



3 July 2009

NOTICE OF INCREASE TO FINAL PRICE OF \$0.34 WITH NO EXTENSION TO OFFER PERIOD

ROYALCO SHAREHOLDERS FACE A STARK CHOICE

To: Royalco Resources Limited (**Royalco**);

ASX Limited (**ASX**); and

Australian Securities & Investments Commission (**ASIC**).

Anglo Pacific Group plc's subsidiary Starmont Ventures Pty Ltd (**Anglo Pacific**) today gives notice that its unconditional cash offer, as set out in its Bidder's Statement dated 13 May 2009, will be increased to a **final price of \$0.34** per Royalco share (**Offer**) in accordance with section 649B of the Corporations Act 2001 (Cth) (**Corporations Act**). This represents a premium of:

- **70%** to the closing price of \$0.20 per Royalco share on ASX on the last trading day for Royalco shares prior to the Announcement Date; and
- **75%** to the 30 day volume-weighted average price of Royalco shares on ASX to the last trading day for Royalco shares prior to the Announcement Date of 13 May 2009.

The Offer is designed to deliver shareholders a clean and liquid exit from Royalco at a highly attractive price. This price will NOT be increased.

Shareholders have until **2:00 pm Perth time, 4:00 pm Sydney time, on 10 July 2009** to accept the Offer. The Offer is final and will not be extended.

Anglo Pacific gives notice under ASX Listing Rule 3.2 that:

- as at 13 May 2009 (the date the Offer was announced and the date the first offers were made under the bid), Anglo Pacific and its associates had a relevant interest of 20.1% in Royalco's shares; and
- as at the date of this notice Anglo Pacific and its associates had a relevant interest of 20.1% in Royalco's shares

Response to the Royalco Target's Statement

Royalco's recently released Target's Statement asks shareholders to maintain the "*status quo*" on the basis of what Anglo Pacific believes to be unrealistic management plans.

Anglo Pacific believes key comments in the Target's Statement are not supported by the facts. Anglo Pacific is also concerned that there are not reasonable grounds for some of the statements made in the Target's Statement. Examples of our concerns are attached as Appendix A.

We urge you to carefully examine the statements made by Royalco which Anglo Pacific believe are not supported by the facts.

Risks of Failing to ACCEPT

Royalco shareholders should be aware of the risks associated with failing to ACCEPT the Offer:

- Royalco shares are illiquid and trade infrequently. Shareholders who miss the opportunity to ACCEPT this Offer risk having limited opportunity to sell their Royalco shares in the future.
- Any future positive cash inflows may continue to be diverted to high risk Philippines exploration, administration costs or further share buy-backs.
- Little likelihood of acquiring additional royalties as evidenced by no royalty acquisitions in the last 3 years except from an associated company.
- A possible material share price fall if this Offer lapses. Royalco's shares traded at or around \$0.20 per share over the last 6 months prior to the Offer even with the support of an on-market buy-back programme.

Shareholders face a stark choice between:

**Anglo Pacific's all-cash Offer of certain value which is available NOW
OR
Uncertain future value & unrealistic management plans**

It's time to ACCEPT.

Anglo Pacific's Offer is scheduled to close at 2:00 pm Perth time, 4:00 pm Sydney time on Friday 10 July 2009.

As the Offer is unconditional, you can sell your Royalco shares to Anglo Pacific immediately on ASX and receive cash three trading days (T+3) after your acceptance.

The Offer may only be accepted by selling your Royalco shares on market on the ASX. You can do this through your stockbroker or through Argonaut Securities Pty Limited who has been retained by Anglo Pacific as Broker to the Offer.

You should ACCEPT Anglo Pacific's final Offer now.

If you have any questions, please contact the shareholder information line on 1800 559 786 (callers within Australia) or +61 2 8256 3390 (callers outside Australia), or consult your financial or other professional adviser.

Yours sincerely,



P. M. Boycott
Director, Starmont Ventures Pty Ltd
Chairman, Anglo Pacific Group plc

RESPONSE TO CERTAIN STATEMENTS IN THE ROYALCO TARGET STATEMENT

Royalco's recently released Target's Statement asks shareholders to maintain the "*status quo*" on the basis of what Anglo Pacific believes to be unrealistic management plans.

Anglo Pacific believes key comments in the Target's Statement are not supported by the facts. Anglo Pacific is also concerned that there are not reasonable grounds for the some of the statements made in the Target's Statement.

Examples of our concerns include:

Is Royalco focused on Philippines mining exploration or acquiring and owning royalties?

One of Royalco's stated strategies on page 15 of the Target's Statement is building its royalty portfolio but the facts since listing are:

- (a) Royalco has acquired only one royalty package in the 3 years since listing. This package was acquired from a related company at a cost of \$200,000 and there is currently no forecast cash generation from these royalties.
- (b) Royalco has expended a large amount of management time and resources on high risk exploration in the Philippines. No economic discovery or development opportunity has been generated from this expenditure and no reference is made in the Target's Statement to management's expertise in managing mineral exploration.

Royalco's comment on page 7 of the Target's Statement that "management is in strict cash conservation mode"

Since listing in June 2006, Royalco has:

- (a) Spent **\$5.0 million** on Philippines exploration projects.
- (b) Spent approximately **\$1 million** buying back 3.7 million Royalco shares at an average price of \$0.258 per share.¹
- (c) Maintained administration and employment expenses greater than **\$1 million** per annum.

In addition, Royalco has:

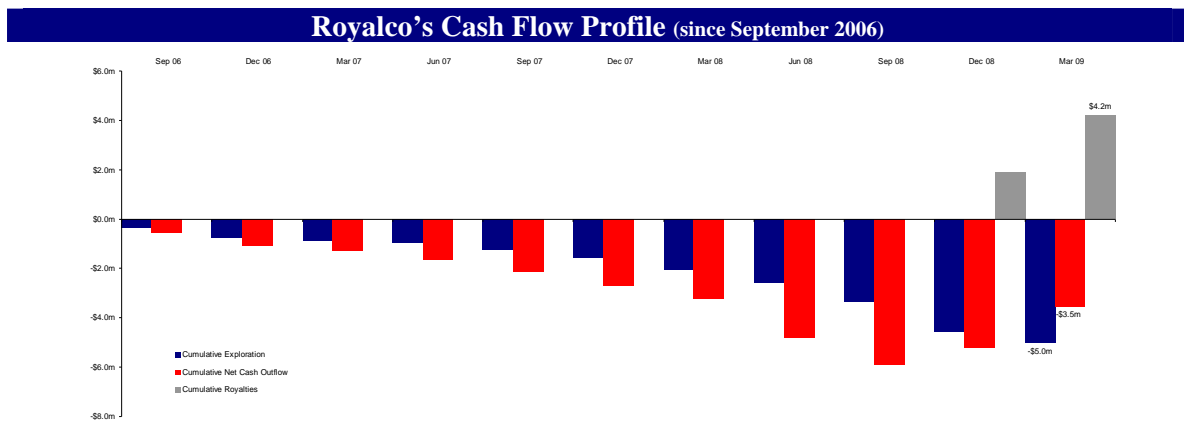
- (d) Announced on 21 April 2009 its intention to buy-back a further 4.8 million shares over the next year. At the Offer price this represents intended expenditure of **\$1.6 million**.
- (e) Signalled that it is considering paying dividends in due course despite having a track record of net cash outflows.

Royalco's comment on page 7 of the Target's Statement that it has a "business model that emphasises cashflow opportunities"

Of the 13 royalties currently owned by Royalco, only two royalties (being the Reefton and Mt Garnet royalties) generate revenue. Royalco's actual cashflow profile remains limited and its ability to maintain and/or grow this profile should be considered uncertain.

Royalco's limited cash inflows to date have been exceeded by expenditure.

¹ Average buy-back price since Royalco's on-market buy-back trades commenced on 3 June 2008.



Royalco's comments on page 7 of the Target's Statement that it has identified several opportunities to acquire royalty interests

The facts are that Royalco has made no royalty acquisitions in the last 12 months nor have any potential royalty acquisitions emerged since Anglo Pacific's Offer was announced.

Royalco's recent use of "excess cash" to buy-back shares on-market is indicative of a management team who have not identified any better utilisation of cash reserves.

Royalco's use of an undiscounted cashflow to value its potential earnings from the Reefton royalty

Shareholders should question the validity of the presented future revenue stream of Royalco's Reefton royalty and value as outlined on pages 2, 5 and 15 of the Target's Statement. Key issues include:

- (a) Future cashflows are undiscounted and therefore do not reflect the time value of money or risk. Attributing a gross forecast revenue value on a per share basis is not an accepted valuation approach.
- (b) Forecast gross royalty ounces are based on a range of assumptions that appear to be supported only by very limited public third party statements. The presented forecast stable production profile is in reality subject to a range of corporate and operational risks over which Royalco has no control.
- (c) The assumed gold price of A\$1,250 / oz is higher than the then prevailing spot price at the date of the Target's Statement (A\$1,215 / oz) and its current spot price (A\$1,173 / oz)².

Royalco's comments on pages 2 and 5 of the Target's Statement that its shares are "undervalued"

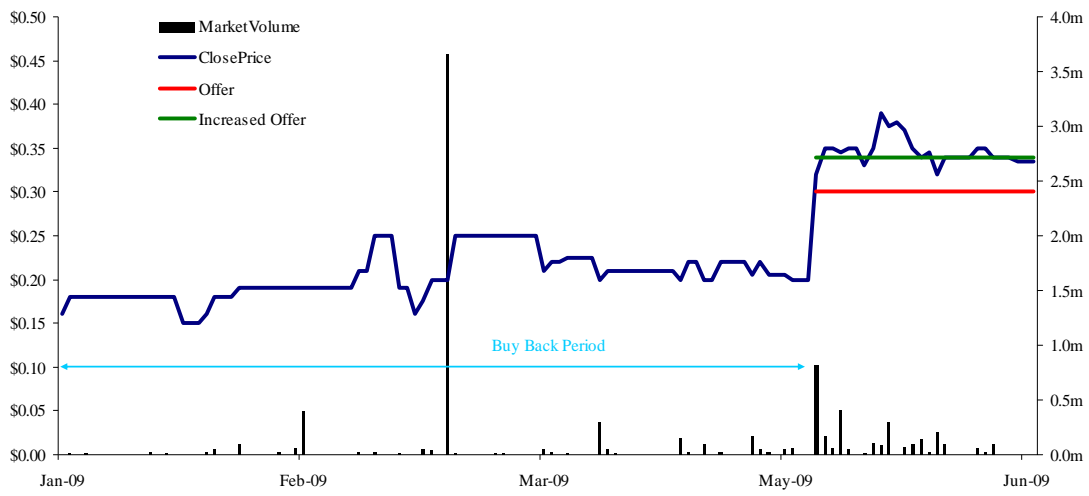
On pages 2 and 5 of the Target's Statement Royalco's management, rather than an independent expert, has provided a per share valuation for Royalco shares in support of this statement, including the undiscounted gross forecast revenues referred to above. This is unusual in the context of Australian public market takeovers and should be considered with caution by shareholders.

Shareholders should be aware that in the absence of unusual circumstances, prices at which a company's shares trade on a stock exchange are typically considered to provide an objective measure of the value of that company on the basis that market prices are assumed to incorporate the influence of all publicly available information on the company, its prospects, future earnings and risk.

² As at close of trade 2 July 2009.

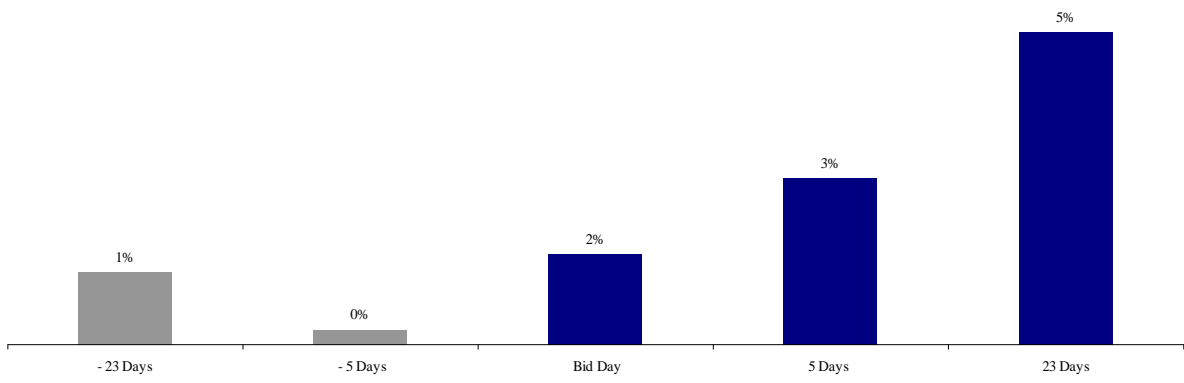
Royalco shares traded at or around \$0.20 per shares over the last 6 months prior to the Offer. This average price was supported by an active on-market buyback programme.

Royalco Share Price Graph (CY2009 YTD)



In addition, Royalco shares are highly illiquid and difficult to trade even with a takeover offer on foot.

Royalco Liquidity



Since 1 June 2008, only 19% of the total outstanding shares currently on issue have been traded (excluding trading completed by Anglo Pacific and Royalco).

Anglo Pacific believes Shareholders who fail to ACCEPT the Offer could face a material share price fall when the Offer ends.

End.