

Regency Mines plc

Report & Financial Statements for the year ended 30 June 2011



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Company information

Directors	Andrew R M Bell – Executive Chairman Edmund Sr Bugnosen – Executive director Scott C Kaintz – Executive director Julian M E Lee – Non executive director John Watkins – Non-executive director
<i>all of</i>	115 Eastbourne Mews Paddington London W2 6LQ 020 7402 9433
Secretary and registered office	Stephen F Ronaldson 55 Gower Street London WC1E 6HQ
Website	www.regency-mines.com
Auditor	Chapman Davis LLP 2 Chapel Court London SE1 1HH
Solicitors	Ronaldsons LLP 55 Gower Street London WC1E 6HQ
Nominated Adviser	Religare Capital Markets 100 Cannon Street London EC4N 6EU
Accountants and tax advisers	Baker Tilly Tax and Accounting Limited The Clock House 140 London Road Guildford Surrey GU1 1UW
AIM Broker	Simple Investments 1 High Street Godalming Surrey GU7 1AZ
Bankers	Coutts & Co 440 Strand London WC2R 0QS
Registrars	Share Registrars Limited Suite E, First Floor 9 Lion & Lamb Yard Farnham Surrey GU9 7LL 01252 821390
Registered number	05227458

Chairman's statement

In reporting the financial results for the Company's seventh year of operations I am once again able to report a substantial improvement in outcome. The year was also one of strategic advance where we were able to utilise a period of price strength in the Autumn of 2010 to give fresh impetus to our Mambare lateritic nickel joint venture, at the same time becoming a significant shareholder of Direct Nickel Pty Ltd ("Direct Nickel"), our joint venture partner.

Towards the end of the year under review we started a programme of exploration at Mambare, which we expect to lead to the declaration of a Mineral Resource.

Financial Discussion

Pre-tax profit rose from £602,085 in the year to 30th June 2010 to £1,825,679 in the year to 30th June 2011. The main factor in this rise was a rise in the share of profits of our associate company Red Rock Resources plc ("Red Rock") and a gain on dilution of our interest in that associate. Earnings per share rose from 0.13 pence per share to 0.40 pence per share.

Total shareholders' equity rose from £3,943,705 to £14,138,048 over the same period, an increase funded primarily by the issue of new shares at an average price of 3.662 pence per share and by retained earnings. Available for sale financial assets, mainly comprising shares in Direct Nickel and in Oracle Coalfields plc, rose in value from £412,584 to £6,113,440 while investments in associates, mainly comprising shares in Red Rock, rose in value from £1,414,096 to £5,495,296.

The company saw its traded price rise from 1.00 pence per share at 1 July 2010 to 3.16 pence per share at 30 June 2011.

Strategy

Our strategy remains one of developing a base metal and industrial commodity company. It is as easy to manage a project with the potential to develop into a world class asset as to manage a small one, so we prefer to concentrate on a few projects with the potential for scale and incubate them if necessary for years, rather than dissipate our energies. The potential risk of so concentrated a portfolio is offset by maintaining as a secondary focus a transactional and mining investment business that can not only generate profits and act as a reservoir of potential liquidity, but enables us sometimes to hold at arm's length interests in assets where exploration can be financed without direct recourse to Regency Mines shareholders.

This strategy has been pursued since the flotation of the company on AIM in 2005 and its value has been proved most recently in the year under review, when the contribution of the Red Rock holding to the profits and assets figures has enabled the company to hold confidently to its course at the Mambare project in a challenging environment.

This project, a lateritic nickel-cobalt deposit in Papua New Guinea, is one we identified as having the potential scale we look for. The challenges have been that when we took it on it was little explored, that the nickel price has not been strong and that recent investor sentiment towards nickel has been markedly less positive than that towards the ferrous metals, coal or copper. This last challenge carried its own opportunity and at the end of calendar year 2010 we took a Au\$ 6,000,000 stake in our partners in Mambare, Direct Nickel, making us a significant shareholder. Following a further subscription since the year end our shareholding in Direct Nickel currently stands on a fully diluted basis at 7.81%.

This subscription, which strengthens the relationship between the two parties, enabled the joint venture to make firm plans for a drill campaign at Mambare in 2011. Direct Nickel has also advanced construction of the pilot plant to demonstrate its proprietary processing technology, and has obtained approval for the reverse takeover and renaming as Direct Nickel Ltd of a suspended company listed on the Australian Stock Exchange.

Our original focus was on nickel and copper in our owned exploration projects. We have not yet found copper prospects with the desired scale and further investment during the year under review, both in our nickel project at Mambare and in nickel treatment technology through Direct Nickel has weighted us more heavily towards nickel. We have looked for opportunities for counterbalancing investment in other areas that might be consistent with our strategy.

Our focus on projects with potential scale, combined with the opportunity to diversify into coal, and a low cost of entry caused us to make an investment in 11.02% of the equity capital of Oracle Coalfields Ltd, that has since been admitted to AIM, where we are currently showing a significant profit.

Chairman's statement (continued)

Operations

The joint venture exploration programme at the Mambare laterite nickel project in Papua New Guinea began with site preparation of the three areas planned for drilling, followed by a new ground penetrating radar programme and then by a drill programme the aims of which included the production of an Inferred Mineral Resource under the JORC standard. Drilling got under way in July 2011, but we were only able to reach full operation with all drills operational once sufficient personnel had received work visas and arrived on site, so that the programme is not expected to end until Christmas. Results so far have been encouraging, with the ground penetrating radar encountering some deep laterite profiles, drill hole lengths on average significantly higher than in the 2008 drill season at 23.8 metres, and some of the grades encountered higher than any encountered in 2008. Sampling of wet grades with a handheld x-ray fluorescence spectrometer has detected grades over 2% nickel in all three areas being drilled, including 3.36% nickel in one sample interval, so that although we must wait for laboratory results for confirmation we expect the drill programme to validate the high potential of the Mambare deposit.

In Australia we carried out 2,753 line/km of Versatile Time-Domain Electromagnetic (VTEM) geophysical survey in four areas of interest, three in Western Australia for nickel, copper, and graphite, and one in Queensland for copper, following up earlier drilling and ground exploration. Drill targets were identified in each area and analysis will continue, but a decision was made to give priority to the Mambare drill programme and the Direct Nickel pilot plant programme up to the end of 2011.

Sustainable Development

Papua New Guinea is an unspoilt and biologically diverse environment. We have always acted carefully to ensure that our exploration has minimal impacts and that we restore the natural environment, or leave it in a position quickly to restore itself through plant growth, at the end of each exploration phase.

We will continue to act with consideration for our impacts on our host communities and their environment.

Our liaison with the local clans, of two of which I am proud to be an honorary chief, and their communities is close and we walk around with the local leaders and landholders before cutting any trackway or path, discussing compensation and ownership for each likely disturbance including every tree cut. Since the land in the licence area is held under customary tribal ownership the rights of an individual are often unclear, and there is never a time when there is not some argument or dissatisfaction, these problems arise between the members of the tribe or village, or between them and people who have married into the tribe or settled on their land, but they impact on us. The task of negotiation is never over, and it is necessary to give constant attention to the cultivation of trust and easy relationships so that problems can be discussed and resolved as they arise.

As part of our community development programme we have given a range of assistance to local communities, including through our paramedic and through schoolroom construction. This is an area of activity we intend to develop further in the coming year.

Our joint venture local company in Papua New Guinea has applied for licences over areas of geothermal potential and we expect these to proceed to grant shortly as the consultation process has been successful. Should our exploration of these areas be successful, we hope that any nickel-cobalt laterite project we develop will use renewable energy sources and provide sustainable energy to Oro province.

Risk

Whenever we meet as a Board or in operating committees, the first item of discussion is always a report on accidents and incidents, reflecting our determination to inculcate a culture of safety awareness at every level. Exploration inevitably takes us to areas, and puts us in situations, where the risks of harm are increased and the consequences are harder to control.

We are always trying to identify and address areas of future risk and the two of these that were given priority during the year were health and safety and ensuring systems were in place to comply with the new Bribery Act in the UK.

We recognise that the increase in the scale of our operations has the potential to increase risk at a geometric rate and this has led to the imposition of a rigorous health and safety culture across the group. The need to ensure buy-in to this by all staff is recognised by our joint venture partner and is reflected in a commitment of management time and effort in order to reinforce the message at all levels. This has included the imposition of operating time restrictions on our drilling contractors.

We aim for a zero accident policy and effective training in safety consciousness will be a continuing priority.

Chairman's statement (continued)

An anti-bribery and whistleblowing policy was put in place and communicated throughout the group. Ensuring systems to maintain compliance and make contractors aware of and committed to our policies is a requirement under the new Bribery Act and we will therefore take further measures to communicate and monitor compliance with our policies beyond the group in our countries of operation.

Personnel

The Company's key employees are highly qualified professionals and their professional and personal development is both a priority and a benefit to the Company. We have put in place a mentoring and consultation system to make ourselves better employers and are introducing a share incentive plan (SIP) to ensure all staff continue to identify with the future success of the Company.

We are grateful for the contribution our staff have made to the business over the year, and for their loyalty, good humour and their commitment.

Outlook

The continuing process of development and urbanisation in the Asian and South American economies and notably the BRIC countries (Brazil, Russia, India and China), are likely to lead to steady annual increases in the demand for stainless steel, to the manufacture of which two-thirds of nickel production is devoted. The long-term prospects for our key commodity remain strong.

We consider that our Mambare nickel asset is of a scale and grade that make it potentially world-class. We believe that the Direct Nickel processing technology for lateritic nickels is a disruptive technology that will change the nickel mining industry. We intend to be leaders in that change.

We expect to see our drilling at Mambare lead to the definition of a Mineral Resource under the JORC standard early in 2012 and to see Direct Nickel's pilot plant operate successfully and demonstrate that technology on the same timeframe.

These key developments, and the expected start of trading in Direct Nickel Ltd shares on the Australian Stock Exchange, will, we hope, underpin a year of strong progress. We expect to look back in a year's time and describe this year as one that was transformative in the history of the company.

Our aim is to build on the success of our associate Red Rock Resources plc in the iron ore field and the company's presence in nickel and nickel technology to build a strong and diversified mineral group.



Andrew Bell

Executive Chairman

1 December 2011

Directors' report

The Directors present their seventh annual report on the affairs of the Group and parent Company, together with the Group financial statements for the year ended 30 June 2011

Principal activities and business review

The Company has been established as a mineral exploration and development company focussed on exploration for copper and nickel in Australia and Papua New Guinea and in providing support services to and taking equity stakes in other mineral exploration ventures

The Company's objective is to maximise shareholder value both by exploring for minerals and by taking strategic stakes in other mineral exploration ventures. The developments during the period are given in the Chairman's Statement.

Results and dividends

The Group's results are set out in the Group income statement on page 15. The audited financial statements for the year ended 30 June 2011 are set out on pages 14 to 51.

The Group made a profit before taxation of £1,825,679 (2010 £602,085) and £2,142,986 after taxation (2010 £515,807).

The Directors do not recommend the payment of a dividend.

Fundraising and share capital

During the year, £6,740,753 (2010 £1,172,615) of new equity was raised by the issue of 184,069,808 (2010 75,074,447) new Ordinary shares, further details are given in note 18.

Principal risks and uncertainties

The management of the business and the execution of the Board's strategy are subject to a number of risks:

- exploration is speculative in nature,
- the economic viability of a project is affected by world commodity prices,
- commodity prices are subject to international economic trends, currency fluctuations and consumption patterns, and
- estimates of ore reserves are based on many assumptions and subjective judgements which may change significantly when new information becomes available.

Risk Management

The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management to forecasts. Project milestones and timelines are regularly reviewed. Further details of the Group's risk management policies can be found in note 21.

Risks and uncertainties

The principal risks facing the Group and Company are set out below. Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system.

General and economic risks

General and economic risks include:

- contractions in the world's major economies or increases in the rate of inflation resulting from international conditions,
- movements in the equity and share markets in the United Kingdom and throughout the world,
- weakness in global equity and share markets, in particular in the United Kingdom, and adverse changes in market sentiment towards the resource industry,
- currency exchange rate fluctuations and, in particular, the relative prices of Australian Dollar, PNG Kina and the UK Pound,
- exposure to interest rate fluctuations, and
- adverse changes in factors affecting the success of exploration and development operations, such as increases in expenses, changes in government policy and further regulation of the industry, unforeseen major failure, breakdowns or repairs required to key items of plant and equipment resulting in significant delays, notwithstanding regular programmes of repair, maintenance and upkeep, variations in grades, and unforeseen adverse geological factors or prolonged weather conditions.

Directors' report, continued

Funding risk

The Group or the companies in which it has invested may not be able to raise, either by debt or further equity, sufficient funds to enable completion of planned exploration, investment and/or development projects

Commodity risk

Commodities are subject to high levels of volatility in price and demand. The price of commodities depends on a wide range of factors, most of which are outside the control of the Company. Mining, processing and transportation costs also depend on many factors, including commodity prices, capital and operating costs in relation to any operational site.

Exploration and development risks

- Exploration and development activity is subject to numerous risks, including failure to achieve estimated mineral resource, recovery and production rates, and capital and operating costs,
- Success in identifying economically recoverable reserves can never be guaranteed. The Company also cannot guarantee that the companies in which it has invested will be able to obtain the necessary permits and approvals required for development of their projects,
- Some of the countries in which the Company operates have native title laws which could affect exploration and development activities. The companies in which the Company has an interest may be required to undertake clean-up programmes on any contamination from their operations or to participate in site rehabilitation programmes which may vary from country to country. The Group's policy is to follow all applicable laws and regulations and the Company is not currently aware of any material issues in this regard,
- Timely approval of mining permits and operating plans through the respective regulatory agencies cannot be guaranteed,
- Availability of skilled workers is an ongoing challenge,
- Geology is always a potential risk in mining activities.

Market risk

The ability of the Group, and the companies it invests in, to continue to secure sufficient and profitable sales contracts to support its operations is a key business risk.

Key performance indicators

Given the pre-production nature of the Group's activities, the Company's Directors are of the opinion that analysis using most key performance indicators is not necessary for an understanding of the development, performance or position of the business at this present time. As a mineral exploration business, a most important factor is a steadily improving market perception of the progress and value of the business leading to an improving share price, continued support from shareholders and therefore the ability to raise new equity capital at increasing prices thus minimising dilution for those early investors who bore significant risk. Otherwise, the availability of sufficient cash to facilitate continued investment and to fund exploration programmes is essential.

Directors

The Directors who served during the period to date are as follows:

Andrew R M Bell

Edmund Sr Bugnosen

Scott C Kaintz (appointed 21 November 2011)

Julian M F Lee

John Watkins

Charitable and political donations

During the year the Group made 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 28 days of receipt of invoice. At 30 June 2011, the Group's creditors were equivalent to 47 (2010: 105) days' costs.

Events after the reporting period

Events after the reporting period are set out in note 25 to the financial statements.

Directors' report, continued

Auditor

The Directors will place a resolution before the Annual General Meeting to reappoint Chapman Davis LLP as auditor for the coming year

Substantial shareholdings

On 30 June 2011 and 14 November 2011, the following were registered as being interested in 3% or more of the Company's ordinary share capital

	30 June 2011		14 November 2011	
	Ordinary shares of £0 001 each	Percentage of issued share capital	Ordinary shares of £0 001 each	Percentage of issued share capital
ITD Waterhouse Nominees Limited	92,881,414	15.18%	103,855,587	16.69%
Barclayshare Nominees Limited	62,891,862	10.28%	63,859,786	10.26%
HSDL Nominee Limited	59,046,641	9.65%	36,183,792	5.82%
Hargreaves Lansdown (Nominees) Limited	44,311,294	7.24%	43,634,779	7.01%
Rock (Nominees) Limited	35,221,276	5.76%	31,817,840	5.11%
Starvest plc	34,650,000	5.59%	34,650,000	5.57%
IR Nominees Limited	26,440,358	4.32%	-	-
James Capel (Nominees) Limited	26,062,645	4.26%	23,119,841	3.72%
Lewis Charles Nominees Limited	23,265,000	3.80%	23,155,000	3.72%
Investor Nominees Limited	-	-	22,557,324	3.63%
Total shares in issue	611,951,585		622,201,135	

Management Incentives

In prior years, the Company has granted options over Ordinary shares, of which 28,875,000 were outstanding at 30 June 2010. Of these, 4,725,000 were exercised and 650,000 lapsed during the year. Accordingly, 23,500,000 remain outstanding at 30 June 2011, all of which are for the benefit of Directors and senior members of staff as set out in note 19 to the financial statements.

Otherwise, the Group has no bonus, share purchase, or other management incentive scheme.

Directors' remuneration report

The remuneration of the Directors paid during the year was fixed on the recommendation of the Remuneration Committee. This has been achieved acknowledging the need to maximise the effectiveness of the Company's limited resources during the year.

For the year to 30 June 2011, the remuneration paid in respect of the services of two Directors included Directors' fees and other amounts paid to a third party. Otherwise, fees and expenses were paid to a business with which the Director is associated as set out in note 6 to the financial statements.

Corporate governance statement

A Corporate Governance Statement follows on page 11.

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.

Environmental Responsibility

The Company is aware of the potential impact that its subsidiary companies may have on the environment. The Company ensures that it and its subsidiaries at a minimum comply with the local regulatory requirements and the revised Equator Principles, the industry standard for environmental and social risk.

Directors' report, continued

Employment Policies

The Group are committed to promoting policies which ensure that high calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work within the Group are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

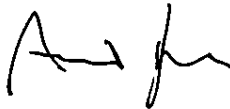
Health and Safety

The Group's aim is to achieve and maintain a high standard of workplace safety. In order to achieve this objective the Group provides training and support to employees and sets demanding standards for workplace safety.

Going Concern

The Directors are of the opinion that ongoing evaluations of the Group's interests indicate that preparation of the Group's financial statements on a going concern basis is appropriate. The key factor for a business such as that of the Group is its ability to continue to fund its exploration and development activities. The Group's income has arisen from the provision of management services. It is not possible to predict the amount and timing of future income until the Group acquires or develops income-producing assets. However, the Group has substantial and valuable shareholdings in listed companies, including Red Rock Resources plc, and expects to be able to realise the value of part or all of these holdings should it need to do so. The Directors do not anticipate any difficulty in raising new finance from stock markets if this is required during 2012.

By order of the Board



Andrew Bell

Executive Chairman

1 December 2011

Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS as adopted by the EU,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Regency Mines plc website.

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

Corporate Governance Statement

The Board is committed to maintaining high standards of corporate governance. The Listing Rules of the Financial Services Authority incorporate the UK Corporate Governance Code, which sets out the principles of Good Governance, and the Code of Best Practice for listed companies. The UK Corporate Governance Code does not apply to AIM companies. However, Shareholders expect companies in which they invest to be properly governed and tend to use the UK Corporate Governance Code as a starting point. This represents the "gold standard" and is inappropriate for many AIM companies but there is no alternative code.

Following guidance of the Quoted Companies Alliance, the Company's corporate governance procedures take due regard of the principles of good governance set out in the UK Corporate Governance Code in relation to the size and the stage of development of the Company.

Role of the Board

The Board has a responsibility to govern the Company rather than to manage it and in doing so act in the best interests of the Company as a whole. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director. Non-executive Directors receive formal letters of appointment setting out the key terms, conditions, and expectations of their appointment.

Responsibilities of the Board

The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Directors who are charged with consulting the Board on all significant financial and operational matters.

Board of directors

The Board of directors currently comprises five directors, two of whom are executive directors, of these, one is executive chairman and chief executive. There is one independent non-executive director, being James Ladner, and two non-executive directors who additionally provide professional services to the Company and who therefore do not qualify as independent.

The directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the UK Corporate Governance Code have been implemented to an appropriate level. The Board, through the Executive Chairman, the executive director and the non-executive directors, maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

All directors have access to the advice of the Company's solicitors and the Company Secretary, necessary information is supplied to the directors on a timely basis to enable them to discharge their duties effectively and all directors have access to independent professional advice, at the Company's expense, as and when required.

Executive Chairman

The Board acknowledges that, in having an Executive Chairman who is also the Chief Executive Officer, best practice is not being followed. However, it is the opinion of the Board as a whole that the current arrangements are appropriate to the Company and Group at this stage of development.

Board meetings

The Board meets regularly throughout the year. During the year ended 30 June 2011 the Board met three times in relation to normal operational matters.

Board committees

The Board has established the following committees, each of which has its own terms of reference.

Audit Committee

The Audit Committee considers the Group's financial reporting, including accounting policies, and internal financial controls. The Audit Committee comprises two directors, Julian Lee as Chairman and John Watkins. It is responsible for ensuring that the financial performance of the Group is properly monitored and reported on.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on directors' and senior executives' remuneration. It comprises two directors, John Watkins as Chairman and Julian Lee. Financial packages for executive directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognised job qualifications and skills. The committee will also have regard to the terms which may be required to attract an equivalent experienced executive to join the Board from another company.

Corporate Governance Statement (continued)

Board committees, continued

Nominations Committee

The Board has not established a Nominations Committee. The Board considers that a separately established committee is not warranted at this stage of the Group's development and that the functions of such a committee are being adequately discharged by the Board as a whole.

Ethical decision making

Confidentiality: In accordance with legal requirements and agreed ethical standards, Directors and all staff have agreed to maintain confidentiality of non-public information except where disclosure is authorised or legally mandated.

Bribery: In accordance with the provisions of the Bribery Act, all Directors and staff acknowledge that it is an offence under the act to engage in any form of bribery.

Share dealing: See paragraph relating to securities trading below.

Internal controls

The directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in the light of increased activity and further development of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Insurance

The Group maintains insurance in respect of its Directors and officers against liabilities in relation to the Company.

Treasury Policy

The Group finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board.

Securities Trading

The Board has adopted the Share Dealing Code contained within the AIM rules that applies to Directors, senior management and any employee who is in possession of "inside information". All such persons are prohibited from trading in the Company's securities if they are in possession of "inside information". Subject to this condition and trading prohibitions applying to "close periods" (usually two months prior to the publication of the interim and final audited accounts), trading can occur provided the relevant individual has received the appropriate prescribed clearance. All Directors and staff are required to advise the Executive Chairman of their intention to undertake a transaction in the Company's shares. Such a transaction will be precluded if the Director or employee is considered to be in possession of non-public material information.

Relations with Shareholders

The Board recognises that it is accountable to Shareholders for the performance and activities of the Company and Group and to this end is committed to providing effective communication with the Shareholders of the Company.

Significant developments are disseminated through stock exchange announcements and regular updates of the Company website where descriptions of the Group projects are available and updated regularly. In addition, copies of press comments, broker notes, video updates and presentations are available. On the website, shareholders may sign up to receive news releases directly by email.

The Board views the Annual General Meeting as an important forum for communication between the Company and its Shareholders and encourages shareholders to express their views on the Group's business activities and performance.

Independent Auditor's report to the members of Regency Mines plc

We have audited the financial statements of Regency Mines plc for the year ended 30 June 2011 which comprise the consolidated and parent company statements of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2011 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union,
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

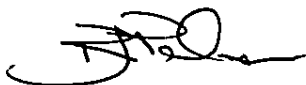
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.




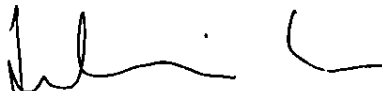
Rowan Palmer (Senior Statutory Auditor)
for and on behalf of Chapman Davis LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
1 December 2011

Consolidated statement of financial position
as at 30 June 2011

	Notes	30 June 2011 £	30 June 2010 £
ASSETS			
Non current assets			
Property, plant and equipment	8	169,211	28,181
Investments in associates	10	5,495,296	1,414,096
Goodwill	11	54,034	47,273
Available for sale financial assets	12	6,113,440	412,584
Exploration assets	13	3,119,718	2,048,408
Total non current assets		14,951,699	3,950,542
Current assets			
Cash and cash equivalents		1,165,912	30,828
Trade and other receivables	14	1,035,885	303,788
Total current assets		2,201,797	334,616
TOTAL ASSETS		17,153,496	4,285,158
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Called up share capital	18	611,952	427,882
Share premium account		11,248,428	4,755,071
Share based payment reserve		172,744	174,915
Other reserves		1,437,564	63,634
Retained earnings		667,360	(1,477,797)
Total equity		14,138,048	3,943,705
LIABILITIES			
Current liabilities			
Trade and other payables	15	826,269	341,453
Short-term borrowings		2,181,229	-
Non current liabilities			
Deferred tax liabilities	16	7,950	-
TOTAL EQUITY AND LIABILITIES		17,153,496	4,285,158

These financial statements on pages 14 to 51 were approved by the Board of Directors and authorised for issue on 1 December 2011 and are signed on its behalf by


Andrew R M Bell
Executive Chairman


Julian M E Lee
Director

The accompanying notes form an integral part of these financial statements

Consolidated income statement
for the year ended 30 June 2011

	Notes	Year to 30 June 2011 £	Year to 30 June 2010 £
Revenue – Management services		166,988	42,012
Total revenue		166,988	42,012
Gain on dilution of interest in associate		1,028,422	182,857
Impairment of investment in associate		-	(466)
Impairment of available for sale financial asset		(76,199)	-
Exploration expenses		(412,682)	(53,432)
Administrative expenses (net)	3	(1,014,704)	(495,161)
Share of profits of associates (net of tax)		2,174,091	930,809
Finance costs		(40,237)	(4,534)
Profit for the year before taxation		1,825,679	602,085
Tax credit/(charge)		317,307	(86,278)
Profit for the year attributable to owners of the parent		2,142,986	515,807
Earnings per share attributable to owners of the parent			
Earnings per share – basic	7	0.40 pence	0 13 pence
Earnings per share – diluted	7	0.40 pence	0 13 pence

All of the group's operations are considered to be continuing

The accompanying notes form an integral part of these financial statements

Consolidated statement of comprehensive income
for the year ended 30 June 2011

	Year to 30 June 2011 £	Year to 30 June 2010 £
Profit for the year	2,142,986	515,807
Surplus/(deficit) on revaluation of available for sale financial assets	734,053	(36,888)
Impairment of available for sale financial assets	-	(25,755)
Deferred tax on available for sale financial assets	(161,799)	68,201
Share of other comprehensive income/(expense) of associates	628,687	(504,714)
Deferred tax on losses of associates	(163,458)	18,077
Unrealised foreign currency gain	336,447	55,757
Total comprehensive income for the year attributable to owners of the parent	3,516,916	90,485

The accompanying notes form an integral part of these financial statements

**Consolidated statement of changes in equity
for the year ended 30 June 2011**

The movements in equity during the period were as follows

	Share capital £	Share premium account £	Retained earnings £	Share based payment reserve £	Other reserves £	Total equity £
As at 30 June 2009	352,808	3,775,578	(1,996,189)	117,748	488,956	2,738,901
Changes in equity for 2010						
Profit for the year	-	-	515,807	-	-	515,807
Other comprehensive expense for the year	-	-	-	-	(425,322)	(425,322)
Transactions with owners						
Issue of shares	75,074	1,097,541	-	-	-	1,172,615
Share issue and fundraising costs	-	(118,048)	-	-	-	(118,048)
Share based payment charge	-	-	-	59,752	-	59,752
Share-based payment transfer	-	-	2,585	(2,585)	-	-
Total transactions with owners	<u>75,074</u>	<u>979,493</u>	<u>2,585</u>	<u>57,167</u>	<u>-</u>	<u>1,114,319</u>
As at 30 June 2010	427,882	4,755,071	(1,477,797)	174,915	63,634	3,943,705
Changes in equity for 2011						
Profit for the year	-	-	2,142,986	-	-	2,142,986
Other comprehensive income for the year	-	-	-	-	1,373,930	1,373,930
Transactions with owners						
Issue of shares	184,070	6,556,683	-	-	-	6,740,753
Share issue and fundraising costs	-	(63,326)	-	-	-	(63,326)
Share-based payment transfer	-	-	2,171	(2,171)	-	-
Total transactions with owners	<u>184,070</u>	<u>6,493,357</u>	<u>2,171</u>	<u>(2,171)</u>	<u>-</u>	<u>6,677,427</u>
As at 30 June 2011	<u>611,952</u>	<u>11,248,428</u>	<u>667,360</u>	<u>172,744</u>	<u>1,437,564</u>	<u>14,138,048</u>

	Available for sale financial asset reserve £	Associate investments reserve £	Foreign currency translation reserve £	Consolidation Reserve £	Total other reserves £
As at 30 June 2009	(217,072)	437,763	115,344	152,921	488,956
Changes in equity for 2010					
Profit for the year	-	-	-	-	-
Other comprehensive income/(expense) for the year	5,558	(486,637)	55,757	-	(425,322)
Transactions with owners					
Share-based payments	-	-	-	-	-
As at 30 June 2010	<u>(211,514)</u>	<u>(48,874)</u>	<u>171,101</u>	<u>152,921</u>	<u>63,634</u>
Changes in equity for 2011					
Profit for the year	-	-	-	-	-
Other comprehensive income for the year	572,254	465,229	336,447	-	1,373,930
Transactions with owners					
Share-based payments	-	-	-	-	-
As at 30 June 2011	<u>360,740</u>	<u>416,355</u>	<u>507,548</u>	<u>152,921</u>	<u>1,437,564</u>

Consolidated statement of cash flows
for the year ended 30 June 2011

	Year to 30 June 2011 £	Year to 30 June 2010 £
Cash flows from operating activities		
Profit before taxation	1,825,679	602,085
Increase in receivables	(732,097)	(136,626)
Increase in payables	484,816	115,298
Depreciation	28,784	11,691
Exploration property costs	-	53,432
Impairment of exploration properties	319,056	-
Share based payments	-	59,752
Currency (gains)/losses	(67,523)	9,555
Finance cost (net)	40,237	4,534
Share of profits of associate	(2,174,091)	(930,809)
Impairment of associate investment	-	466
Impairment of available for sale financial assets	76,199	-
Exceptional gains on dilution of interest in associate	(1,028,422)	(182,857)
Net cash outflow from operations	(1,227,362)	(393,479)
Cash flows from investing activities		
Interest received	10,689	31
Interest paid	(50,926)	(4,565)
Purchase of associate company investments	(250,000)	(80,075)
Purchase of fixed assets	(159,616)	(29,007)
Purchase of available for sale financial assets	(5,043,002)	(255,642)
Exploration costs	(1,003,355)	(464,561)
Net cash outflow from investing activities	(6,496,210)	(833,819)
Cash inflows from financing activities		
Proceeds from issue of shares	6,740,753	1,172,615
Transaction costs of issue of shares	(63,326)	(118,048)
Proceeds of new borrowings	2,181,229	-
Net cash inflow from financing activities	8,858,656	1,054,567
Net increase/(decrease) in cash and cash equivalents	1,135,084	(172,731)
Cash and cash equivalents at the beginning of period	30,828	203,559
Cash and cash equivalents at end of period	1,165,912	30,828

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

Company statement of financial position
as at 30 June 2011

	Notes	30 June 2011 £	30 June 2010 £
ASSETS			
Non current assets			
Property plant and equipment	8	72,552	19,347
Investments in subsidiaries	9	126,768	199,250
Investments in associates	10	949,075	699,075
Available for sale financial assets	12	6,113,440	412,584
Total non current assets		7,261,835	1,330,256
Current assets			
Cash and cash equivalents		1,075,844	24,852
Trade and other receivables	14	3,748,108	2,362,281
Total current assets		4,823,952	2,387,133
TOTAL ASSETS		12,085,787	3,717,389
EQUITY AND LIABILITIES			
Called-up share capital	18	611,952	427,882
Share premium account		11,248,428	4,755,071
Other reserves		467,256	(102,827)
Retained earnings		(2,738,528)	(1,637,275)
Total equity		9,589,108	3,442,851
LIABILITIES			
Current liabilities			
Trade and other payables	15	307,500	274,538
Short-term borrowings		2,181,229	-
Non current liabilities			
Deferred tax liabilities	16	7,950	-
TOTAL EQUITY AND LIABILITIES		12,085,787	3,717,389

These financial statements on pages 14 to 51 were approved by the Board of Directors and authorised for issue on 1 December 2011 and are signed on its behalf by



Andrew R M Bell
Executive Chairman



Julian M E Lee
Director

The accompanying notes form an integral part of these financial statements

Company statement of changes in equity
for the year ended 30 June 2011

The movements in reserves during the period were as follows

	Share capital £	Share premium account £	Retained earnings £	Other reserves £	Total equity £
As at 30 June 2009	352,808	3,775,578	(1,175,558)	(97,352)	2,855,476
Changes in equity for 2010					
Loss for the year	-	-	(464,302)	-	(464,302)
Other comprehensive expense for the year	-	-	-	(62,642)	(62,642)
Transactions with owners					
Issue of shares	75,074	1,097,541	-	-	1,172,615
Share issue and fundraising costs	-	(118,048)	-	-	(118,048)
Share based charge	-	-	-	59,752	59,752
Share based transfer	-	-	2,585	(2,585)	-
Total transactions with owners	75,074	979,493	2,585	57,167	1,114,319
As at 30 June 2010	427,882	4,755,071	(1,637,275)	(102,827)	3,442,851
Changes in equity for 2011					
Loss for the year	-	-	(1,103,424)	-	(1,103,424)
Other comprehensive income for the year	-	-	-	572,254	572,254
Transactions with owners					
Issue of shares	184,070	6,556,683	-	-	6,740,753
Share issue and fundraising costs	-	(63,326)	-	-	(63,326)
Share based transfer	-	-	2,171	(2,171)	-
Total transactions with owners	184,070	6,493,357	2,171	(2,171)	6,677,427
As at 30 June 2011	611,952	11,248,428	(2,738,528)	467,256	9,589,108

	Available for sale financial asset reserve £	Share based payment reserve £	Currency reserve £	Total other reserves £
As at 30 June 2009	(217,072)	117,748	1,972	(97,352)
Changes in equity for 2010				
Profit for the year	-	-	-	-
Other comprehensive expense for the year	(62,642)	-	-	(62,642)
Transactions with owners				
Share-based payment charge	-	59,752	-	59,752
Share-based payment transfer	-	(2,585)	-	(2,585)
As at 30 June 2010	(279,714)	174,915	1,972	(102,827)
Changes in equity for 2011				
Profit for the year	-	-	-	-
Other comprehensive income for the year	572,254	-	-	572,254
Transactions with owners				
Share-based payment transfer	-	(2,171)	-	(2,171)
As at 30 June 2011	292,540	172,744	1,972	467,256

Company statement of cash flows
for the year ended 30 June 2011

	Year to 30 June 2011 £	Year to 30 June 2010 £
Cash flows from operating activities		
Loss before taxation	(1,257,273)	(464,302)
Increase in receivables	(1,385,827)	(1,069,388)
Increase in payables	32,962	129,716
Depreciation	16,235	9,827
Exploration property costs	-	47,698
Share based payments	-	59,752
Finance cost (net)	40,237	4,473
Impairment of associate investment	-	466
Impairment of subsidiary investment	72,482	-
Impairment of available for sale financial assets	76,199	-
Net cash (outflow) from operations	(2,404,985)	(1,281,758)
Cash flows from investing activities		
Interest received	10,689	31
Interest paid	(50,926)	(4,504)
Purchase of associate company investments	(250,000)	(80,075)
Purchase of fixed assets	(69,440)	(28,562)
Purchase of available for sale financial assets	(5,043,002)	(255,642)
Exploration costs	-	(47,698)
Exploration properties sold	-	494,506
Net cash (outflow)/inflow from investing activities	(5,402,679)	78,056
Cash inflows from financing activities		
Proceeds from issue of shares	6,740,753	1,172,615
Transaction costs of issue of shares	(63,326)	(118,048)
Proceeds of new borrowings	2,181,229	-
Net cash inflow from financing activities	8,858,656	1,054,567
Net increase/(decrease) in cash and cash equivalents	1,050,992	(149,135)
Cash and cash equivalents at the beginning of period	24,852	173,987
Cash and cash equivalents at end of period	1,075,844	24,852

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

Notes to financial statements
for the year ended 30 June 2011

1 Principal accounting policies

1.1 Authorisation of financial statements and statement of compliance with IFRS

The group financial statements of Regency Mines plc for the year ended 30 June 2011 were authorised for issue by the Board on 1 December 2011 and the Statement of Financial Position signed on the Board's behalf by Andrew Bell and Julian Lee. Regency Mines plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM.

1.2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as endorsed by the EU ("IFRS") and the requirements of the Companies Act applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

Company Statement of Comprehensive Income

As permitted by Section 408 Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The Company's loss for the financial year was £1,103,424 (2010 £464,302). The Company's other comprehensive expense for the financial year was £572,254 (2010 £62,642).

Amendments to published standards effective for the year ended 30 June 2011

The following standards have been adopted during the year:

- IAS 1 (Revised) "Presentation of Financial Statements",
- IAS 7 (Revised) "Statement of Cash Flows",
- IAS 17 (Revised) "Leases",
- IAS 23 "Borrowing Costs",
- IAS 27 (Revised) "Consolidated and Separate Financial Statements",
- IAS 32 (Revised) "Financial Instruments: Presentation",
- IAS 36 (Revised) "Impairment of Assets",
- IAS 39 (Revised) "Financial Instruments: Measurement",

Although the adoption of these amendments has had no impact on the financial position and performance of the Group, additional disclosures have been provided to comply with the revised standards.

Standards adopted early by the Group

The Group has not adopted any standards or interpretations early in either the current or the preceding financial year.

Adoption of standards and interpretations

As at the date of authorisation of these financial statements, there were Standards and Interpretations in issue but that are not yet effective and have not been applied in these financial statements, as listed below:

Standards, amendments and interpretations in issue but not effective

- IFRS 9 "Financial Instruments: Classification and Measurement",
- IFRS 10 "Consolidated Financial Statements",
- IFRS 11 "Joint Arrangements",
- IFRS 12 "Disclosure of Interests in Other Entities",
- IFRS 13 "Fair Value Measurement",
- IAS 12 "Income Taxes (amendment)",
- IAS 24 "Related Party Disclosures (revised)",
- IAS 28 "Investments in Associates (revised)", and

Notes to financial statements
for the year ended 30 June 2011

12 Basis of preparation, continued

The Directors do not anticipate that the adoption of these standards and interpretations in future periods could have a material effect on the financial position or performance of the Group and Company, other than the introduction of IFRS 10 which could affect the financial position and performance and IFRS 12 which is likely to increase the level of disclosure required in respect of the Group's investments

IFRS 10 is a new standard which establishes principles for the presentation and preparation of consolidated financial statements. As a result of its publication, the Directors will be required to consider the application of the revised definition of control to determine whether additional entities will need to be consolidated and whether consolidation is still appropriate for those that currently are

The new definition of control will require the directors to consider whether the Company has

- a) power over the investee
- b) exposure, or rights, to variable returns from involvement with the investee, and
- c) the ability to use power over the investee to affect the amount of the investor's returns

The financial effect of such changes on the Group has not yet been reliably estimated. However, it is widely expected, irrespective of industry sector and without specific reference to the Group that the adoption of IFRS 10 is likely to result in more entities being consolidated

13 Significant accounting judgements, estimates and assumptions

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model

Going concern

As detailed in final paragraph of the Director's Report, 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

Associates

The directors have classified, as an associate, an equity investment where the Company is in a position to exercise significant influence, but not control or jointly control, through participation in the financial and operating policy decisions of the investee

Significant influence is presumed when the Company holds greater than 20% of the voting power of the investee, unless it can be clearly demonstrated that this is not the case. Conversely, if the Company holds less than 20% of the voting power of an investee, it is presumed that the Company does not have significant influence, unless such influence can be clearly demonstrated

Where the Company's holding in an associate is diluted, the Company recognises a gain or loss on dilution in profit and loss. This is calculated as the difference between the Company's share of proceeds received for the dilutive share issue and the value of the Company's effective disposal

Significant judgements in applying the accounting policies

Impairment of available for sale financial assets

The Group follows the guidance of IAS 39 to determine when an available for sale financial asset and investment in an associate is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which fair value of an investment is less than its cost

As a result of this review the Group has fully impaired its investments in Aquarian Limited and Red Rock Zambia Limited

Notes to financial statements
for the year ended 30 June 2011

14 Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and entities controlled by the Company, its subsidiaries, made up to 30 June each year

Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain economic benefits from their activities. Subsidiaries are consolidated from the date on which control is obtained, the acquisition date, until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

Provisional fair values are adjusted against goodwill if additional information is obtained within one year of the acquisition date, about facts or circumstances existing at the acquisition date. Other changes in provisional fair values are recognised through profit or loss.

Intra-group transactions, balances, and unrealised gains and losses on transactions between Group companies are eliminated on consolidation, except to the extent that intra-group losses indicate an impairment.

For the year ended 30 June 2011, the consolidated financial statements combine those of the Company with those of its subsidiaries, Canopus No 83 Limited, Red Rock Uranium Pty Limited, Regency Mines Australasia Pty Limited and Regency Resources Limited.

Associates

An associate is an entity over which the Company is in a position to exercise significant influence, but not control or jointly control, through participation in the financial and operating policy decisions of the investee.

Investments in associates are recognised in the consolidated financial statements using the equity method of accounting. The Group's share of post acquisition profits or losses is recognised in profit or loss and its share of post acquisition movements in other comprehensive income are recognised directly in other comprehensive income. The carrying value of the investment, including goodwill, is tested for impairment when there is objective evidence of impairment. Losses in excess of the Group's interest in those associates are not recognised unless the Group has incurred obligations or made payments on behalf of the associate.

Where a Group company transacts with an associate of the Group, unrealised gains are eliminated to the extent of the Group's interest in the relevant associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

In the Company accounts investments in associates are recognised and held at cost. The carrying value of the investment is tested for impairment when there is objective evidence of impairment.

15 Taxation

Corporation tax payable is provided on taxable profits at the current rate. The tax expense represents the sum of the current tax expense and deferred tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to financial statements
for the year ended 30 June 2011

1.5 Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity, or items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax relates to income tax levied by the same tax authorities on either

- the same taxable entity, or
- different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realise and settle them simultaneously in each future period when the significant deferred tax assets and liabilities are expected to be realised or settled

1.6 Property, plant and equipment

Property, plant and equipment acquired and identified as having a useful life that exceeds one year is capitalised at cost and is depreciated on a straight line basis at annual rates that will reduce book values to estimated residual values over their anticipated useful lives as follows

Office furniture, fixtures and fittings – 33% per annum

Leasehold improvements – 5% per annum

1.7 Foreign currencies

Both the functional and presentational currency of Regency Mines plc is sterling (£). Each Group entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currencies of the foreign subsidiaries are the Australian Dollar (AUD) and the Papua New Guinea Kina (PNG)

Transactions in currencies other than the functional currency of the Company are initially recorded at the exchange rate prevailing on the dates of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in other comprehensive income when the changes in fair value are recognised directly in other comprehensive income.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the Group's presentational currency at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates have fluctuated significantly during the year, in which case the exchange rate at the date of the transaction is used. All exchange differences arising, if any, are recognised as other comprehensive income and are transferred to the Group's foreign currency translation reserve.

1.8 Revenue

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of the Group and the Company, when those inflows result in increases in equity.

Revenue is measured at the fair value of the consideration received or receivable for investment asset disposals in the normal course of business and is recognised when revenue and associated costs can be measured reliably and future economic benefits are probable.

In addition, revenue from management services is recognised on an accruals basis when the services have been delivered and any associated costs have been incurred.

1.9 Exploration assets

Exploration assets comprise exploration and development costs incurred 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 Statement of Financial Position as non-current intangible assets less provision for identified impairments. Recoupment of exploration and development costs is dependent upon successful development and commercial exploitation of each area of interest and will be amortised over the expected commercial life of each area once production commences. The Group and the Company currently have no exploration assets where production has commenced.

Notes to financial statements
for the year ended 30 June 2011

1 9 Exploration assets (continued)

The Group 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 receivable.

Upon disposal, the difference between the fair value of consideration receivable for exploration assets and the relevant cost within non-current assets is recognised in the Income Statement.

1 10 Share based payments

The Group operates an equity-settled share-based payment arrangement whereby the fair value of services provided is determined indirectly by reference to the fair value of the instrument granted.

The fair value of options granted to directors and others in respect of services provided is recognised as an expense in the statements of income with a corresponding increase in equity reserves – the share-based payment reserve.

On exercise or cancellation of share options, the proportion of the share-based payment reserve relevant to those options is transferred to retained earnings. On exercise, equity is also increased by the amount of the proceeds received.

The fair value is measured at grant date and charged in the accounting period during which the option becomes unconditional.

The fair value of options is calculated using the Black-Scholes model taking into account the terms and conditions upon which the options were granted. There are no market vesting conditions. The exercise price is fixed at the date of grant.

1 11 Finance costs/revenue

Borrowing costs are recognised on an accruals basis using the effective interest method.

Finance revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

1.12 Financial instruments

Financial assets and financial liabilities are recognised where the Group has become party to the contractual provisions of the instrument.

Financial assets

Investments

Investments in subsidiary companies are classified as non-current assets and included in the Statement of Financial Position of the Company at cost at the date of acquisition less any identified impairments.

Investments in associate companies are classified as non-current assets and included in the Statement of Financial Position of the Company at cost at the date of acquisition less any identified impairments.

For acquisitions of subsidiaries or associates achieved in stages, the company re-measures its previously held equity interests in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in profit or loss. Any gains or losses previously recognised in other comprehensive income are transferred to profit and loss.

Available for sale financial assets

Equity investments intended to be held for an indefinite period of time are classified as available for sale financial assets. They are carried at fair value, where this can be reliably measured, with movements in fair value recognised in other comprehensive income and debited or credited to the available for sale financial assets reserve. Where the fair value cannot be reliably measured, the investment is carried at cost or a lower valuation where the directors consider the value of the investment to be impaired.

Available for sale financial assets are included within non-current assets. On disposal, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had previously been recognised directly in reserves is recognised in the Income Statement.

Notes to financial statements
for the year ended 30 June 2011

1 12 Financial instruments, continued

Available for sale financial assets (continued)

Income from available for sale financial assets is accounted for in the Income Statement when the right to receive it has been established

Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified

After initial recognition these assets are measured at amortised cost using the effective interest method less provision for impairment

Financial liabilities and equity

Trade and other payables

Trade and other payables are initially recognised at fair value and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services

Short term borrowings

Short term borrowings are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in profit or loss over the term of the instrument using an effective rate of interest

Equity instruments

Equity instruments issued by the Company are recorded at fair value as initial recognition net of transaction costs

Notes to financial statements
for the year ended 30 June 2011

2 Segmental analysis

As with all mineral exploration ventures yet to generate cash from operations, ensuring adequate cash is available to meet operational obligations and to provide for investment opportunities is critical. This is therefore the main focus of management information presented to the chief operational decision makers, being the Executive Chairman and the Board of Directors.

The only sources of funds are issues of new equity and sales of exploration rights, investments or other assets. Therefore, in addition to monitoring the current market perception of the Company, to shareholders, brokers and other possible providers of equity finance, constant attention is paid to

- available cash,
- the balance available in the standby equity distribution agreement ("SFDA") with YA Global Master SPV Limited advised by Yorkville Advisors LLC, and
- the market value of the Group's listed investments

At 30 June 2011 the Group had cash and cash equivalents of £1,165,912 and undrawn facilities available in the SFDA of £3,968,000

The market value of the most significant of the Group's listed investments at 30 June 2011 is as follows,

- Red Rock Resources plc £9,328,939

Once the Group's main focus of operations becomes production, the nature of management information examined by the Board will alter to reflect the need to monitor revenues, margins, overheads and trade balances, as well as cash.

IFRS 8 requires the reporting of information about the revenues derived from the various areas of activity and the countries in which revenue is earned regardless of whether this information is used by management in making operating decisions.

Year to 30 June 2011	Investment in Red Rock Resources plc £	Other investments £	Australian exploration £	Papua New Guinea exploration £	Corporate and unallocated £	Total £
Revenue						
Management services	-	-	-	-	166,988	166,988
	-	-	-	-	166,988	166,988
Gain on dilution of interest in associate	1,028,422	-	-	-	-	1,028,422
Impairment of associate investment	-	(76,199)	-	-	-	(76,199)
Exploration expenses	-	-	(103,327)	-	(309,355)	(412,682)
Administrative expenses	-	-	-	(14,025)	(1,000,679)	(1,104,704)
Share of profits in associates	2,174,091	-	-	-	-	2,174,091
Finance cost - net	-	-	-	-	(40,237)	(40,237)
Net profit/(loss) before tax	3,202,513	(76,199)	(103,327)	(14,025)	(1,183,283)	1,825,679

Notes to financial statements
for the year ended 30 June 2011

2 Segmental analysis, continued

Year to 30 June 2010	Investment in Red Rock Resources plc £	Other investments £	Australian exploration £	Papua New Guinea exploration £	Corporate and unallocated £	Total £
Revenue						
Management services	-	-	-	-	42,012	42,012
	-	-	-	-	42,012	42,012
Gain on dilution of interest in associate	182,857	-	-	-	-	182,857
Impairment of associate investment	-	(466)	-	-	-	(466)
Exploration expenses	-	-	-	-	(53,432)	(53,432)
Administrative expenses	-	-	-	-	(495,161)	(495,161)
Share of profits in associates	930,809	-	-	-	-	930,809
Finance cost - net	-	-	-	-	(4,534)	(4,534)
Net profit/(loss) before tax	1,113,666	(466)	-	-	(511,115)	602,085

Information by geographical area

Presented below is certain information by the geographical area of the Group's activities. Investment sales revenue and exploration property sales revenue are allocated to the location of the asset sold.

Year to 30 June 2011	UK £	Australia £	Papua New Guinea £	Total £
Revenue				
Management services	166,988	-	-	166,988
Total segment revenue	166,988	-	-	166,988
Non current assets				
Investments in associates	5,495,296	-	-	5,495,296
Property, plant and equipment	72,552	404	96,255	169,211
Exploration assets	76,873	1,122,001	1,920,844	3,119,718
Total segment non current assets	5,644,721	1,122,405	2,017,099	8,784,225

Notes to financial statements
for the year ended 30 June 2011

2 Segmental analysis, continued

Information by geographical area, continued

Year to 30 June 2010	UK	Australia	Papua New Guinea	Total
	£	£	£	£
Revenue				
Management services	42,012	-	-	42,012
Total segment revenue	42,012	-	-	42,012
Non current assets				
Investments in associates	1,414,096	-	-	1,414,096
Property, plant and equipment	19,347	433	8,401	28,181
Exploration assets	60,470	804,126	1,183,812	2,048,408
Total segment non current assets	1,493,913	804,559	1,192,213	3,490,685

3 Profit on ordinary activities before taxation

	2011 £ Group	2010 £ Group
Profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration – audit	15,000	15,000
Depreciation	28,784	11,691
Directors' emoluments	146,500	147,822
Currency losses	2,142	875

As declared in note 6, directors are remunerated in part by third parties with whom the Company and Group have contractual arrangements

Notes to financial statements
for the year ended 30 June 2011

4	Taxation	2011	2010
		£	£
	Current period transaction of the group		
	UK corporation tax at 28% on profits for the period	-	-
	Deferred tax		
	Origination and reversal of temporary differences	(317,307)	86,278
	Tax (credit)/charge	(317,307)	86,278
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	1,825,679	602,085
	Profit on ordinary activities at the average UK standard rate of 26.5% (2010 28%)	483,805	168,584
	Impact of associates	(848,666)	(93,572)
	Overprovision of impact of associates in prior periods	(354,967)	-
	Effect of tax benefit of losses carried forward	326,304	16,417
	Effect of non-deductible expense/(income not taxable)	76,217	(5,151)
	Current tax	(317,307)	86,278

In addition to the amounts charged to the Consolidated Income Statement a deferred tax charge amounting to £325,257 (2010 credit £86,278) relating to the Group's investments was recognised in the Statement of Other Comprehensive Income

5 Staff costs

The aggregate employment costs of staff (including directors) for the year was

	2011	2010
	£	£
Wages and salaries	804,259	370,549
Social security costs	92,854	40,030
Employee share-based payment charge	-	59,752
Total staff costs	897,113	470,331

The key management personnel are the Directors and their remuneration is disclosed within note 6

The average number of employees (including directors) during the year was

	2011	2010
	No.	No.
Executives	4	4
Administration	12	6
	16	10

The above staff also work for other related companies. During the year, staff costs of £562,050 (2010 £198,985) were recharged to these companies. Such recharges are netted off within administration expenses in the income statement.

Notes to financial statements
for the year ended 30 June 2011

6	Directors' emoluments	Directors' fees	Consultancy fees	Shares/ options	Total
	2011	£	£	£	£
	Executive directors				
	A R M Bell	52,500	15,000	-	67,500
	E Bugnosen	43,000	-	-	43,000
	Non-executive directors				
	J M E Lee	7,500	10,500	-	18,000
	J Watkins	7,500	10,500	-	18,000
		110,500	36,000	-	146,500
	2010	£	£	£	£
	Executive directors				
	A R M Bell	50,415	15,000	28,304	93,719
	E Bugnosen	11,158	-	6,289	17,447
	Non-executive directors				
	J M E Lee	6,036	9,000	1,573	16,609
	J Watkins	6,402	10,500	3,145	20,047
		74,011	34,500	39,311	147,822

The number of directors who exercised share options in year was 3 (2010 4)

No pension benefits are provided for any director

In addition to director's fees, consultancy fees in respect of A R M Bell were payable to Condorex Limited, a company of which he is a director and which provided his services

In addition to director's fees, consultancy fees in respect of J M E Lee were payable to Mcler Venture Management Limited a company of which he is a director and which provided his services

In addition to director's fees, consultancy fees in respect of J Watkins were payable with the addition of VAT to his business as a chartered accountant in public practice

7	Earnings per share	2011 £	2010 £
	The basic earnings per share is derived by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of shares in issue		
	Profit for the period after taxation	2,142,986	515,807
	Weighted average number of Ordinary shares of £0.001 in issue	531,371,469	392,059,622
	Earnings per share - basic	0.40 pence	0.13 pence
	Weighted average number of Ordinary shares of £0.001 in issue inclusive of outstanding options	536,128,145	392,059,622
	Earnings per share - fully diluted	0.40 pence	0.13 pence

Notes to financial statements
for the year ended 30 June 2011

7 Earnings per share, continued

The weighted average number of shares issued for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows

	2011	2010
Earnings per share denominator	531,371,469	392,059,622
Weighted average number of exercisable share options	4,756,676	-
Diluted earnings per share denominator	536,128,145	392,059,622

In accordance with IAS 33, the diluted earnings per share denominator takes into account the difference between the average market price of ordinary shares in the year and the weighted average exercise price of the outstanding options. As such the diluted earnings per share denominator for 2010 has been recalculated, with the effect that none of the options in 2010 were considered dilutive.

8 Property, plant and equipment

Group	Leasehold improvements	Office furniture and equipment	Total
	£	£	£
Cost			
At 1 July 2009	-	34,979	34,979
Additions	-	29,007	29,007
Currency exchange	-	647	647
At 30 June 2010	-	64,633	64,633
Additions	14,222	145,394	159,616
Currency exchange	-	12,363	12,363
At 30 June 2011	14,222	222,390	236,612
Depreciation			
At 1 July 2009	-	(24,583)	(24,583)
Charge	-	(11,691)	(11,691)
Currency exchange	-	(178)	(178)
At 30 June 2010	-	(36,452)	(36,452)
Charge	(593)	(28,191)	(28,784)
Currency exchange	-	(2,165)	(2,165)
At 30 June 2011	(593)	(66,808)	(67,401)
Net book value			
At 30 June 2011	13,629	155,582	169,211
At 30 June 2010	-	28,181	28,181
At 30 June 2009	-	10,396	10,396

Notes to financial statements
for the year ended 30 June 2011

8 Property, plant and equipment, continued

Company	Leasehold improvements	Office furniture and equipment	Total
Cost	£	£	£
At 1 July 2009	-	22,211	22,211
Additions	-	28,562	28,562
At 30 June 2010	-	50,773	50,773
Additions	14,222	55,218	69,440
At 30 June 2011	14,222	105,991	120,213
Depreciation			
At 1 July 2009	-	(21,599)	(21,599)
Charge	-	(9,827)	(9,827)
At 30 June 2010	-	(31,426)	(31,426)
Charge	(593)	(15,642)	(16,235)
At 30 June 2011	(593)	(47,068)	(47,661)
Net book value			
At 30 June 2011	13,629	58,923	72,552
At 30 June 2010	-	19,347	19,347
At 30 June 2009	-	612	612

Notes to financial statements
for the year ended 30 June 2011

9 Investments in subsidiaries	Company
	£
Cost	
At 30 June 2010 and 30 June 2011	199,250
Impairment	
At 30 June 2010	-
Charge in the year	(72,482)
At 30 June 2011	<u>(72,482)</u>
Net carrying value	
Net book amount at 30 June 2011	<u>126,728</u>
Net book amount at 30 June 2010	<u>199,250</u>

The parent Company of the Group holds more than 50% of the share capital of the following companies, the results of which are consolidated

Company	Country of registration	Class	Proportion held by group	Nature of business
Canopus No 83 Limited	Papua New Guinea	Common	100%	Mineral exploration
Red Rock Uranium Pty Limited	Australia	Ordinary	100%	Mineral exploration
Regency Mines Australasia Pty Limited	Australia	Ordinary	100%	Mineral exploration
Regency Resources Limited	Australia	Ordinary	100%	Mineral exploration

Notes to financial statements
for the year ended 30 June 2011

10 Investments in associates

	Group	Company
Carrying balance	£	£
At 30 June 2009	725,535	619,466
Additions	80,075	80,075
Exceptional gain on dilution of interest	182,857	-
Impairment	(466)	(466)
Share of associates' total comprehensive income for the year	426,095	-
At 30 June 2010	1,414,096	699,075
Additions	250,000	250,000
Exceptional gain on dilution of interest	1,028,422	-
Share of associates' total comprehensive income for the year	2,802,778	-
Net book amount at 30 June 2011	5,495,296	949,075

The market value of investments in associates as at 30 June 2011 was £9,328,939 (2010 £2,548,764)

The parent Company of the Group holds more than 20% of the share capital of the following companies

Name	Country of registration	Class	Proportion held by group	Accounting year end
Direct				
Red Rock Resources plc	England & Wales	Ordinary	20.13%	30 June 2011

Name	Revenue for the year ended 30 June 2011 £	Profit for the year ended 30 June 2011 £	Total comprehensive income for the year ended 30 June 2011 £	Assets as at 30 June 2011 £	Liabilities as at 30 June 2011 £
Red Rock Resources plc	942,611	10,259,984	13,226,885	50,299,127	17,455,269

Notes to financial statements
for the year ended 30 June 2011

11	Goodwill	Group
		£
	Cost	
	At 30 June 2010	47,273
	Exchange movement	6,761
	At 30 June 2011	<u>54,034</u>
	Impairment	
	At 30 June 2010 and 2011	-
	Net book amount at 30 June 2011	<u>54,034</u>
	Net book amount at 30 June 2010	<u>47,273</u>
12	Available for sale financial assets	Group and Company
		£
	Net book amount	
	At 30 June 2009	219,585
	Additions during the year	255,642
	Revaluations	(36,888)
	Impairment	(25,755)
	At 30 June 2010	<u>412,584</u>
	Additions during the year	5,043,002
	Revaluations	734,053
	Impairment	(76,199)
	At 30 June 2011	<u>6,113,440</u>

Notes to financial statements
for the year ended 30 June 2011

13 Exploration assets

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Cost				
At 30 June 2010	2,048,408	1,593,820	-	494,506
Additions during the year	1,003,356	413,226	-	-
Disposals in the year	-	(2,097)	-	(494,506)
Exchange gains	407,503	43,459	-	-
At 30 June 2011	3,459,267	2,048,408	-	-
Impairment				
At 30 June 2010	-	-	-	-
Impairments recognised in the year	(319,056)	-	-	-
Exchange gains	(20,493)	-	-	-
At 30 June 2011	(339,549)	-	-	-
Net book value				
At 30 June 2011	3,119,718	2,048,408	-	-
At 30 June 2010	2,048,408	1,593,820	-	494,506

14 Trade and other receivables

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Sundry debtors	359,703	287,700	297,062	272,452
Prepayments	19,297	16,088	17,948	16,088
Amounts owed by Group undertakings	-	-	2,776,213	2,073,741
Amounts owed by related parties	656,885	-	656,885	-
Total	1,035,885	303,788	3,748,108	2,362,281

Notes to financial statements
for the year ended 30 June 2011

15 Trade and other payables

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Trade and other payables	777,016	221,183	258,247	154,268
Accruals	49,253	24,628	49,253	24,628
Amounts due from associate	-	95,642	-	95,642
Trade and other payables	<u>826,269</u>	<u>341,453</u>	<u>307,500</u>	<u>274,538</u>
Short term borrowings	2,181,229	-	2,181,229	-
Total	<u>3,007,498</u>	<u>341,453</u>	<u>2,488,729</u>	<u>274,538</u>

YA Global Master SPV Limited

A short-term loan of £2,181,229 (2010 £Nil) was provided by YA Global Master SPV by Yorkville Advisors LLC. Interest is charged on this loan at a rate of 12% per annum. Repayments are made either in cash or by issue of shares in the Company in line with the terms of the agreement.

At 30 June 2011, the undrawn credit on this facility was £3,968,000.

16 Deferred tax liabilities

The movement in the company's and group's net deferred tax position is as follows:

	Group 2011 £	Group 2010 £
At 30 June 2010	-	-
Deferred tax (credit)/charge recognised in the Income Statement	(317,307)	86,278
Deferred tax charge/ (credit) recognised in the Statement of Other Comprehensive Income	325,257	(86,278)
At 30 June 2011	<u>7,950</u>	<u>-</u>

Notes to financial statements
for the year ended 30 June 2011

16 Deferred tax liabilities (continued)

The following are the major deferred tax liabilities and assets recognised by the Group and the movements thereon during the period

Group	Investments	Losses	Other	Total
	£	£	£	£
Liability at 30 June 2009	-	-	-	-
Charge/(credit) to the income statement for the year	190,741	(104,463)	-	86,278
Credit to the statement of comprehensive income for the year	(86,278)	-	-	(86,278)
Liability/(asset) at 30 June 2010	104,463	(104,463)	-	-
(Credit)/charge to the income statement for the year	(354,967)	29,710	7,950	(317,307)
Charge to the statement of comprehensive income for the year	325,257	-	-	325,257
Liability/(asset) at 30 June 2011	74,753	(74,753)	7,950	7,950

17 Reserves

Share Premium

The share premium account represents the excess of consideration received for shares issued above their nominal value net of transaction costs

Foreign currency translation reserve

The translation reserve represents the exchange gains and losses that have arisen on the retranslation of overseas operations

Retained earnings

Retained earnings represent the cumulative profit and loss net of distributions to owners

Available for sale trade investments reserve

The available for sale trade investments reserve represents the cumulative revaluation gains and losses in respect of available for sale trade investments

Associate investment reserve

The associate investments reserve represents the cumulative share of gains/losses of associates recognised in the statement of other comprehensive income

Share based payment reserve

The share based payment reserve represents the cumulative charge for options granted, still outstanding and not exercised

Notes to financial statements
for the year ended 30 June 2011

18 Share capital – Company

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

<i>Authorised</i>	Number	Nominal £
As at 30 June 2010 and 30 June 2011, Ordinary shares of £0.001 each	10,000,000,000	10,000,000
<i>Called up, allotted, issued and fully paid</i>		
As at 30 June 2010	427,881,777	427,882
Issued 20 September 2010 at 1.10 pence per share	59,000,000	59,000
Issued 24 September 2010 at 1.25 pence per share	10,000,000	10,000
Issued 12 November 2010 at 3.00 pence per share	10,470,000	10,470
Issued 30 November 2010 at 6.90 pence per share	26,841,114	26,841
Issued 14 December 2010 at 6.00 pence per share	5,000,000	5,000
Issued 29 December 2010 at 6.00 pence per share	4,193,850	4,194
Issued 24 January 2011 at 2.50 pence per share	500,000	500
Issued 24 January 2011 at 1.25 pence per share	650,000	650
Issued 26 January 2011 at 5.88 pence per share	31,693,410	31,693
Issued 7 February 2011 at 4.89 pence per share	7,774,538	7,775
Issued 14 March 2011 at 1.25 pence per share	6,436,066	6,436
Issued 14 April 2011 at 4.12 pence per share	9,703,648	9,704
Issued 6 May 2011 at 1.25 pence per share	2,600,000	2,600
Issued 6 May 2011 at 3.50 pence per share	500,000	500
Issued 23 May 2011 at 3.40 pence per share	8,232,182	8,232
Issued 23 June 2011 at 1.25 pence per share	475,000	475
As at 30 June 2011	611,951,585	611,952

Capital management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets

There are no externally imposed capital requirements

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year

Notes to financial statements
for the year ended 30 June 2011

19 Share based payments

During the years ended 30 June 2007, 2009 and 2010, the Company established an employee share option plan to enable the issue of options as part of the remuneration of key management personnel and Directors to enable them to purchase ordinary shares in the Company. Under the plan, the options were granted for no consideration, they were granted for the periods specified and vested immediately. Options granted under the plan carry no dividend or voting rights.

Under IFRS 2 'Share Based Payments', the Company determines the fair value of the options issued to directors and employees as remuneration and recognises the amount as an expense in the income statement with a corresponding increase in equity.

The Company and group has outstanding options to subscribe for ordinary shares as follows

	Options issued 11 May 2007 exercisable at 4.5 pence per share expiring 12 May 2012 Number	Options issued 2 October 2009 exercisable at 2.5 pence per share expiring 30 September 2014 Number	Options issued 2 October 2009 exercisable at 3.5 pence per share expiring 30 September 2014 Number	Total Number
A R M Bell	1,000,000	4,500,000	4,500,000	10,000,000
E Bugnosen	-	1,000,000	1,000,000	2,000,000
J M E Lee	1,000,000	250,000	250,000	1,500,000
J Watkins	1,000,000	-	-	1,000,000
Employees of Regency Mines plc	2,500,000	3,250,000	3,250,000	9,000,000
Total	5,500,000	9,000,000	9,000,000	23,500,000

The fair value of the above share options as expensed in 2011 is £Nil (2010 £59,752)

	Company and Group			
	2011	Weighted average exercise price Pence	2010	Weighted average exercise price Pence
	Number of options Number	Price	Number of options Number	Price
Outstanding at the beginning of the period	28,875,000	3.02	16,500,000	2.25
Granted	-	-	19,000,000	3.00
Exercised	(4,725,000)	1.62	(6,125,000)	1.05
Expired	(650,000)	1.25	(500,000)	1.00
Outstanding at the end of the period	23,500,000	3.35	28,875,000	3.02
Exercisable at the end of the period	23,500,000	3.35	28,875,000	3.02

Notes to financial statements
for the year ended 30 June 2011

19 Share based payments, continued

The options outstanding at 30 June 2011 have an exercise price of between 2.5 pence and 4.5 pence and a weighted average contractual life of 2.7 years.

The fair value of services received in return for options granted is measured by reference to the fair value of options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes option-pricing model. The contractual life of the options is used as an input into the model. The model assumes that an option is only capable of exercise at expiry.

	Fair value per option Pence	Exercise price Pence	Price of shares on grant Pence	Estimated volatility %	Risk free interest %	Dividend yield %
11 May 2007	2.05	4.50	4.25	50	5.3	-
2 October 2009	0.42	2.50	2.15	50	5.3	-
2 October 2009	0.21	3.50	2.15	50	5.3	-

The expected volatility is based on the historic volatility of peer group entities (calculated on the weighted average remaining life of the share options), adjusted for any expected changes to volatility due to publicly available information.

Risk-free interest rates are based on 5-year government bonds.

20 Cash and cash equivalents – Group	30 June 2011	Cash flow	30 June 2010
	£	£	£
Cash in hand and at bank	1,165,912	1,135,084	30,828
<hr/>			
Cash and cash equivalents – Company			
Cash in hand and at bank	1,075,844	1,050,992	24,852
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Notes to financial statements
for the year ended 30 June 2011

21 Financial instruments

21.1 Categories of financial instruments

The Group and Company holds a number of financial instruments, including bank deposits, short-term investments, loans and receivables and trade payables

The totals for each category of financial instrument, measured in accordance with IAS 39 as detailed in the accounting policies, are as follows

30 June 2011

Group	Available for sale £	Loans and receivables £	Other non- financial assets £	Total £
Non-current financial assets				
Available for sale financial assets	6,113,440	-	-	6,113,440
Current financial assets				
Trade and other receivables	-	1,035,885	-	1,035,885
Cash and cash equivalents	-	1,165,912	-	1,165,912
	6,113,440	2,201,797	-	8,315,237
Other non-financial assets	-	-	8,838,259	8,838,259
Total assets	6,113,440	2,201,797	8,838,259	17,153,496

The carrying value of non-current financial assets in the Company equals that of the Group. The carrying value of current financial assets in the Company is higher than that of the Group due to intercompany debt. Other balances are not materially different.

30 June 2011

Group	Other financial liabilities at amortised cost £	Other non- financial liabilities £	Total £
Current financial liabilities			
Trade and other payables	826,269	-	826,269
Borrowings	2,181,229	-	2,181,229
Other non-financial liabilities	-	7,950	7,950
Total liabilities	3,007,498	7,950	3,015,448
Equity			14,138,048
Total liabilities and equity			17,153,496

Current financial liabilities in the Company are lower than that of the Group, due to trade and other payables in subsidiary companies.

Notes to financial statements
for the year ended 30 June 2011

21 Financial instruments, continued

21.1 Categories of financial instruments (continued)

30 June 2010	Available for sale	Loans and receivables	Other non- financial assets	Total
Group	£	£	£	£
Non-current financial assets				
Available for sale financial assets	412,584	-	-	412,584
Current financial assets				
Trade and other receivables	-	303,788	-	303,788
Cash and cash equivalents	-	30,828	-	30,828
	412,584	334,616	-	747,200
Other non-financial assets	-	-	3,537,958	3,537,958
Total assets	412,584	334,616	3,537,958	4,285,158

The carrying value of non-current financial assets in the Company equals that of the Group. The carrying value of current financial assets in the Company is higher than that of the Group due to intercompany debt. Other balances, other than cash and cash equivalents, are not materially different.

30 June 2010	Other financial liabilities at amortised cost	Other non- financial liabilities	Total
Group	£	£	£
Current financial liabilities			
Trade and other payables	341,453	-	341,453
Total liabilities	341,453	-	341,453
Equity			3,943,705
Total liabilities and equity			4,285,158

The carrying value of current financial liabilities in the Company is not materially different to that of the Group.

Notes to financial statements
for the year ended 30 June 2011

21 Financial instruments, continued

21.2 Fair values

The fair value of the Group's financial assets and liabilities compared to their carrying amounts are as follows

	2011		2010	
	Carrying amount £	Net fair value £	Carrying amount £	Net fair value £
Non-current financial assets				
Available for sale financial assets				
• at market price	2,398,850	2,398,850	336,385	336,385
• at cost	3,714,590	3,714,590	76,199	76,199
	<u>6,113,440</u>	<u>6,113,440</u>	<u>412,584</u>	<u>412,584</u>
Current financial assets				
Trade and other receivables	1,035,885	1,035,885	303,788	303,788
Cash and cash equivalents	1,165,912	1,165,912	30,828	30,828
Current financial liabilities				
Trade and other payables	826,269	826,269	341,453	341,453
Borrowings	2,181,229	2,181,229	-	-

The carrying value of the Company's financial assets and liabilities also equates to their fair value.

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Where a quoted price in an active market is available, the fair value is based on the quoted price at the end of the reporting period. In the absence of a quoted price in an active market, the Group determines fair value using a valuation technique that makes use of observable market inputs.

Trade receivables, cash and cash equivalents, trade payables and borrowings

The carrying amount is considered to equate to its fair value.

The fair value of loans and borrowings has been estimated by calculating present values at the reporting date, using fixed effective interest rates.

Available for sale and other financial assets

The following table presents the other financial assets measured at fair value in the statement of financial position in accordance with the fair value hierarchy required by IFRS 7.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to financial statements
for the year ended 30 June 2011

21 Financial instruments, continued

21.2 Fair values (continued)

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows

30 June 2011

Group and Company	Level 1 £	Level 2 £	Level 3 £	Level 4 £
Available for sale financial assets				
• at market price (i)	2,398,850	-	-	2,398,850
• at cost (ii)	-	-	3,714,590	3,714,590
	2,398,850	-	3,714,590	6,113,440

30 June 2010

Group and Company	Level 1 £	Level 2 £	Level 3 £	Level 4 £
Available for sale financial assets				
• at market price (i)	336,385	-	-	336,385
• at cost (ii)	-	-	76,199	76,199
	336,385	-	76,199	412,584

(i) *Available for sale assets at market price*

All listed equity securities have been issued by publicly traded companies, in the UK and other foreign markets. Fair values for these securities have been determined by reference to their quoted bid prices at the reporting date.

(ii) *Available for sale assets at cost*

These financial instruments, classified in Level 3, use valuation techniques based on inputs that are not based on observable market data, due to the fact they are unlisted and no such data is available.

The financial instruments within this level can be reconciled from beginning to ending balances as follows

Group and Company	Available for sale financial assets	
	Unlisted investments at cost	
	2011 £	2010 £
Brought forward	76,199	152,544
Purchases	3,714,590	-
Impairments recognised in the year	(76,199)	(76,345)
Carried forward	3,714,590	76,199

Notes to financial statements
for the year ended 30 June 2011

21 Financial instruments, continued

21.3 Financial risk management policies

The Directors monitor the Group's financial risk management policies and exposures and approve financial transactions

The Directors' overall risk management strategy seeks to assist the consolidated Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk and market risk consisting of interest rate risk, liquidity risk, equity price risk and foreign exchange risk.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial liability of significant customers and counterparties), ensuring, to the extent possible, that customers and counterparties to transactions are of sound creditworthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the Directors have otherwise cleared as being financially sound.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in note 12.

There are no amounts of collateral held as security in respect of trade and other receivables.

The consolidated Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated Group.

Market risk

Interest rate risk

The company is not exposed to any material interest rate risk.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages this risk through the following mechanisms:

- monitoring undrawn credit facilities,
- obtaining funding from a variety of sources, and
- maintaining a reputable credit profile.

The Directors are confident that adequate resources exist to finance operations to commercial exploration but controls over expenditure are carefully managed. All financial liabilities are due to be settled within the next 12 months.

Equity price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

As the Group does not derive revenue from the sale of products, the effect on profit and equity as a result of changes in the price risk is not considered material. The fair value of the mining projects will be impacted by commodity price changes and could impact future revenues once operational. However, management monitors current and projected commodity prices.

The Group's exposure to price risk on listed investments is as follows:

Notes to financial statements
for the year ended 30 June 2011

21 Financial instruments – Group, continued

21.3 Equity price risk (continued)

Group and Company	2011 £	2010 £
Change in equity:		
increase in listed investments by 10%	239,885	33,639
decrease in listed investments by 10%	(239,885)	(33,639)

Foreign exchange risk

The Group's transactions are carried out in a variety of currencies, including Canadian Dollar, Papua New Guinea Kina and UK Sterling

To mitigate the Group's exposure to foreign currency risk, non-Sterling cash flows are monitored. The Group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk as amounts paid and received in specific currencies are expected to largely offset one another and the currencies most widely traded in are relatively stable.

The directors consider the balances most susceptible to foreign currency movements to be the available for sale financial assets at market price.

These assets are denominated in the following currencies:

30 June 2011

Group and Company	GBP £	CA\$ £	Total £
Available for sale investments at market price	2,263,657	135,193	2,398,850

30 June 2010

Group and Company	GBP £	CA\$ £	Total £
Available for sale investments at market price	151,005	185,380	336,385

The following table illustrates the sensitivity of the value of investments at market price in regards to the GBP and Canadian Dollar exchange rates.

It assumes a +/-10% change in the CA\$/GBP exchange rate for the year ended 30 June 2011. These percentages have been based on the average market volatility in exchange rates in the previous 12 months.

Impact on available for sale financial assets at market price	2011 £	2010 £
10% increase in Ca \$ fx rate against GBP	13,519	18,538
10% decrease in Ca \$ fx rate against GBP	(13,519)	(18,538)

Notes to financial statements
for the year ended 30 June 2011

21 Financial instruments – Group, continued

21.3 Foreign currency risk (continued)

Exposures to foreign exchange rates vary during the year depending on the volume and nature of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

22 Significant agreements and transactions

SEDA-backed loan

- On 26 October 2010, the Company entered into a loan agreement with YA Global Master SPV Limited to take a loan of £300,000 which was received by the Company on 29 October 2010. The loan was repayable within seventy-eight days.
- On 19 November 2010, the Company entered into a SELDA-backed loan agreement with YA Global Master SPV Limited for a loan of US\$2,000,000 repayable in instalments during the period 19 December 2010 to 26 November 2011 for which it pledged as security 30,000,000 Ordinary shares in Red Rock Resources plc.
- On 9 June 2011, the Company entered into a SELDA-backed loan agreement with YA Global Master SPV Limited for a loan of US\$3,300,000 repayable in instalments during the period 8 July 2011 to 19 September 2012 for which it pledged as security 125,634,518 Ordinary shares in Red Rock Resources plc.

Direct Nickel Pty Limited

- On 30 November 2010, the Company entered into an agreement whereby the Company was to invest in Direct Nickel Pty Limited ('DNi') and the two parties would, pursuant to their joint venture, jointly finance the next stage of exploration at the Company's Mambare lateritic Nickel/Cobalt Project in Papua New Guinea. The Company subscribed for Au\$3,000,000 for a first tranche of 519,930 new shares in DNi at Au\$5.77 which was settled by the issue of 26,841,114 new shares in the Company at a price of 6.90 pence per share. The Company and DNi agreed that they will each contribute up to £1,000,000 to the next phases of exploration at Mambare.
- On 26 January 2011, the Company subscribed for an additional 519,931 new shares in DNi for a consideration of Au\$3,000,000, settled by the issue of 31,693,410 new shares in the Company at a price of 5.88 pence per share. This subscription brings the Company's total holding in DNi to 1,039,861 shares, representing 7.31% of DNi's enlarged issued share capital.

Oracle Coalfields plc

- On 12 November 2010, the Company agreed to subscribe £1,017,500 to acquire 18,500,000 new Ordinary shares in Oracle Coalfields plc at a price of 5.5 pence per share. As at 30 June 2011, the Company held 22,900,000 Ordinary shares in Oracle, representing 10.69% of the ordinary share capital.

23 Commitments

As at 30 June 2011, the Company had entered into the following commitments:

- Exploration commitments. Ongoing exploration expenditure is required to maintain title to the Group mineral exploration permits. No provision has been made in the financial statements for these amounts as the expenditure is expected to be fulfilled in the normal course of the operations of the Group.
- On 19 January 2011, the Company entered into a licence agreement to occupy office premises at 115 Eastbourne Mews London W2 6LQ at a quarterly rental of £11,250 plus outgoings for a further period of two years up to 3 July 2013.

Notes to financial statements
for the year ended 30 June 2011

24 Related party transactions

- On 27 June 2006, the Company entered into sub-licence agreements with Red Rock Resources plc and with Greatland Gold plc, both companies of which Messrs Andrew Bell and John Watkins are directors, 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. From 1 January 2008 to 30 June 2010, the Company's agreed share of the total costs is 40%, reducing to 25% from 1 July 2010
- The Company subscribed for Ordinary shares in Red Rock Resources plc as follows
 - 23 June 2011, 4,166,666 shares at 6.00 pence per share, for £750,000
- Included in its Ordinary share issues during the year were issues to Red Rock Resources plc as follows
 - 17 September 2010, 12,500,000 shares at 1.1 pence per share, £137,500
- Professional staff employed by the Company are sub-contracted to Red Rock Resources plc to work on specific assignments as necessary. During the year, the total costs inclusive of a 15% service charge but before the addition of VAT were £639,179 (2010 £244,013)
- The costs incurred by the Company on behalf of Red Rock Resources plc are invoiced at each month end and settled as soon as may be possible. By agreement, the Company charges interest at the rate of 0.5% per month on all balances outstanding at each month end until they are settled. The total charge for the year was £10,630 (2010 at the rate of 0.5% per month £320)
- The costs incurred by the Company on behalf of Greatland Gold plc are invoiced at each month end and settled during the following month

25 Events after the reporting period

- On 15 June 2011, the Company announced a Purchase and Sale Agreement with Oro Nickel (Vanuatu) Limited ("ONV"), a wholly owned subsidiary of DNI, under which the Company would sell its wholly owned Papua New Guinea subsidiary, Canopus No 83 Limited. The consideration would be the allotment to the Company of such number of fully paid ordinary shares as will, on completion, represent 50% of ONV's outstanding share capital. The assets of ONV are a non-exclusive 20-year licence from DNI for latentite treatment technology capped at 40,000 tonnes per annum ('tpa') of nickel in concentrate with options to increase to 90,000 tpa of nickel in concentrate, together with the right to a further licence for any agreed additional project. The options are exercisable subject to an approved definitive feasibility study and on successful commissioning of plant by ONV. The transfer of the shares of Canopus No 83 Limited is underway and will shortly complete. The Directors do not expect there to be a material change in the carrying value of the Papua New Guinea assets as a result of this transaction
- On 21 October 2011, the Company issued 10,249,550 shares as part repayment of the SFIDA-backed loan outstanding at 30 June 2011. As a result, the Company has a total of 622,201,135 shares in issue
- On 21 November 2011, Scott C Kaintz was appointed as an Executive Board Director of the Company
- On 1 December 2011, the Company issued notice of an Annual General Meeting of shareholders to be held on 30 December 2011 for the purpose of dealing with the usual business applicable at such a meeting

26 Control

There is considered to be no controlling related party