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**The Manager  
ASX Announcements Platform  
Level 45, South Tower  
Rialto  
525 Collins Street  
Melbourne Vic 3000**

An Option Agreement has been executed between **Royalco Resources Limited, Royalco Philippines Inc., Vale International S.A.** and **Vale Exploration Philippines Inc.**, ( both wholly owned subsidiaries of Vale S.A.), concerning Royalco's Gambang tenement in the Philippines.

The key terms of the Option Agreement include:-

- (i) payments to Royalco of US\$530,000 on completion of conditions precedent, a further payment of US\$500,000 twelve months later subject to standard administrative conditions,
- (ii) an option to acquire the tenement after the expenditure of up to US\$3.5 million within 3 years once all documentation has been appropriately registered by the Philippines authorities,
- (iii) a minimum expenditure of US\$1.5 million including drilling on the highly prospective Cableway prospect,
- (iv) a payment of US\$5,000,000 on exercise of the option,
- (v) and a royalty on production varying between 1.31 % and 1.5% NSR.

Royalco Philippines Inc., Royalco's operating subsidiary in the Philippines, will retain administrative responsibility for the tenement until the exercise of the option.

To realise the full potential of substantial porphyry targets, such as those contained at Gambang, requires the technical and financial expertise of a quality mining house such as Vale. Hence Royalco's desire to deal with this project on appropriate terms which also match the Company's ambitions in regards to royalty interests.

Royalco itself will continue to concentrate its current exploration efforts in the Philippines on targets with a gold emphasis.



Peter J Topham  
Executive Chairman

## BACKGROUND

Vale Exploration Pty Ltd, a wholly-owned subsidiary of Vale S.A (NYSE VALE) (“Vale”), the world’s second largest Mining Company.

Vale is the second largest diversified metals and mining company in the world and the largest publicly traded company in Latin America by market capitalization (approximately US\$140 billion). Vale is the world’s largest producer of iron ore and pellets, key raw materials for the steel industry, and one of the largest producers of nickel. The company also produces copper, manganese, ferroalloys, bauxite, alumina, aluminum, coal, cobalt, PGMs, among other raw materials important to the global industrial sector. Vale shares are traded on the New York Stock Exchange - NYSE (VALE and VALE.P), on the São Paulo Stock Exchange - BM&F BOVESPA (Vale3 and Vale5) and on the Euronext Paris (Vale3 and Vale5).

Royalco Resources Limited is listed on the ASX (RCO) and holds a portfolio of royalty interests as well as exploration interests in the Philippines. The royalty portfolio includes a number of royalty interests which are income producing and underpin the company’s profitability. Royalco aims to convert ongoing exploration interests into royalties at an appropriate time. This model is unique for an Australian listed public company.

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