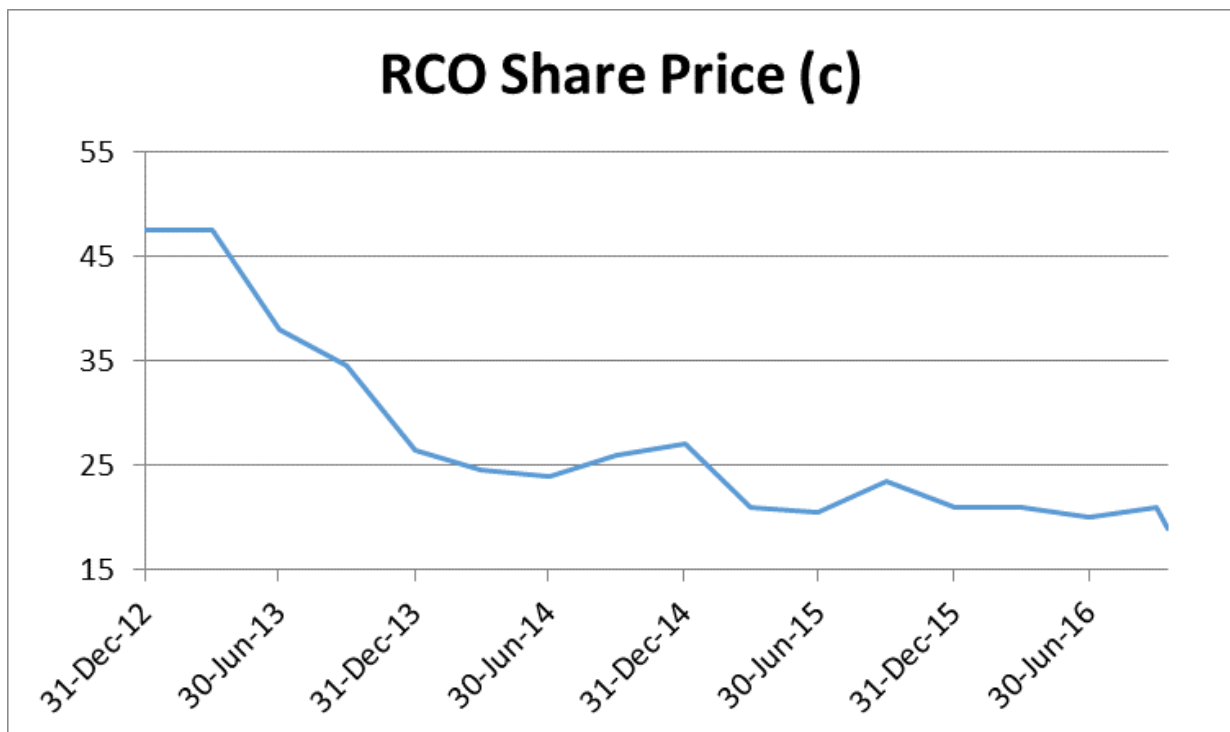
You will receive cash payment within two Trading Days of your acceptance of the Offer. There are no conditions attached to the Offer.

3. THERE ARE RISKS ASSOCIATED WITH CONTINUING TO HOLD RCO SHARES

Fitzroy believes that because of the factors set out below, the current RCO Share price does not adequately reflect the risks associated with holding RCO Shares.

(a) RCO'S SHARE PRICE HAS FALLEN SIGNIFICANTLY SINCE 1 JANUARY 2013

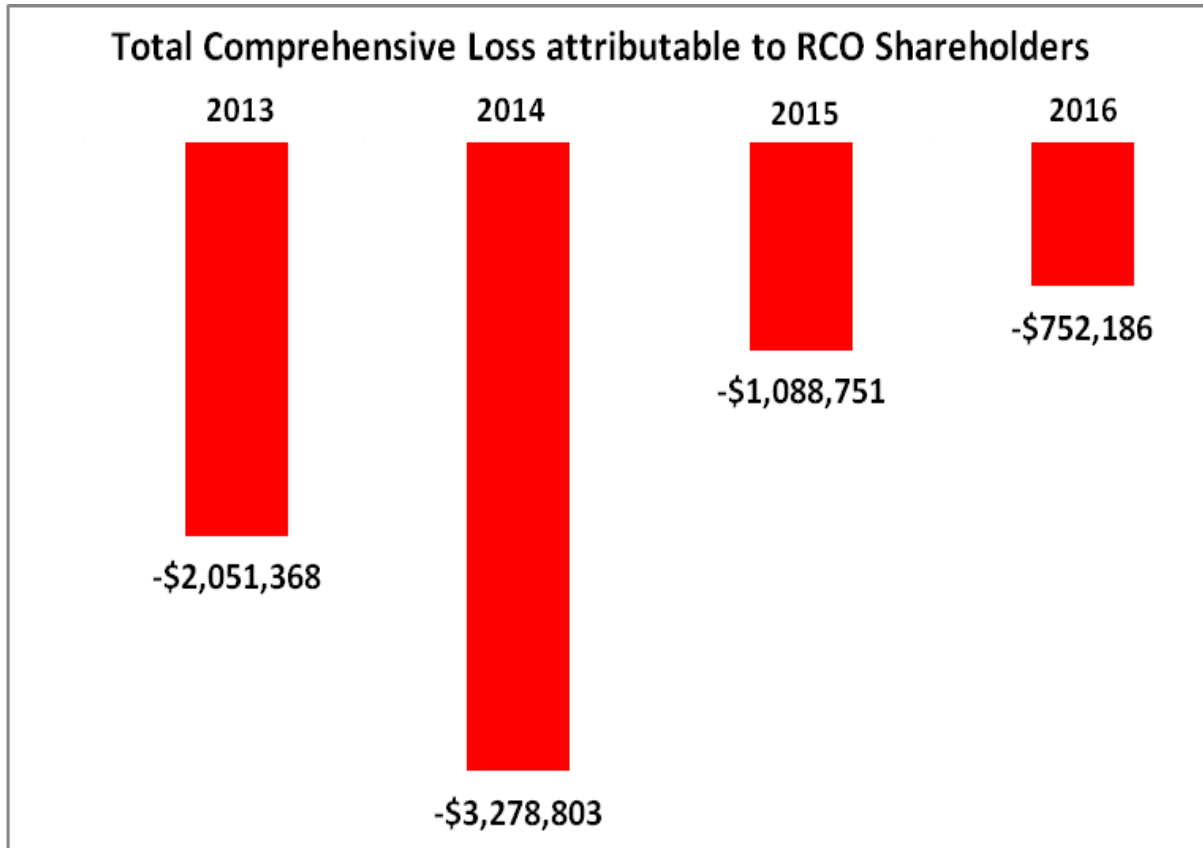
RCO's Share price has fallen from 47.5 cents at the beginning of 2013 to 19 cents today.



(b) RCO HAS INCURRED SUBSTANTIAL LOSSES TOTALLING \$7.169 MILLION SINCE 2013

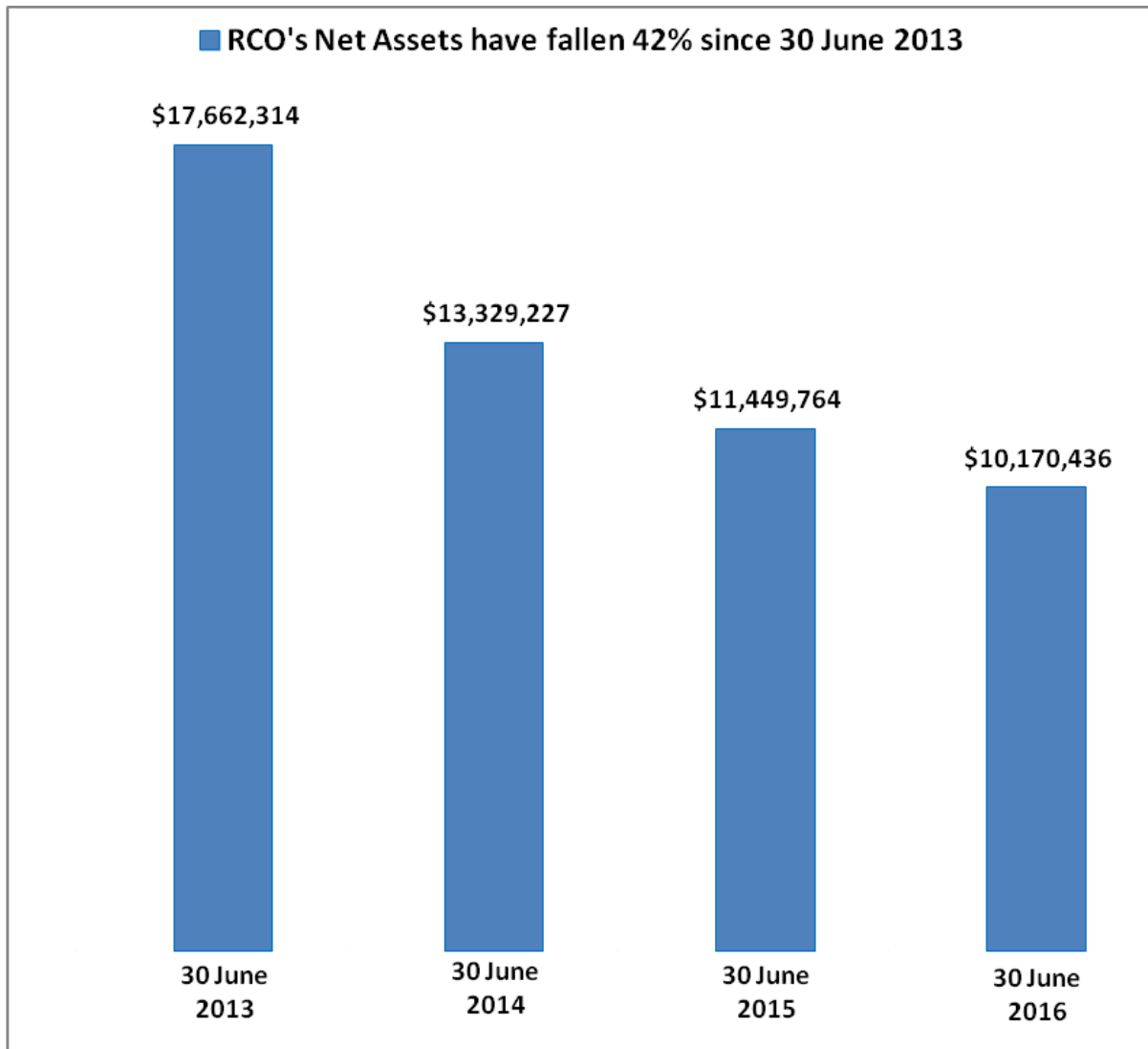
RCO has incurred substantial losses of \$7.169 million in total for the past four financial years as shown in the chart below.

If RCO continues to incur losses, it may not be able to continue to pay dividends to RCO Shareholders.



(c) RCO'S NET ASSETS HAVE FALLEN 42% SINCE 2013

The table below sets out RCO's net asset position as at 30 June each year since 2013. It shows that RCO's net asset position has decreased substantially since 2013².

**(d) RCO SHARES ARE VERY THINLY TRADED**

RCO Shares are very thinly traded. Approximately 80% of RCO's Shares are held by the top 20 RCO Shareholders. There are only approximately 500 RCO Shareholders in total.

From 1 January 2016 to the close of trading on 18 October 2016, approximately 2.4 million RCO Shares have been traded (excluding the RCO Shares acquired by Fitzroy on 15 August 2016). This represents only 4.5% of RCO's Shares.

In the six months prior to the Announcement Date, the average daily value of RCO Shares traded on ASX was less than \$2,500 (excluding Fitzroy's acquisitions of 4,548,215 RCO Shares on 15 August 2016).

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

² After dividend payments of \$4.481 million.

4. THERE IS NO COMPETING OFFER

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

5. THERE ARE RISKS ASSOCIATED WITH BEING A MINORITY SHAREHOLDER

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

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

After the Offer closes, if Fitzroy's Voting Power in RCO is less than 90% of RCO, RCO 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 RCO Shares Fitzroy does not own. If your RCO Shares are compulsorily acquired you will be paid later than RCO Shareholders who accept the Offer.

1. Bidder's Statement

This is a Bidder's Statement dated 19 October 2016 given by Fitzroy to RCO and each holder of RCO Shares under Part 6.5 of Chapter 6 of the Corporations Act and in compliance with sections 636 and 637 of the Corporations Act.

1.1. The Offer – an on-market cash takeover offer

As disclosed to ASX in the announcement dated 19 October 2016, Fitzroy will make Offers under an on-market bid to buy all RCO Shares (together with all Rights attaching to them) that Fitzroy and its Associates do not own, and that exist or will exist at any time during the Offer Period, at the Offer Price.

A copy of the ASX announcement is set out in Annexure A to this Bidder's Statement.

1.2. How the Offer will be made

The Offers will be made on behalf of Fitzroy by Taylor Collison stockbrokers, during the Offer Period. Unless the Offer is extended or withdrawn in accordance with the Corporations Act, the Offer Period will commence at the start of trading on ASX on 3 November 2016 and finish immediately at the close of trading on ASX on 5 December 2016.

In addition, it is the intention of Fitzroy to acquire RCO Shares offered on-market at (or below) the Offer Price from the time of the ASX announcement on 19 October 2016 until the Offer Period commences. Fitzroy, through Taylor Collison, will then make the Offer during the Offer Period at the Offer Price.

1.3. Extension of the Offer Period

Fitzroy may, at its discretion and in accordance with the Corporations Act, extend the Offer Period or increase the Offer Price.

1.4. How to accept

The Offer may be accepted on-market on ASX before the end of the Offer Period. An RCO Shareholder may only accept the Offer during the Offer Period by selling all or some of their RCO Shares on-market to Fitzroy. RCO Shareholders can also sell their RCO Shares on-market to Fitzroy from and after 19 October 2016 to the closing date of the Offer Period.

If your RCO Shareholding is a CHESS Holding, you will need to instruct your sponsoring market participant or ASX settlement participant (formerly, "broker") to sell your RCO Shares. If your holding is an Issuer Sponsored Holding, you may sell your RCO Shares through your sponsoring market participant or ASX settlement participant (formerly, "broker") of your choice.

To accept the Offer, you should instruct your sponsoring market participant or ASX settlement participant (formerly, "broker") to accept the Offer on your behalf before the end of the Offer Period.

Beneficial owners whose RCO Shares are registered in the name of a market participant or ASX settlement participant (formerly, "broker"), investment dealer, bank, trust company or other nominee should contact that nominee for assistance in accepting the Offer.

1.5. Payment of Offer Price for your RCO Shares

The usual rules for settlement of transactions which occur on-market on ASX will apply in respect of Fitzroy's purchase of RCO Shares on-market. This means that, on accepting the on-market Offer, an RCO Shareholder will receive payment on a normal T+2 basis.

1.6. Brokerage and other costs

As the Offer will be on-market, accepting RCO Shareholders may only accept the Offer through brokers that are participants of ASX. Any brokerage charged by that ASX settlement participant will be the sole responsibility of the accepting RCO Shareholder.

Fitzroy will bear its own brokerage on transfers of RCO Shares acquired through acceptances of the Offer.

No stamp duty or goods and services tax (**GST**) will be payable on the transfer of your RCO Shares under the Offer (other than GST payable to your ASX settlement participant in respect of brokerage fees charged to you).

1.7. Withdrawal of the Offer

The Offer may be withdrawn by Fitzroy in accordance with the Corporations Act.

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:

- Malcolm McComas (Chair);
- Susan Thomas; and
- 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).

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:

- Annual Reports to RCO Shareholders;
- announcements issued by RCO through ASX; and
- the RCO website.

3.2. Overview of RCO and its principal business activities

The principal activities of RCO were:

- management of resource based royalties; and
- investigating other exploration development opportunities.

3.3. Directors

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

- Peter Topham;
- Bruce Pertzelt; and
- Piers Reynolds.

3.4. Major RCO Shareholders

RCO's Annual Report for 2016 discloses the following substantial RCO Shareholders:

Name	Number of RCO Shares	Percentage of issued capital
High Peak Royalties Limited	10,540,000	19.99%
Noontide Investments Ltd	9,798,132	18.59%
Fitzroy River Corporation Limited	7,873,500	14.94%
Keryn Anne Topham and Associates	5,805,140	11.01%
David Lindsay Ogg and Associates	3,695,260	7.01%

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 2013 to 30 June 2016 is set out below¹:

\$	12 months to 30 June 2016	12 months to 30 June 2015	12 months to 30 June 2014	12 months to 30 June 2013
Revenue from continuing activities	841,935	1,145,315	1,035,858	3,353,833
Administrative costs	(509,617)	(461,864)	(865,054)	(822,429)
Employee benefits expense	(482,275)	(464,234)	(467,698)	(522,423)
Depreciation expense	(3,650)	(2,883)	(6,993)	(1,620)
Impairment of investments	-	(11,200)	(24,000)	-
Exploration expenditure	(68,559)	(218,241)	(2,503,507)	(3,451,162)
Amortisation of royalty rights	(425,000)	(425,000)	(425,000)	(81,928)
Impairment of goodwill	-	-	-	(418,035)
Other expenses	(105,020)	-	-	-
Loss before income tax expense from continuing operations	(752,186)	(438,107)	(3,256,394)	(1,943,764)
Income tax credit (expense)	-	-	40,521	(112,891)
Loss after income tax from continuing operations	(752,186)	(438,107)	(3,215,873)	(2,056,655)
Loss after income tax from discontinued operations	-	(748,003)	-	-
Loss after income tax for the year attributable to the owners of RCO	(752,186)	(1,186,110)	(3,215,873)	(2,056,655)
Other comprehensive income for the year net of tax (foreign currency translation)	-	97,359	(62,930)	5,287
Total comprehensive income for the year attributable to the owners of RCO	(752,186)	(1,088,751)	(3,278,803)	(2,051,368)

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 2013 to 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 below¹:

\$	30 June 2016	30 June 2015
CURRENT ASSETS		
Cash and cash equivalents	3,085,378	3,789,712
Trade and other receivables	199,837	284,816
Other	5,417	-
TOTAL CURRENT ASSETS	3,290,632	4,074,528
NON-CURRENT ASSETS		
Property, plant and equipment	6,709	10,359
Intangibles	7,177,872	7,602,872
Other financial assets	24,000	12,800
Other	-	5,417
TOTAL NON-CURRENT ASSETS	7,208,581	7,631,448
TOTAL ASSETS	10,499,213	11,705,976
CURRENT LIABILITIES		
Trade and other payables	71,130	31,211
Employee benefits	251,649	220,426
TOTAL CURRENT LIABILITIES	322,779	251,637
NON-CURRENT LIABILITIES		
Employee benefits	5,998	4,575
TOTAL NON-CURRENT LIABILITIES	5,998	4,575
TOTAL LIABILITIES	328,777	256,212
NET ASSETS	10,170,436	11,449,764
EQUITY		
Issued capital	12,321,611	12,321,611
Accumulated losses	(2,151,175)	(871,847)
TOTAL EQUITY	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 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 June 2016	31 March 2016	31 December 2015	30 September 2015
Cash at end of quarter	3,148,000	3,163,000	3,449,000	3,473,000

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:

- (a) 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
- (b) 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

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:

- the continuation of RCO's business;
- any significant changes to be made to RCO's business, including any redeployment of RCO's fixed assets; and
- 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 RCO Shares

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

- Fitzroy currently intends to proceed to compulsory acquisition of the remaining RCO Shares if it becomes entitled to do so under the Corporations Act.
- Fitzroy will seek to remove RCO from the Official List of ASX.
- Fitzroy intends to replace all non-executive RCO directors with nominees of Fitzroy.
- Fitzroy intends to undertake the Review.
- 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 RCO Shares

This Section sets out Fitzroy's intentions if, by virtue of acceptance of the Offer or pre-Offer acquisitions on-market, acquires a Relevant Interest in RCO of more than 50% but less than 90%, Fitzroy's current intentions are as set out below.

- RCO will become a controlled entity of Fitzroy.
- Fitzroy intends to undertake the Review.
- 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 RCO Shareholders.
- Fitzroy may seek to remove RCO from the Official List of ASX.
- Fitzroy may, at some later time, acquire further RCO Shares in a manner consistent with the Corporations Act.
- 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.

- 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 RCO Shares

If Fitzroy does not achieve a Relevant Interest in more than 50% of RCO, Fitzroy will endeavour, to the extent possible through its non-controlling holding of RCO Shares, 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 RCO 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 RCO Shares every 6 months) until it achieves a majority Voting Power. Fitzroy has not yet decided whether it will acquire further RCO Shares as this will depend upon the extent to which Fitzroy has the capacity to acquire further RCO 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:

- to continue the RCO business; and
- not to make any major changes to the business of RCO; and
- not to make any changes to the employment of RCO's employees.

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:

- 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 RCO Shares, it will be treated as a related party of RCO for these purposes;
- 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 RCO Shareholders (in which regard the role of independent directors of RCO will also be important); and
- 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 RCO Shares if Fitzroy acquires all of the RCO 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 \$8.1 million.

The total cash consideration payable by Fitzroy as described in this Section 5 excludes any brokerage payable by Fitzroy.

5.2. Financial position of Fitzroy

Fitzroy has sufficient cash in its bank accounts that is either at call or on short term deposit to pay the total cash consideration payable by Fitzroy and to meet its expected costs of the Offer.

Fitzroy has received a letter from its financier that confirms the availability of sufficient cash reserves to fund the total cash consideration payable by Fitzroy.

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 RCO Shares) are not expected to exceed \$100,000.

6. Tax considerations

6.1. General

The following is a summary of the principal Australian tax consequences generally applicable to RCO Shareholders who dispose of their RCO Shares under the Offer for cash consideration. These consequences will depend on the individual circumstances of RCO 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 RCO Shareholders who hold their RCO Shares as capital assets for the purpose of investment and who do not (or would not) hold those RCO Shares in connection with the conduct of a business. Certain RCO Shareholders (such as those engaged in a business of trading or investment, those who acquired their RCO 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 RCO 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 RCO Shareholder. RCO Shareholders should seek independent professional advice regarding the taxation consequences of disposing of RCO Shares in the light of their own particular circumstances.

6.2. Australian resident RCO Shareholders

If you accept the Offer, you will be treated as having disposed of your RCO 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 RCO Shareholders may make a capital gain or capital loss on the disposal of an RCO Share under the Offer.

In general, the capital gain or loss on the disposal of an RCO 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 RCO Share. The cost base of RCO 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 RCO 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 RCO 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 RCO 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 RCO 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 RCO Shares owned (or deemed to be owned) for less than the relevant 12 month period.

6.3. Non-resident RCO Shareholders

RCO 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'. RCO Shares held by an RCO Shareholder who is not an Australian resident for tax purposes will be taxable Australian property only if the RCO Shares:

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

RCO 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. RCO Shareholders may be charged GST on costs (such as advisor fees) that relate to their acceptance of the Offer. RCO 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 RCO Shares

7.1. RCO capital structure

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

7.2. RCO Share trading

More than 71.5% of RCO Shares are held by the top five RCO Shareholders.

Fitzroy acquired 4,548,215 RCO Shares at 18 cents per share on 15 August 2016 (increasing its Voting Power in RCO to 14.9%).

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

- High: 22.5 cents
- Low: 17.0 cents

RCO Shares are very thinly traded. In the six months prior to the Announcement Date the average daily value of RCO Share trades (excluding the acquisition of shares made by Fitzroy on 15 August 2016) was less than \$2,500.

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 7,873,500 RCO Shares (see Section 3.4 for details).

As at the date of this Bidder's Statement, Fitzroy and its Associates had Voting Power of 14.9% in RCO.

7.4. 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 the Offer, 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 RCO Shares,

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

7.5. 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.

7.6. No dealings in RCO Shares

Other than as described in Section 7.2 above, in the four months prior to the date of the Offer, neither Fitzroy nor any of its Associates has dealt in any RCO Shares.

8. Additional information

8.1. 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.

8.2. Regulatory approvals

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

8.3. 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 the Offer 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 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.

8.4. 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 RCO Shares) other than as disclosed in this Bidder's Statement.

8.5. Power to withdraw

Fitzroy may only withdraw unaccepted Offers if a Prescribed Occurrence takes place during the Offer Period, but only if Fitzroy's voting power in RCO, at the time of the Prescribed Occurrence, is at or below 50%.

Fitzroy may also immediately withdraw unaccepted Offers upon the occurrence of an Insolvency Event (regardless of the level of Fitzroy's Voting Power in RCO) at the time that Insolvency Event occurs.

8.6. Effect of withdrawal

This Offer is incapable of acceptance if withdrawn.

8.7. Extension of Offer Period

Fitzroy may vary this Offer by extending the Offer Period, in accordance with section 649C of the Corporations Act.

8.8. Variation

Fitzroy reserves the right to vary this Offer in accordance with the provisions of section 649A of the Corporations Act.

8.9. 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.

8.10. 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 RCO Shares will be paid by the Bidder.

9. Definitions and interpretation

9.1. 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.

\$ or c	Australian dollars or cents.
Announcement Date	The date on which the Offer was announced to ASX, namely 19 October 2016.
ASIC	Australian Securities & Investments Commission.
Associate	Has the same meaning given to that term in section 9 of the Corporations Act
ASX	ASX Limited (ABN 98 008 624 691).
Bidder's Statement	The contents of this booklet.
CGT	Capital gains tax.
CHESS	The Clearing House Electronic Subregister System which provides for the electronic transfer, settlement and registration of securities in Australia.
CHESS Holding	A holding of RCO Shares on the CHESS subregister of RCO.
controlled entity	Has the meaning given to that word in the Corporations Act.
Corporations Act	The Corporations Act 2001 (Cth).
Director	A director of Fitzroy.
Fitzroy	Fitzroy River Corporation Limited (ACN 075 760 655).
Governmental Agency	Any government, semi-government, administrative, fiscal, judicial or regulatory body, department, commission, authority, tribunal, agency or entity.
GST	Goods and services tax.
Insolvency Event	means with respect to RCO or a subsidiary, an event referred to in section 652C(2) of the Corporations Act.
Listing Rules	The listing rules of ASX.
Offer	The offer to acquire RCO Shares which will be made on-market by Fitzroy, as set out in Section 1 of this Bidder's Statement.
Offer Period	The period for which the Offer remains open.
Offer Price	18 cents per RCO Share.

Prescribed Occurrence	Any of the following events: <ul style="list-style-type: none"> (a) RCO converts all or any of its shares into a larger or smaller number of shares; (b) RCO or a Subsidiary of RCO resolves to reduce its share capital in any way; (c) RCO or a Subsidiary of RCO: <ul style="list-style-type: none"> (i) enters into a buy-back agreement; or (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act; (d) RCO or a Subsidiary of RCO issues shares, or grants an option over its shares or agrees to make such an issue or grant such an option; (e) RCO or a Subsidiary of RCO issues, or agrees to issue, convertible notes; (f) RCO or a Subsidiary of RCO disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property; (g) RCO or a Subsidiary of RCO charges, or agrees to charge, the whole or a substantial part, of its business or property; (h) RCO or a Subsidiary of RCO resolves that it be wound up.
RCO or Royalco	Royalco Resources Limited (ACN 096 321 532).
RCO Share	A fully paid ordinary share in the capital of RCO.
RCO Shareholder	A registered holder of RCO Shares.
Relevant Interest	Has the meaning given in sections 608 and 609 of the Corporations Act.
Rights	All accretions, rights or benefits of whatever kind attaching to or arising from RCO 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.
Subsidiary	Has the meaning given in the Corporations Act.
Taylor Collison	Taylor Collison Limited (ACN 008 172 450) (AFSL 247083).
Trading Day	Has the meaning given in the ASX Listing Rules.
Voting Power	Has the same meaning given to that term in section 610 of the Corporations Act.

9.2. 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.

10. Approval of Bidder's Statement

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

Dated 19 October 2016

Signed for and on behalf of Fitzroy River Corporation Limited



Malcolm McComas

Annexure A
Announcement of the Offer



TAYLOR COLLISON

Sharebrokers and Investment Advisers
www.taylorcollison.com.au

19 October 2016

The Company Announcements Platform
ASX Limited

For immediate release to the market

ON-MARKET CASH OFFER FOR ROYALCO RESOURCES LIMITED
BY
FITZROY RIVER CORPORATION LIMITED

Unconditional Cash Offer

Taylor Collison Limited (**Taylor Collison**) announces that it will, on behalf of **Fitzroy River Corporation Limited (ABN 75 075 760 655) (Fitzroy)**, pursuant to section 635 of the *Corporations Act 2001* (Cth) (**Act**), offer to acquire on-market for 18 cents per Target share (**Offer Price**) all of the fully paid ordinary shares in Royalco Resources Limited (ABN 53 096 321 532) (**Target**) which are listed for quotation on the official list of the Australian Securities Exchange (**ASX**) that exist or will exist at any time during the Offer Period (defined below) and that are not already owned by Fitzroy and its associates (**Offer**).

Key features of the Offer

The Offer is an on-market offer and therefore unconditional with payment of the consideration in cash. The key features of the Offer are:

- it is an on-market unconditional Offer of 18 cents per Target share;
- cash payment will be made on a T + 2 basis;
- Taylor Collison will accept, on behalf of Fitzroy, all Target shares offered to it at the Offer Price from today until the conclusion of the Offer Period; and
- the Offer Period may be extended in accordance with the Act.

Acquisition of Target shares before Offer Period

From the time of this announcement and ending at the close of trading on ASX on 5 December 2016 (unless the Offer is withdrawn or extended in accordance with the Act), Taylor Collison will accept, on behalf of Fitzroy, every Target share offered to it on-market at the Offer Price to a maximum of 44,840,683 Target shares.

Under the Offer Taylor Collison will purchase up to a maximum of 44,840,683 Target shares (being all of the Target shares not already owned by Fitzroy and its associates) plus any additional Target shares issued and quoted on ASX during the Offer Period.

Payment for Target Shares and Brokerage

Payment for Target shares will be made on a T+2 basis in accordance with the usual rules for settlement of transactions which occur on-market with ASX.

As the Offer will be capable of acceptance only by holders of Target shares selling through brokers who are participants of ASX, all Target shares to be purchased by Fitzroy will be purchased on-market only during official ASX trading days.

Any brokerage charged by brokers acting for holders of Target shares wishing to sell their Target shares will be the sole responsibility of the Target shareholders. Fitzroy will bear its own brokerage costs on any purchases of Target shares made on-market.

Offer Period

Taylor Collison will stand in the market on behalf of Fitzroy and accept Target shares offered to it at the Offer Price from the date and time of this announcement. However, the Offer will be made during the period commencing 3 November 2016 (being the first trading day after the end of 14 days after the date of this announcement) and ending on 5 December 2016 (**Offer Period**), unless extended by Fitzroy under the Act.

Bidder's Statement

In accordance with section 635 of the Act, a Bidder's Statement will today be served on Target. Copies of the Bidder's Statement will also be sent to ASX and lodged with the Australian Securities and Investments Commission (**ASIC**). A copy of the Bidder's Statement will be sent to holders of Target shares before the commencement of the Offer Period.

Variation of Offer

The Offer Period may be extended and the Offer Price may be increased in accordance with the Act.

At any time before the end of the Offer Period, Fitzroy reserves the right to withdraw, or to make an application to ASIC to withdraw, unaccepted Offers, to the extent permitted by the Act.

Target shares

The Target shares the subject of the Offer are fully paid ordinary shares in the capital of Target, which are currently on issue, and any other Target shares that are issued before the end of the Offer Period.

Immediately prior to the making of this announcement:

- (a) as far as Fitzroy is aware, Target had a total of 52,714,183 Target shares on issue; and
- (b) Fitzroy and its associates had a relevant interest in 7,873,500 Target shares representing approximately 14.94% of the total number of Target shares.

Signed for and on behalf of Taylor Collison

Robert Fraser

Director of Taylor Collison Limited