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13 February 2012

The Manager  
ASX Company announcements  
Level 45,  
Rialto South Tower  
525 Collins Street  
Melbourne Vic 3000

Dear Sir,

Re: Capital return 2010

Please find attached letter being dispatched to those shareholders who were recipients of the 2010 capital return.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'David L Ogg'.

David L Ogg  
Executive Director/CFO

13 February 2011

Dear Sir/Madam

**June 2010 Capital Return – Tax Office Determination**

You may recall from prior communications and announcements by Royalco Resources Limited (“Royalco or the company”) that Royalco would apply for a Class Ruling in respect to the 10 cents per share distribution made by the company on 28 June 2010.

Advice received by the company, based on the facts represented, was that the distribution should be treated as a return of capital.

The company prepared and lodged the Class Ruling Application with the Australian Tax Office (“ATO”). After several months of delays the ATO advised of their preliminary view. The company’s advisors provided further information and prepared further submissions to the ATO and continued negotiations with the ATO.

Recently the ATO advised the company of their final position and issued a draft ruling. The company disputed the position in that ruling and reached an agreed position with the ATO.

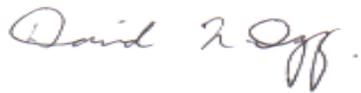
The current position is that:-

1. The ATO have now issued to the company a determination that the 10 cents per share distribution in June 2010 is an unfranked dividend and NOT a return of capital. This means that the 10 cents per share distribution is assessable income. As a result, most shareholders' 2010 income tax returns will need to be amended to include the 10 cent per share distribution as assessable income.

2. However, it has been agreed with the ATO that a nominated shareholder, in conjunction with the company, will lodge an objection to the ATO decision and have the facts and submissions reheard via the normal process , prior to any other tax returns or assessments being amended .
3. If the outcome of this case is successful (i.e. the appeals process considers the distribution was, in whole or part, a return of capital) the ATO will not take any action in respect of other taxpayers and reverse any amendments that may have issued for other taxpayers.
4. The ATO has advised that if the outcome of the objection/appeals process confirms the ATO's position (i.e. the distribution was an unfranked dividend) that it will proceed to issue amended assessments to the affected shareholders' 2010 tax return. There will be no shortfall penalty or interest applied to the amendments when they are issued by the ATO.
5. If the matter is not resolved expediently the ATO may need to issue amended assessments earlier than expected but there is no need for shareholders to take any action until any amended assessment is issued to them.
6. If a shareholder receives an assessment and believes that they are not the relevant taxpayer (for instance because they are a trustee shareholder) the ATO has advised that the shareholder can send details of the relevant taxpayer(s) to the ATO (PO Box 1130 Penrith NSW 2740) with the heading 'Royalco Dividend'.

It is possible the final outcome of the objection/appeals process may not be known for some months. The company will periodically provide an update, via ASX announcements, where possible and relevant matters can be disclosed. Whilst the company will attempt to assist shareholders where possible in this matter, shareholders should seek their own independent advice as to appropriate action to be taken in respect to their income tax obligations.

Yours sincerely

A handwritten signature in blue ink that reads "David L Ogg". The signature is written in a cursive style with a period at the end.

David L Ogg  
Executive Director