

ROYALCO COMMENCES EXPLORATION INITIATIVES- EAST AFRICA

Royalco Resources Limited (ASX Code RCO) has taken its first steps towards acquiring significant gold and base metals exploration leases in Ethiopia, potentially the first of a number of proposed transactions in East Africa.

Royalco has executed Memoranda of Understanding with two, geotechnically qualified local entities, over two separate project areas approximately 450 km north of the capital city of Addis Ababa.

Details of these initial transactions are as follows:

(i) In the first instance we have executed a Memorandum of Understanding over Exploration Licence MOM/EL/213/2010, (the Sarkaysa project), which is highly prospective for gold and base metals. Royalco can earn a 60% interest in the tenement for the expenditure of US\$1,000,000.

Initial exploration will entail soil sampling and geophysical interpretation to be completed over coming months with a view to drilling identified targets by the last quarter of this calendar year.

(ii) Royalco has also signed a second Memorandum of Understanding, with a separate local Ethiopian entity, encompassing exploration licence applications and prospecting licence applications located in the same region as in (i) above, (the Kilaj project).

Targets include both precious and base metals with Royalco earning an 80 % interest in the project area for an expenditure of US\$750,000.

Proposed exploration activities will also encompass soil sampling and geophysics.

Ethiopia has recently enacted mining legislation, including fiscal obligations, considered to be globally competitive. Other mining groups active in the country include BHP Billiton (potash), AngloGold (precious metals), Nyota (precious metals), as well as a handful of Canadian and UK junior exploration groups focussing on either potash or precious metals.

The region, considered part of the Pan African Orogenic mobile Belt, is underlain by a sequence of late Proterozoic age volcano-sedimentary rocks (of the Tulu- Dimtu group) that are in tectonic contact with the highly metamorphosed rocks of the Pre-Cambrian age (considered early Proterozoic) basement. The volcano-sedimentary rocks comprised intermediate to felsic metavolcanics, greenschist, phyllite, quartzite, marble and metaconglomerate and are associated with intrusive rocks that host swarms of quartz veins.

These rock sequences are part of the Arabian-Nubian Shield, a geologic terrain that extends from Saudi Arabia, through Egypt and Sudan southwards to Ethiopia, Uganda and Kenya. Widespread granitic batholiths and intrusive complexes disrupt these crustal-derived and younger supracrustal volcano-sedimentary sequences. The tectonic regime represents continental rifting, subsequent convergence and the development of intra-oceanic volcanic arcs and marginal basins, a fertile environment for the formation of metallic (precious and base-metal) mineral deposits.

Royalco's exploration methodology will ideally involve a blend of advanced and grass roots prospects where access is straight forward and selected targets offering a higher risk-higher reward outcome in a short time frame. The above two projects fall into the grass roots category.

Additional projects are under negotiation both in Ethiopia and in countries nearby. Further announcements to the ASX on these negotiations are expected to be made over coming weeks.

About Royalco (ASX:RCO) :

Royalco holds a portfolio of ten royalty interests as well as exploration interests in the Philippines and East Africa. This model is unique for an Australian listed public company – cash flow from royalties providing returns to shareholders coupled with exploration interests capable of generating significant capital growth.

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