

22 August 2006

The Manager
Company Announcements
Australian Stock Exchange Ltd

Philippines drilling and exploration activities

Summary

- **Drilling contract finalised for the supply of two diamond rigs**
- **First drilling programme scheduled to commence in October**
- **External review of geotechnical data completed**
- **Field work has commenced in the southern Philippines tenements**
- **Additional geological and support staff being recruited**

Drilling

Royalco is pleased to have finalised terms and conditions with UPD, a Philippines based specialist diamond drilling contractor. The drilling contract represents 7,000 metres of diamond drilling forecast for completion by the end of this financial year. Of this amount, 2000 metres is scheduled to be completed prior to the end of December with drilling to commence in the next two months at **Pao** (Central Luzon) and **Samay** (Southern Luzon). Drilling of the highly prospective **Gambang** Project is scheduled following completion of the Samay programme, once formalities have been completed and current typhoon activity has eased.

The target at **Samay** will focus on drilling of epithermal gold veins delineated by Phelps Dodge exploration activity in 2004/5 and potential copper porphyry structures at depth. A comparatively short programme of up to five diamond holes is anticipated.

A major programme is scheduled for **Pao** with sixteen holes under consideration for the Manidyo and Digyan prospects. The target on these two adjoining areas is high sulphidation epithermal gold veins coupled with an inferred porphyry copper target beneath these veins (vein sampling at Manidyo achieved up to 49 g/t Au, and at Digyan up to 95 g/t Au). The **Pao** tenement adjoins the Dinkidi project being developed by Climax Mining Limited.

Initial drilling at **Gambang** has been nominated for the Herman's Find prospect where broad channel sampling has generated assays of up to 45 metres at 2.82% Cu and 42 metres at 2.36% Cu.

Exploration activities

As a precursor to the above programmes we are finalising our review of geotechnical data to confirm existing drill targets and identify new drill targets within the above tenements.


Royalco engaged external consultants to review historical tenement data including geological mapping, assay data, geophysical data and geochemical data. Most of the geophysical data was reprocessed. The review concluded that only portions of the tenement package have been explored in detail and that there is significant potential for additional target generation.

Other activities

1. Baseline environmental studies to commence at **Pao** and **Gambang**.
2. Our community relations initiatives are being expanded in our principal exploration areas including assistance with road access following recent climatic events.
3. To cater for the rapid build up in our exploration activities additional geotechnical staff based in the Philippines are being recruited – currently four, expanding to seven by December.

The recent data review is encouraging in that it repeatedly highlights the prospectivity and upside potential of the Philippines exploration tenements. We are now focusing on placing field crews on the ground to collect data and generate additional drilling targets.

Further guidance as to our drilling activities will be advised in due course as part of our aggressive programmes for at least 14,000 metres of diamond drilling over the next two years.

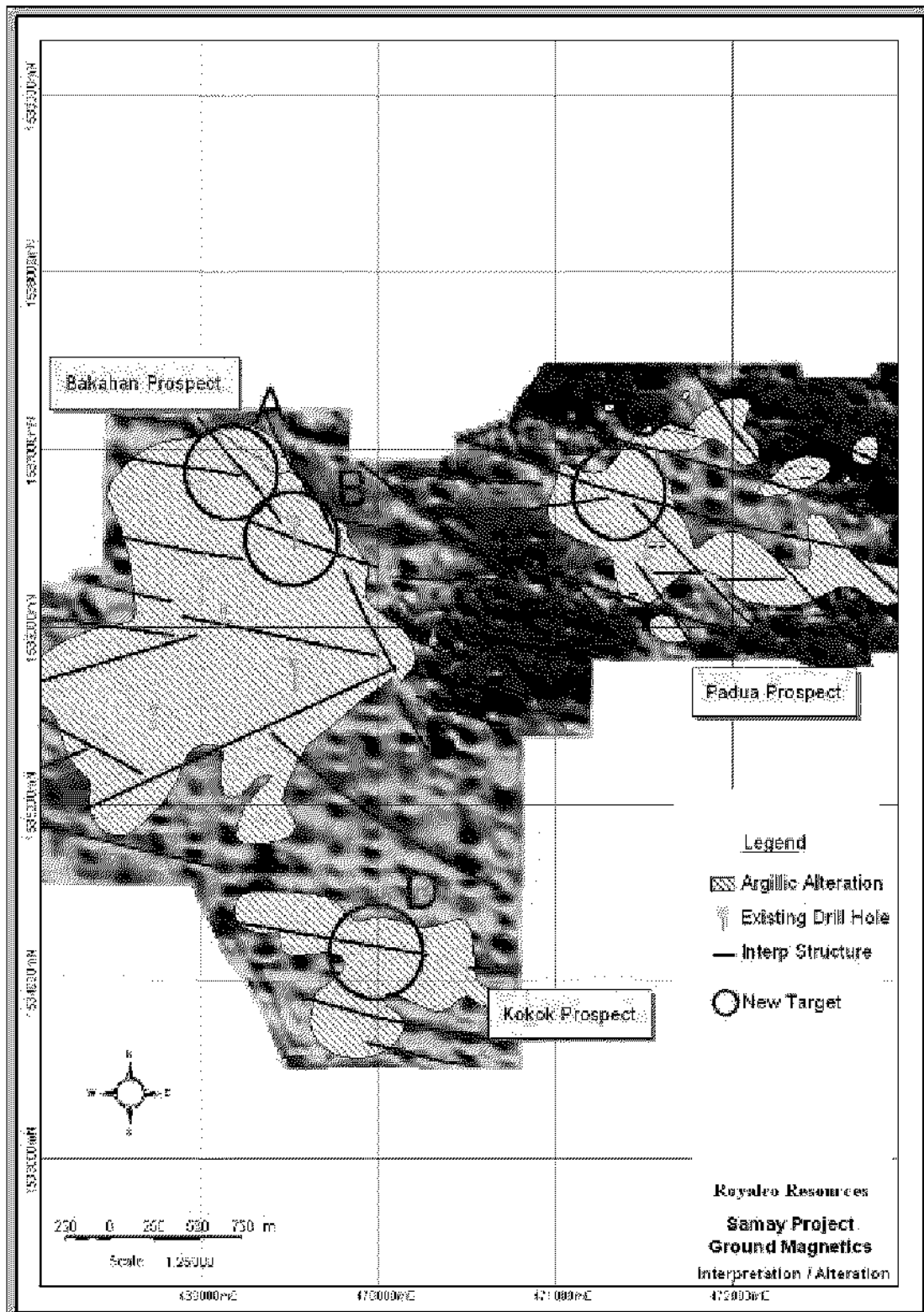


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Samay Project



Map 1: Samay geology and prior drilling showing proposed drill targets



Photo 1: Samay drill core farm

Pao Project

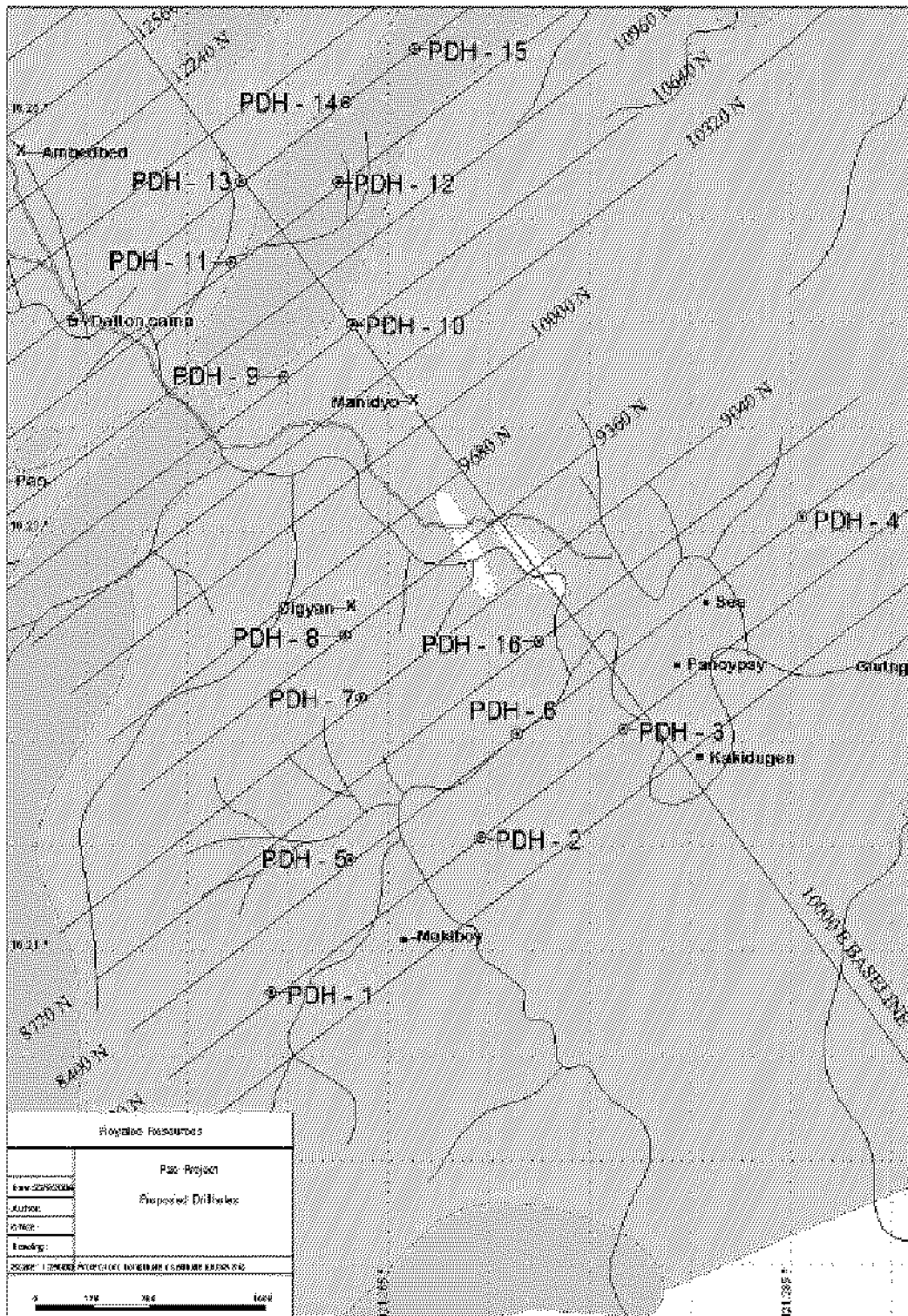


Photo 2: Pao region – Ambedbed vein zone



Photo 3: Pao region – Digyan Vein outcrop

Pao Project - proposed drillhole locations



Map 2: Pao Locality diagram showing proposed drill targets