Company number: 5227458

Regency Mines plc

Report & Financial Statements

for the year ended 30 June 2006

Contents

Company information

Directors	Andrew R M Bell – Chairman Kenneth F Watson – Managing director Pedro Kastellorizos – Technical director Julian M E Lee – Non executive director John Watkins – Non executive director
all of	115 Eastbourne Mews Paddington London W2 6LQ
Secretary and registered office	Stephen F Ronaldson 55 Gower Street London WC1E 6HQ
Website	www.regency-mines.com
Auditors	Chapman Davis LLP 2 Chapel Court London SE1 1HH
Nominated advisor and broker	ARM Corporate Finance Limited 12 Pepper Street London E14 9RP
Broker	Simple CFDs Limited 1 High Street Godalming Surrey GU7 1AZ
Bankers	Coutts & Co 440 Strand London WC2R 0QS
Registrars	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN
Registered number	5227458

Chairman's statement

Dear Shareholders

The year to 30 June 2006 saw several significant developments. Some have been previously reported in the interim statement in March, but I shall briefly recapitulate.

Corporate events – Half Year to 31st December 2005

On 29 July 2005 the company's new subsidiary, Red Rock Resources plc, saw its shares admitted to trading on AIM. Red Rock Resources plc listed with a portfolio of Australian iron ore and manganese properties, predominantly in western Australia, and has since supplemented these with properties in the Northern Territory of Australia, Zambia, and Malawi. The additional properties contained further manganese and iron ore prospects, but also some uranium and gold mineralisation and a magnesite resource.

Corporate events – Half Year to 30th June 2006 and post-balance sheet period

In May 2006 the company acquired for £45,000 a 75% interest in a 584 sq km exploration license covering the Mambare plateaus in Papua New Guinea. The plateau lies at 700m elevation adjacent to the Kokoda road, was explored for lateritic nickel in the 1960s with encouraging results, and had the obvious potential to host a major deposit. It therefore complemented the company's sulphide nickel interests in Western Australia.

On 3 July 2006 shares in Greatland Gold plc, a Tasmanian gold explorer in which the company had earned an interest by assisting with the listing process, were admitted to trading on AIM.

On 28 June 2006 the company announced an immediate private placement of 4,786,666 shares at 1.875p per share, together with an expected further placing, and its agreement to subscribe for placings in Red Rock Resources plc and Sunvest Corporation Ltd. The second tranche of 7,150,544 shares was completed on 3 August 2006.

We welcomed to the board in June Pedro Kastellorizos, BSc, aged 32, as alternate to Andrew Bell and Technical Director. Pedro has ten years of experience in exploration, management, and tenement administration, including a period working in the Titles Division of the Northern Territory Resources Department, and service as Group Exploration Manager at Tennant Creek Gold Limited and Exploration Director at Batavia Mining Limited.

At this year's AGM we propose to amend the Articles of the company so that directors retire by rotation, and so bring our Articles into conformity with the norm for publicly listed companies.

At 30 June 2006 the market value of the Company's holding in Red Rock Resources plc was £1.278m; on 20 November 2006 the value was in excess of £2.1m representing 97% of the market value of the Group.

Exploration

In the first half of the year, as previously reported in the interim statement, exploration was carried out at the company's Bundarra copper-gold property in Queensland which surrounds a 15km by 10km granodiorite pluton. Soil sampling on 200 by 80m centres produced some significant results including 3.1% copper with 0.9 g/t gold and 10.8 g/t silver, and subsequently a 3,033m RAB drilling programme of 104 shallow holes was undertaken in July and August 2006.

Some drill locations had to be changed because of steep terrain, and we conclude that if future drilling is to address adequately the areas close to the granite-hornfels contact at the pluton edge where prospects for high grade mineralisation may be best, the generally greater relief in these areas will require preparation of access roads and drill locations. The RAB drilling program however identified several areas of interest which warrant further work, and a 1.37% copper intersection with specular haematite at 23 to 24m in the Iron Duke area indicates the potential for copper mineralisation associated with rich haematite units. No base metal exploration work in the area has previously been conducted over hematite rich units. In the South Isens area up to 0.66 g/t gold was encountered at 26-27m.

Further drilling is also warranted at Iron Duke to test continuations of the anomalous copper zones and at several others of the prospects to test the granite/hornfels contacts. The McFadzens and Mt Flora areas show very strong copper mineralisation as previous exploration results indicate potential reserves of 250,000t @ 2.74% Cu based on 6 drill holes. Mt Roger is another prime copper-gold target to the south of the tenement in which little drilling has been conducted. Also numerous high grade thin copper lodes are located on topographic high ridges to the north of the Flora Range Areas 1 and 2 which require further drilling to test the continuity of the lode systems along strike and depth. These copper lodes are classified as high grade and have the potential to the mined on a small scale as historical mining is evident throughout the Bundarra tenement area.

The variety of targets and potential mineralisation styles at Bundarra requires continuous reappraisal to identify the most cost-effective and promising way forward. The tenement remains one of considerable interest and prospectivity.

Reconnaissance exploration was carried out on the company's Mt Stone gold prospect in Queensland, and epithermal alteration was noted in surface exposures in several areas. Future exploration of this area will follow up the potential for epithermal mineralisation.

In September, extremely encouraging results from our exploration programme at the recently acquired Mambare Plateau project were announced. In 1999 Anaconda Nickel Ltd reviewed the data over a 158 sq km area of the Mambare Plateau and estimated two limonite resource potentials: 630 Mt at 0.78% nickel with a 0.5% cut-off and 200 Mt at 1.01% nickel with a 0.8% cut-off.

We created a data base of the historical data with ground truthing, locating and surveying and in some cases re-sampling the old pits, and creating seven helipads.

Sampling results showed good correlation with previous results, with 19 of the 48 samples grading over 0.8% nickel and 11 grading over 1% nickel.

The 1971 sampling, and that carried out this season, tested systematically for cobalt and the data indicate that over 500 ppm Co is very common in the mineralized limonite sections, with one re-sampled hole grading 0.12%. A cobalt potential of approximately 0.1% can be added to the previous estimates of nickel mineralization in the limonitic layer. The old auger drilling and pitting did not intersect much of the underlying and generally higher grade saprolite ore. This resource potential may be similar to that of the limonite ore and can also be added to the potential indicated by Anaconda.

This resource potential can be summarised as:

Limonite Ore	200 Mt of 1% nickel and 0.1% cobalt and
Saprolite Ore	200 Mt of 1.25-1.5% nickel.

Outlook

In the interim report I stated that we looked to the future with confidence. That remains the case. On the corporate front, we expect developments from our investments in other companies and possible future listings.

We expect to conduct further exploration at Mambare, and are in discussions with possible partners in this regard.

Our overriding aim is to increase shareholder value. One task that we must now undertake is to bring market perceptions of the company closer to where we feel they ought to be. Presenting our story to the Press and public will be a high priority in the period ahead.

Andrew R. McM. Bell

Chairman

24 November 2006

Directors' report

The Directors present their second annual report on the affairs of the Company and Group, together with the financial statements for the year ended 30 June 2006.

Principal activities and business review

The developments during the year are given in the Chairman's statement.

Results and dividends

The Group's results are described in the profit and loss account on page 11. The audited accounts for the year ended 30 June 2006 are set out on pages 11 to 25.

The Directors do not recommend the payment of a dividend.

Directors and their interests

The Directors who served during the year, together with all their beneficial interests in the shares of the Company at 30 June 2006 are as follows:

	30 June 2006			30 June 2005		
	Ordinary shares of £0.001 each	%	Share options (Note 1)	Ordinary shares of £0.001 each	%	Share options (Note 1)
Andrew R M Bell (Note 2)	42,700,002	32.87	2,500,000	42,200,002	33.73	1,000,000
Kenneth F Watson (Note 3)	25,200,004	19.40	2,000,000	25,200,004	20.14	500,000
Julian M E Lee (Note 4)	30,824,000	23.73	2,000,000	30,324,000	24.24	1,000,000
John Watkins (Note 5)	26,100,000	20.09	1,000,000	23,200,000	20.86	-
Pedro Kastellorizos (appointed 1 June 2006)	-	-	-	-	-	-

Note 1: The options over 1,500,000 Ordinary shares may be exercised at any time to 30 April 2008 at a price of £0.02 per share and options over 5,000,000 issued on 20 January 2006 may be exercised at any time to 20 January 2009 at a price of £0.035 per share.

Note 2: The interests of Andrew Bell and persons connected with him, all of which are beneficial, are held through Bellmin Limited and Redstone Metals Pty Limited save for two Ordinary shares and 1,500,000 options which are held in his own name.

Note 3: The interests of Kenneth Watson and persons connected with him, all of which are beneficial, are held as to 12,200,000 Ordinary shares through Redstone Metals Pty Limited and the balance, including options, held in his own name.

Note 4: The interests of Julian Lee and persons connected with him, all of which are beneficial, are held as to 30,500,000 Ordinary shares and 1,000,000 options through Bellmin Limited, 324,000 Ordinary shares through HSBC Global Custody Nominees (UK) Limited and 1,000,000 options which are held in his own name.

Note 5: The interests of John Watkins and persons connected with him are held as to 25,850,000 Ordinary shares through Starvest plc and the balance, including options, held in his own name.

Apart from the interests disclosed above, no director held any other interest in the share capital of the Company during the year. No changes in the interests disclosed above have taken place since the year end.

Directors' report, continued

Substantial shareholdings

On 30 June 2006 the following were registered as being interested in 3% or more of the Company's ordinary share capital:

	30 June 2006		20 November 2006	
	Ordinary shares of £0.001 each	Percentage of issued share capital	Ordinary shares of £0.001 each	Percentage of issued share capital
BNY (OCS) Nominees Limited	30,500,000	23.48%	30,500,000	22.26%
Credit Suisse Client Nominees (UK) Limited	4,500,000	3.46%	4,500,000	3.28%
Midas Resources Limited	6,000,000	4.62%	6,000,000	4.38%
Pershing Keen Nominees Limited	6,585,800	5.07%	2,585,800	1.88%
Prosperity Asset Ventures Limited	4,000,000	3.08%	4,000,000	2.92%
Raven Nominees Limited	3,898,590	3.00%	3,913,590	2.86%
Redstone Metals Pty Limited	12,200,000	9.75%	12,200,000	8.90%
Starvest plc	25,850,000	19.90%	25,850,000	18.86%
Sunvest Corporation Limited	4,286,666	3.30%	12,573,332	9.17%
Kenneth Frank Watson	13,000,004	10.01%	13,000,004	9.49%

Share capital

Information relating to shares issued during the year is given in Note 13 to the accounts.

Charitable and political donations

During the year there were no charitable or political contributions.

Payment of suppliers

The Company's policy is to settle terms of payment with suppliers when agreeing terms of business, to ensure that suppliers are aware of the terms of payment and to abide by them. It is usual for suppliers to be paid within 14 days of receipt of invoice. At 30 June 2006, the Group's creditors were equivalent to 41 days' costs.

Post balance sheet events

The post balance sheet events are set out in Note 21 to the accounts.

Transition to International Financial Reporting Standards (IFRS)

In the light of changes to the way in which AIM is regulated, the directors are currently considering the correct timing for publishing first accounts under IFRS, but are likely to take advantage of the concession available to AIM companies to defer the transition until the year to 30 June 2008.

The directors have identified the main areas of the financial statements that will be affected by the transition and steps are being taken to ensure all IFRS information is captured in our financial reporting systems.

Auditors

The Directors will place a resolution before the annual general meeting to reappoint Chapman Davis LLP as auditors for the coming year.

Directors' report, continued

Remuneration

The remuneration of the Directors has been fixed by the Board as a whole. This has been achieved acknowledging the need to maximise the effectiveness of the Company's limited resources during the year.

Details of directors' fees and of payments made for professional services rendered are set out in Note 5 to the accounts, directors' emoluments.

Management incentives

Other than the share options noted above, the Group has no bonus, share purchase, share option or other management incentive scheme.

Corporate governance

It is the opinion of the Board that compliance with the recommendations of the Combined Code on corporate governance at this stage in its development would be unduly onerous bearing in mind the size of the business and limited cash resources. However, the Board has established such procedures as are appropriate for the size of the business and will keep the matter under review.

Control procedures

The Board has approved financial budgets and cash forecasts; in addition, it has implemented procedures to ensure compliance with accounting standards and effective reporting.

By order of the Board

Andrew R M Bell

Chairman

24 November 2006

Statement of directors' responsibilities

Directors' responsibilities for the financial statements

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the *going concern* basis unless it is inappropriate to presume that the group will continue in business;
- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all the steps that they ought to have taken as directors' in order to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible for ensuring that the annual report includes information required by the Alternative Investment Market.

The maintenance and integrity of the Company's website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent Auditors to the Shareholders of Regency Mines plc

We have audited the group and parent company financial statements of Regency Mines plc for the year ended 30 June 2006, which comprise the Consolidated Profit and Loss account, the Consolidated and Parent Balance Sheets, Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, Chairman's Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view , in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 30 June 2006 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view , in accordance with United Kingdom Generally Accepted Accounting Practice as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the financial statements.

Chapman Davis LLP
Registered Auditors
London
24 November 2006

Consolidated profit and loss account for the year ended 30 June 2006

	Notes	**Year ended 30 June 2006 £**	Period 10 September 2004 to 30 June 2005 £
Turnover	1	**234,384**	-
Cost of sales		**44,200**	-
Gross profit		**190,184**	-
Exploration costs		**(89,815)**	
Administrative expenses		**(276,506)**	(108,070)
Currency gain		**90**	-
Operating loss	2	**(176,047)**	(108,070)
Interest receivable		**6,625**	-
Interest payable		**(31)**	-
Loss on ordinary activities before taxation		**(169,453)**	(108,070)
Taxation	3	**(6,250)**	-
Loss on ordinary activities after taxation		**(175,703)**	(108,070)
Minority interests		**69,882**	2,433
Retained loss for the period attributable to Shareholders of the Company		**(105,821)**	(105,637)
Loss per share – basic	7	**(0.08) pence**	(0.13) pence
Loss per share – fully diluted	7	**(0.08) pence**	(0.13) pence

There are no recognised gains or losses other than the loss for the year.

All the operations are considered to be continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated balance sheet
As at 30 June 2006

	Note	**30 June 2006** £		30 June 2005 £	
Fixed assets					
Intangible assets	8		**1,657,142**		963,348
Goodwill			**45,000**		
			1,702,142		963,348
Current assets					
Debtors	10	**105,422**		28,279	
Investments	11	**48,540**		44,200	
Cash at bank		**230,076**		154,334	
		384,038		226,813	
Creditors – amounts due within one year	12	**(80,941)**		(144,244)	
Net current assets			**303,097**		82,569
Total assets less current liabilities			**2,005,239**		1,045,917
Share capital and reserves					
Called-up share capital	13	**129,897**		125,110	
Share premium account	14	**1,079,947**		991,921	
Profit and loss account	14	**(203,711)**		(105,637)	
Other reserves	14	**550,156**		12,457	
Equity shareholders' funds	15		**1,556,289**		1,023,851
Minority Interests			**448,950**		22,066
			2,005,239		1,045,917

These financial statements were approved by the Board of Directors on 24 November 2006 and signed on its behalf by:

Andrew R M Bell
Chairman

The accompanying accounting policies and notes form an integral part of these financial statements.

Company balance sheet
As at 30 June 2006

	Note	**30 June 2006** £		30 June 2005 £	
Fixed assets					
Intangible fixed assets	8	**612,843**		579,293	
Investments	9	**347,000**		249,500	
			959,843		828,793
Current assets					
Debtors	10	**189,023**		120,432	
Investments	11	**33,049**		44,200	
Cash at bank		**100,368**		96,418	
		322,440		261,050	
Creditors – amounts due within one year	12	**(46,958)**		(26,714)	
Net current assets			**275,482**		234,336
Total assets less current liabilities			**1,235,325**		1,063,129
Share capital and reserves					
Called-up share capital	13	**129,897**		125,110	
Share premium account	14	**1,079,947**		991,921	
Profit and loss account	14	**25,481**		(53,902)	
Equity shareholders' funds	15		**1,235,325**		1,063,129

These financial statements were approved by the Board of Directors on 24 November 2006 and signed on its behalf by:

Andrew R M Bell
Chairman

John Watkins
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated cash flow statement for the year ended 30 June 2006

	Notes	**Year ended 30 June 2006 £**	Period ended 30 June 2005 £
Net cash outflow from operating activities	16	**(333,707)**	(38,975)
Returns on investment and servicing of finance	17	**6,594**	-
Capital expenditure and investment	17	**(195,012)**	(909,844)
Cash outflow before financing		**(522,125)**	(948,819)
Financing	17	**597,867**	1,103,153
Increase in cash in the year	18	**75,742**	154,334

The accompanying notes and accounting policies form an integral part of these financial statements.

Statement of accounting policies for the year ended 30 June 2006

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the previous year.

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of Regency Mines plc and its UK and foreign subsidiaries, as set out in Note 9. The foreign subsidiary has been consolidated using the closing rate method in accordance with SSAP20, Foreign Currency Translation.

Basis of preparing financial statements

The accounts have been prepared on the going concern basis. The appropriateness of the going concern basis is dependent on the success of the directors' ongoing investigation, evaluation and generation of revenue from mineral projects.

The company meets its day to day operating expenses from its existing liquid resources in the absence of an ongoing income stream.

The directors have approved an expenditure budget for the period to September 2007 for which additional funding will be required.

The directors have complete confidence in their ability to raise further capital and that their efforts will generate sufficient ongoing cash to meet the company's outgoings for the foreseeable future. On this basis the directors believe it is appropriate to prepare these financial statements on a going concern basis.

Exploration and development costs

Exploration and development costs include expenditure on prospects at an exploratory stage. These costs include the cost of acquisition, exploration, determination of recoverable reserves, economic feasibility studies and all technical and administrative overheads directly associated with those projects. These costs are carried forward in the balance sheet as intangible fixed assets.

Recoupment of capitalised exploration and development costs is dependent upon successful development and commercial exploitation of each area of interest and are amortised over the expected commercial life of each area once production commences.

The Company adopts the 'area of interest' method of accounting whereby all exploration and development costs relating to an area of interest are capitalised and carried forward until abandoned. In the event that an area of interest is abandoned, or if the Directors consider the expenditure to be of no value, accumulated exploration costs are written off in the financial year in which the decision is made. All expenditure incurred prior to approval of an application is expensed with the exception of refundable rent which is raised as a debtor.

Intangible assets and goodwill

Intangible fixed assets are stated at cost less accumulated depreciation. Depreciation of intangible fixed assets is provided where it is necessary to reflect a reduction from book value to estimated residual value over the estimated useful life of the asset to the Group. The carrying value of Fixed Assets & Goodwill is considered to be Fair Value.

Negative goodwill arises when the consideration paid for exploration assets is less than the fair value of those intangible assets; it is subject to an annual impairment review.

Statement of accounting policies
for the year ended 30 June 2006, continued

Foreign currencies

Transactions in foreign currencies are translated into sterling at the average rate of exchange ruling during the year. Foreign currency assets and liabilities are translated into sterling at the balance sheet date and the resulting gains or losses are taken to the profit and loss account.

Investments

Fixed asset investments are stated at cost less any provision for impairment. Trade investments are stated at the lower of cost or mid-market valuation; profits and losses, including profits arising from warrants held are accounted for as realised.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax

Deferred tax is provided on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date.

Options

No charge to profit is made in respect of the options over the Company's shares held by Directors and others.

Going concern

The financial statements have been prepared on a going concern basis.

Notes to financial statements for the year ended 30 June 2006

1 **Turnover and Segmental analysis**

Turnover for the year includes the sale proceeds from a short term investment made during 2005 and of fees in respect of advisory services rendered to a mineral exploration company which was admitted to AIM during 2006.

Loss before taxation	**2006**	2005
	£	£
By geographical area;		
UK	**32,009**	108,070
Australia	**129,070**	-
Papa New Guinea	**8,374**	-

2 **Loss on ordinary activities before taxation**

	2006	2005
	£	£
	Group	Group
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration – audit	**13,000**	13,000
Auditors' remuneration – non audit services	**9,200**	-
Directors' emoluments	**124,100**	4,250

Auditors' remuneration for non-audit services provided during the year comprised £3,200 related to an interim review and the provision of S103 reports and £6,000 related to the provision of an accountant's report for the AIM Admission Document of Red Rock Resources plc and was charged to that company's share premium account as part of share issue expenses.

As declared in Note 5, three directors are remunerated by third parties with which the Company and Group have contractual arrangements.

3 **Taxation**

	2006	2005
	£	£
Current year taxation - Company		
Factors affecting the tax charge for the period		
Profit/(loss) on ordinary activities before taxation	**85,633**	(53,902)
Profit on ordinary activities at the UK standard rate of 30%	**25,690**	-
Effects of tax benefit of losses brought forward	**19,440**	-
Current period taxation	**6,250**	-

Notes to financial statements for the year ended 30 June 2006, continued

4 Staff costs

The Group had no employees during the year; the two executive directors provide professional services as required on a part time basis.

5 Directors' emoluments, including amounts paid to third parties:

	Group	Company
Executive directors		
Andrew R M Bell	48,123	9,997
Kenneth F Watson	52,792	-
Non-executive director:		
Julian M E Lee	4,375	4,375
John Watkins	18,810	6,780
Total	124,100	21,152

No pension benefits are provided for any director.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors.

Amounts paid to third parties

Included in the emoluments set out above, Elenchus Limited, a company associated with the director, Andrew Bell, received the sums of £34,997 as a management fee for the provision of his services.

Redstone Metals Pty Limited, a company associated with the director, Kenneth Watson, received a management fee of £52,792 for the provision of his services during the period.

Melee Venture Management Limited, a company associated with the director, Julian Lee, received a fee of £4,375 in respect of his services during the period.

6 Profit attributable to parent undertaking

During the year, the parent undertaking reported a profit of £79,383 after making a provision for taxation. As permitted by Section 230 if the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

7 Loss per share - Group

The basic loss per share is derived by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares in issue.

	2006 £	2005 £
Loss for the period	(105,821)	(105,637)
Weighted average number of Ordinary shares of £0.001 in issue	125,136,824	78,013,246
Loss per share – basic	(0.08) pence	(0.13) pence
Weighted average number of Ordinary shares of £0.001 in issue inclusive of outstanding options	133,136,824	81,413,246
Loss per share – diluted	(0.08) pence	(0.13) pence

Notes to financial statements
for the year ended 30 June 2006, continued

8 Intangible fixed assets

	Goodwill £	Exploration expenditure £
Group		
Cost		
At 30 June 2005	-	963,348
Additions during the year	45,000	697,811
Currency loss	-	(4,017)
At 30 June 2006	45,000	1,657,142
Impairment		
At 30 June 2005	-	-
At 30 June 2006	-	-
Net book amount at 30 June 2006	-	1,657,142
Net book amount at 30 June 2005	45,000	963,348

Company	
Cost	
At 30 June 2005	579,293
Additions during the year	33,550
At 30 June 2006	612,843
Impairment	
At 30 June 2005	-
At 30 June 2006	-
Net book amount at 30 June 2006	612,843
Net book amount at 30 June 2005	579,293

9 Fixed asset investments

	Total £
Company	
At 30 June 2005	249,500
Additions during the year:	
Canopus No 83 Limited	45,000
Red Rock Resources plc	45,000
Range Mines Limited	7,500
	97,500
At 30 June 2006	347,000
Amounts written off at 30 June 2006	-
Net book value at 30 June 2006	347,000
Net book value at 30 June 2005	249,500

The mid market value of the Company's holding in Red Rock Resources plc at 30 June 2006 was £1,278,125.

Notes to financial statements
for the year ended 30 June 2006, continued

9 cont. The parent Company of the Group holds more than 20% of the share capital of the following companies:

Company	Country of registration	Class	Proportion held by group	Nature of business
Direct				
Canopus No 83 Limited	Papua New Guinea	Common	75%	Mineral exploration
Range Mines Limited – see note	England & Wales	Ordinary	47.43%	Mineral exploration
Red Rock Resources plc	England & Wales	Ordinary	61.35%	Mineral exploration
Regency Resources Limited	Australia	Ordinary	100%	Mineral exploration
Indirect				
Via Red Rock Resources Plc				
Orion Exploration PTY Limited	Australia	Common	61.35%	Mineral exploration
Range Mines Limited – see note	England & Wales	Ordinary	25.46%	Mineral exploration

Of the share capital of Range Mines Limited, 41.5% is held by Red Rock Resources plc, and accordingly, the Group's total interest amounts to 72.89%.

10 Debtors

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Sundry debtors	**59,218**	-	**56,299**	-
Prepayments	**43,729**	18,962	**22,733**	13,087
Taxation	**2,774**	9,317	**-**	9,317
Amounts owed by Group undertakings	**-**	-	**109,990**	98,028
Total	**105,421**	28,279	**189,022**	120,432

11 Current asset investments

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Publicly traded investments	**18,540**	44,200	**3,049**	44,200
Other – admitted to AIM on 3 July 2006	**30,000**	-	**30,000**	-
Total	**48,540**	44,200	**33,049**	44,200

The market value of publicly traded investments at 30 June 2006 based on the closing mid-market price was £19,298 (2005: £317,340).

Notes to financial statements
for the year ended 30 June 2006, continued

12 Creditors

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Amounts falling due within one year:				
Trade creditors	41,531	23,349	21,046	12,331
Accruals	33,160	22,383	19,662	14,383
Taxation	6,250	-	6,250	-
Deferred consideration	-	98,512	-	-
Total	80,941	144,244	46,958	26,714

13 Share capital - Company

The authorised share capital of the Company and the called up and fully paid amounts were as follows:

Authorised	Number	Nominal £
At incorporation on 10 September 2004 and as at 30 June 2006, Ordinary shares of £0.001 each	10,000,000,000	10,000,000

Called up, allotted, issued and fully paid		
As at 30 June 2005	125,110,596	125,110
Issued 28 June 2006	4,786,666	4,787
As at 30 June 2006	129,897,262	129,897

The Company has established a share option scheme:

Options have been granted to subscribe for ordinary shares as follows:

	At 30 June 2005	At 30 June 2006	Exercise price	Date from which exercisable	Expiry date
Bamboo Holdings Pty Limited	2,000,000	2,000,000	£0.02	4 November 2004	30 April 2008
A R M Bell	-	1,500,000	£0.035	20 January 2006	20 January 2009
Bellmin Limited	1,000,000	1,000,000	£0.02	4 November 2004	30 April 2008
Cameron John French	2,000,000	2,000,000	£0.02	4 November 2004	30 April 2008
J M E Lee	-	1,000,000	£0.035	20 January 2006	20 January 2009
Kerry Ron Randall	500,000	500,000	£0.02	4 November 2004	30 April 2008
Lam Fatt Tan	2,000,000	2,000,000	£0.02	4 November 2004	30 April 2008
John Watkins	-	1,000,000	£0.35	20 January 2006	20 January 2009
Kenneth Frank Watson	500,000	500,000	£0.02	4 November 2004	30 April 2008
Kenneth Frank Watson	-	1,500,000	£0.035	20 January 2006	20 January 2009
Total	8,000,000	13,000,000			

Notes to financial statements
for the year ended 30 June 2006, continued

14 Reserves

The movements on reserves during the year were as follows:

Group	Share premium account	Profit and loss account	Other reserves
	£	£	£
As at 30 June 2005	991,921	(105,637)	12,457
Issue of shares	84,963	-	-
Share issue expenses – prior year adjustment	3,063	7,747	-
Loss for the year	-	(105,821)	-
Consolidation reserves	-	-	537,699
As at 30 June 2006	1,079,947	(203,711)	550,156

Company	Share premium account	Profit and loss account
As at 30 June 2005	991,921	(53,902)
Issue of shares	84,963	-
Share issue expenses – prior year adjustment	3,063	-
Profit for the year	-	79,383
As at 30 June 2006	1,079,947	25,481

15 Movement on equity shareholders' funds

	2006	2005
	£	£
Group		
Loss for the year	(105,821)	(105,637)
Proceeds of share issues	89,750	1,181,920
Share issue expenses	10,810	(64,889)
Consolidation reserve	537,699	12,457
Movement during the year	532,438	1,023,851
Opening equity shareholders' funds	1,023,851	-
Closing equity shareholders' funds	1,556,289	1,023,851
Company		
Profit/(loss) for the period	79,383	(53,902)
Proceeds of share issues	89,750	1,181,920
Share issue expenses	3,063	(64,889)
Movement during the year	172,196	1,063,129
Opening equity shareholders' funds	1,063,129	-
Closing equity shareholders' funds	1,235,325	1,063,129

Notes to financial statements
for the year ended 30 June 2006, continued

16 **Reconciliation of operating profit to operating cash flows**

	2006	2005
	£	£
Operating loss	(176,047)	(108,070)
Currency gain	1,325	258
Increase in debtors	(77,142)	(27,468)
(Decrease)/increase in creditors	(63,303)	140,505
Investment at cost	(18,540)	(44,200)
Net cash outflow from operating activities	(333,707)	(38,975)

17 ***Analysis of cash flows***

	2006	2005
	£	£
Return on investment and servicing of finance		
Interest received	6,625	-
Interest paid	(31)	-
Net cash inflow	6,594	-
Financing		
Company: Issue of ordinary share capital for cash	89,750	1,181,920
Subsidiary companies: Issue of ordinary share capital for cash	576,375	-
Subsidiary companies: Share issue expenses	(79,068)	(64,889)
Share issue expenses – prior year adjustment	10,810	-
	597,867	1,117,031
Less acquisition of Regency Resources Limited	-	(72,000)
Cash acquired with subsidiary acquisition	-	58,122
Net cash inflow	597,867	1,103,153
Capital expenditure and investment		
Acquisition of subsidiary	-	(177,500)
Purchase of intangible fixed assets	(195,012)	(732,344)
Net cash outflow	(195,012)	(909,844)

18 **Analysis and reconciliation of net funds**

	30 June 2005	Cash flow	30 June 2006
	£	£	£
Cash in hand and at bank	154,334	75,742	230,076

Notes to financial statements for the year ended 30 June 2006, continued

19 Commitments

As at 30 June 2006, the Company had entered into the following commitments:

- On 27 June 2006, the Company entered into a licence agreement to occupy office premises at 115 Eastbourne Mews London W2 6LQ at a quarterly rental of £10,500 plus outgaoings.
- On 27 June 2006, the Company entered into sub licence agreements with Red Rock Resources plc and with Greatland Gold plc under which the three companies agreed to share the rental, service costs and other outgoings of the office at 115 Eastbourne Mews London W2 6LQ on an equal basis.

20 Related party transactions

- Elenchus Limited, a company of which Andrew Bell is a director, has executed a consulting agreement under which it provides the services of Andrew Bell.
- Redstone Metals Pty Limited, a company of which Kenneth Watson is a director, has executed a consulting agreement under which it provides the services of Kenneth Watson.
- Melee Venture Management Limited, a company of which Julian Lee is a director, has executed a consulting agreement under which it provides the services of Julian Lee.
- On 29 July 2005, the Company subscribed for 1,250,000 Ordinary shares at a price of £0.02 per share in Red Rock Resources plc, a company of which Messrs Andrew Bell, Kenneth Watson and John Watkins are directors.
- On 12 September 2005, the Company paid a liability amounting to £7,627.12 on behalf of Ranges Mines Limited, a company of which Andrew Bell is a director. On 13 September 2005, in part satisfaction of the liability, Ranges Mines Limited issued to the Company 30,000,000 partly paid Ordinary shares of £0.001 at par.
- On 18 April 2006, the Company acquired 75% of the share capital of Canopus No 83 Limited, a company incorporated in Papua New Guinea for a consideration of £45,000. The vendor was Pacific Resources Limited, a company of which Messrs Andrew Bell, Julian Lee and Kenneth Watson were directors, and in which they were directly or indirectly interested.
- On 26 June 2006 the Company subscribed for 1,000,000 Ordinary shares at a price of £0.02 per share in Red Rock Resources plc, a company of which Messrs Andrew Bell, Kenneth Watson and John Watkins are directors.
- On 27 June 2006, the Company issued 500,000 Ordinary shares at £0.01875 to Bellmin Limited, a company of which Andrew Bell and Julian Lee are directors and shareholders. The shares were issued for cash.
- On 27 June 2006, the Company entered into sub licence agreements with Red Rock Resources plc and with Greatland Gold plc as set out in Note 19. Messrs Andrew Bell, Kenneth Watson and John Watkins, directors of the Company are also directors of Red Rock Resources plc. Messrs Andrew Bell and John Watkins, directors of the Company are also directors of Greatland Gold plc.

21 Post balance sheet events

- On 28 July 2006, the Company issued 4,286,666 Ordinary shares at £0.02 per share. The consideration was the issue to the Company of 200,000 shares in Sunvest Corporation Limited at A$1.00 per share for which a certificate under Section 103 had been received from the Company's auditors.
- On 28 July 2006, pursuant to an agreement dated 25 February 2005 the Company issued 1,863,878 Ordinary shares to the vendors of the Mt Ida tenement.

Notes to financial statements
for the year ended 30 June 2006, continued

21 cont

- On 28 July 2006, the Company issued 1,000,000 Ordinary shares to Bellmin Limited at £0.02 per share for cash.
- On 23 August 2006, the Company appointed Simple CFDs Limited as nominated broker and gave notice of termination to ARM Corporate Finance Limited who will cease to be broker on 29 December 2006.
- On 21 September 2006, the Company agreed to grant an option exercisable up to 28 February 2007 for the disposal of its Bundarra license for the sum of £52,500 to Range Mines Limited, a company of which Andrew Bell is a director and in which the Company has direct and indirect interests totalling 72.89%. The option consideration is to be satisfied by the issue to the Company of 4,500,000 Ordinary shares in Range Mines Limited at its proposed initial public offering (IPO), a cash payment of £50,000 at the IPO and the assumption by Range Mines Limited of £40,000 of debt in respect of exploration costs recently incurred.

22 Financial instruments - Group

The Group uses financial instruments comprising cash, liquid resources and debtors/creditors that arise from its operations.

The Group's exposure to currency and liquidity risk is not considered significant. The Group's cash balances are held in Pound Sterling and in Australian dollars, the latter being the currency in which the significant operating expenses are incurred.

To date the Group has relied upon equity funding to finance operations. The Directors are confident that adequate cash resources exist to finance operations to commercial exploitation but controls over expenditure are carefully managed.

The net fair value of financial assets and liabilities approximates the carrying values disclosed in the financial statements. The currency and interest rate profile of the financial assets is as follows:

Cash and short term deposits

	30 June 2006
	£
Sterling	179,474
Australian dollars	50,602
At 30 June 2006	230,076

The financial assets comprise interest earning bank deposits.

23 Control

There is considered to be no controlling related party.

Notice of Annual General Meeting

REGENCY MINES plc

Notice is hereby given that the second Annual General Meeting of REGENCY MINES plc will be held at 115 Eastbourne Mews, Paddington, London W2 6LQ on 28 December 2006 at 11.00 am for the purpose of considering and, if thought fit, passing the following resolutions 1 to 7 which will be proposed as ordinary resolutions and resolution 8 as a special resolution.

ORDINARY BUSINESS

1 To receive the report of the Directors and the audited financial statements of the Company for the year ended 30 June 2006.

2 To re-elect as a Director of the Company Andrew Ronald McMillan Bell who retires by rotation and, being eligible, offers himself for re-election.

3 To re-elect as a Director of the Company Kenneth Frank Watson who retires by rotation and, being eligible, offers himself for re-election.

4 To re-elect as a Director of the Company Julian Michael Edward Lee who retires by rotation and, being eligible, offers himself for re-election.

5 To re-elect as a Director of the Company John Watkins who retires by rotation and, being eligible, offers himself for re-election.

6 To re-elect as a Director of the Company Pedro Kastellorizos who retires by rotation and, being eligible, offers himself for re-election.

7 To re-appoint Chapman Davis LLP as auditors of the Company to act until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

8 SPECIAL RESOLUTION

That the Articles of Association be amended by inserting the following wording to the end of regulation 18.2:

> "Subject to the provisions of the Act and of these Articles, any Director so appointed shall retire from office at the annual general meeting of the Company next following such appointment and will then be eligible for election during such meeting and he shall not retire by rotation at such meeting or be taken into account in determining the rotation of retirement of Directors at such meeting."

and by deleting regulation 18.4 in its entirety and inserting the following in its place:

> "At each annual general meeting, one-third of the Directors shall retire from office provided that:
>
> 18.4.1 if their number is more than three, but not a multiple thereof then the number nearest to but not exceeding one-third shall retire;
>
> 18.4.2 if their number is two, one of such Directors shall retire; and
>
> 18.4.3 if their number is one that Director shall retire;
>
> and a Director retiring at a meeting shall if he is not reappointed at such meeting retain office until the meeting appoints someone in his place or if it does not do so, the dissolution of such meeting.".

If you are a registered holder of Ordinary Shares in the Company, whether or not you are able to attend the meeting, you may use the enclosed form of proxy to appoint one or more persons to attend and vote on a poll on your behalf. A proxy need not be a member of the Company.

A form of proxy is provided. This may be sent by facsimile transfer to 01252 719232 or by mail to:

The Company Secretary
Regency Mines Plc
C/o Share Registrars Limited
Craven House
West Street
Farnham
Surrey GU9 7EN

In either case, the signed proxy must be received by 11.00am on 26 December 2006.

By Order of the Board

Stephen F Ronaldson
Company Secretary

24 November 2006

Registered Office::

55 Gower Street
London
WC1E 6HQ

NOTES

1. Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend and vote at the Meeting. A member so entitled may appoint (a) proxy(ies), who need not be (a) member(s), to attend and vote on his/her behalf.
2. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please insert his/her name and delete "the Chairman of the Meeting or".
3. Please indicate how you wish your proxy to vote by deleting either for or against. Unless otherwise instructed the person appointed a proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting on any particular resolution as he/she thinks fit.
4. A corporation must seal this form of proxy or have it signed by an officer or attorney or other person authorised to sign.
5. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
6. Pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, members will be entitled to attend and vote at the meeting if they are registered on the Company's register of members 48 hours before the time appointed for the meeting or any adjournment thereof.
7. To be valid this form of proxy must reach **Share Registrars Limited**, Craven House, West Street, Farnham, Surrey GU9 7EN not later than 48 hours before the time of the Meeting. Lodgement of a form of proxy does not preclude a member from attending the Meeting and voting in person. The form may be sent by facsimile transfer to 01252 719232.

REGENCY MINES plc

Form of Proxy for use at an Annual General Meeting

I, a Member of **REGENCY MINES plc** (hereinafter referred to as 'the Company') and entitled to vote, hereby appoint the Chairman, or ______________________________________ as my proxy to attend and vote for me and on my behalf at the second Annual General Meeting of the Company to be held on 28 December 2006 at 11.00am. and at any adjournment thereof.

(Please indicate below how you wish your votes to be cast. If the form of proxy is returned without any indication as to how the proxy should vote on any particular matter, the proxy will vote as they think fit.)

ORDINARY BUSINESS

Resolution Number		*Please delete as appropriate*
1	To receive the report of the Directors and the audited financial statements of the Company for the year ended 30 June 2006.	For /Against/Abstain
2	To re-appoint Andrew Ronald McMillan Bell as a Director.	For /Against/Abstain
3	To re-appoint Kenneth Frank Watson as a Director.	For /Against/Abstain
4	To re-appoint Julian Michael Edward Lee as a Director.	For /Against/Abstain
5	To re-appoint John Watkins as a Director.	For /Against/Abstain
6	To re-appoint Pedro Kastellorizos as a Director.	For /Against/Abstain
7	To re-appoint Chapman Davis LLP as auditors of the Company and to authorise the Directors to determine their remuneration	For /Against/Abstain
	SPECIAL BUSINESS	
8	To amend the Articles of Association	For/Against/Abstain

Signature	
Date	
Full name	
Address	