

13th May 2009

The Company Announcements Office
ASX Limited

Dear Sir,

Royalco REJECTS unsolicited on market offer

Royalco Resources Limited REJECTS the unsolicited on market offer for its shares announced earlier today by Anglo Pacific Group PLC (Starmont Ventures) at 30 cents per share.

Royalco regards the offer price as significantly undervaluing the Company at only \$16 million for the 52.8 million shares on issue.

Royalco notes that Anglo Pacific has purchased its current shareholding in Royalco at prices of up to at least 48 cents per share, well above the current offer price.

Since listing in June 2006 at 50 cents a share, Royalco's shares have traded as high as \$1.19. The global financial crisis together with well publicised difficulties of major shareholders and their financing arrangements have adversely impacted on the current share price, but the fundamental value of Royalco is unaffected.

Royalco currently has:

- cash and liquid assets including gold of approximately \$8.5m
- ongoing royalty income from the Reefion gold project of some \$5m to \$5.5m per annum for each of the next 3 to 4 years (based on the current gold price)
- ongoing royalties from the Mt Garnet operations of Kagara Limited and the Mt Kelly operations of Copperco/Cape Lambert
- Philippine exploration activities

Royalco Executive Chairman Peter Topham said "Royalco is in an extremely comfortable financial position with zero debt, substantial cash, and income producing assets which require only modest expenditure. This unsolicited offer undervalues Royalco and only partially recognises the intrinsic value of Royalco. The offer documentation focuses only on price and doesn't focus on value. The offer doesn't even come close to fair value for Royalco's assets, nor

does it provide a premium for control. Accordingly it represents an attempt to purchase Royalco on the cheap.”

David Ogg, Executive Director Finance said “The Royalco directors who have a collective approximate 18% shareholding interest in Royalco presently intend to reject the offer for their respective shareholdings”.

The offer period does not officially commence until 28 May 2009 and does not end until at least 29 June 2009. In the absence of exceptional circumstances, the offer cannot be withdrawn prior to its expiry.

Shareholders are advised to REJECT the offer and to take no action in relation to their shareholding.

If shareholders accept the offer or sell their shareholding they will miss out on any higher offer by Anglo Pacific (Starmont) or any third party which might eventuate.

Royalco has appointed Baker & McKenzie as legal advisers in relation to the offer.

For any queries please contact:

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