

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities before taking any action. The whole of the text of this document should be read. Investment in the Company is speculative and involves a high degree of risk. Your attention is also drawn to the section headed "Risk Factors" on pages 11 and 12 of this document.**

This document comprises an admission document in relation to AIM drawn up in accordance with the AIM Rules and in accordance with the requirements of the Public Offers of Securities Regulations 1995 (as amended) ("POS Regulations").

The Directors of Regency Mines plc, whose names appear on page 4 of this document, accept responsibility, individually and collectively, for the information contained in this document including responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Application will be made for the whole of the ordinary share capital of Regency Mines plc to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.**

The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of these securities to the Official List. Neither the United Kingdom Listing Authority nor the London Stock Exchange plc has examined or approved the contents of this document. The Ordinary Shares are not dealt in on any other recognised investment exchange and no other such applications have been or are intended to be made.

It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 22 February 2005.

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## **REGENCY MINES PLC**

*(Incorporated in England and Wales under the Companies Act 1985 with Registered Number 5227458)*

### **Admission to trading on the Alternative Investment Market**

#### **Nominated Adviser and Broker ARM Corporate Finance Limited**

#### **Share capital immediately following Admission**

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£10,000,000	10,000,000,000	Ordinary Shares of £0.001 each	£120,800	120,800,006

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ARM which is regulated by The Financial Services Authority, is acting exclusively for the Company and no one else in connection with the Admission. Accordingly ARM will not be responsible to any other person other than the Company for providing the protections afforded to its own clients nor for providing advice to any other person in connection with Admission. The responsibilities of ARM, as Nominated Adviser, are solely to the London Stock Exchange. ARM is the Company's broker for the purposes of the AIM Rules. No representation or warranty, express or implied, is made by ARM as to the contents of this document (without limiting the statutory rights of any person to whom this is issued).

This document does not constitute an offer to sell or the solicitation of an offer to buy Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan. The Ordinary Shares have not been and will not be registered under the United Securities Act 1933 (as amended) nor under the applicable securities legislation of the United States or any province or territory of Canada, Australia, South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities law or regulations. Accordingly, subject to certain exemptions, the Ordinary Shares may not be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan or to any national, resident or citizen of the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdiction.

Copies of this document will be available free of charge to the public at the Registered Office of the Company at 3rd Floor, 55 Gower Street, London WC1E 6HQ from the date of this document up to and including the date which is one month following Admission.

## CONTENTS

EXPECTED TIMETABLE OF EVENTS	3
DIRECTORS, SECRETARY AND ADVISERS	4
Directors	4
DEFINITIONS	5
PART 1 INFORMATION ON THE COMPANY	6
Introduction and strategy	6
Acquisition of Regency Resources	6
Proposed portfolio of properties	6
Directors	9
The Offer for Subscription	10
Use of proceeds	10
Lock-in and orderly market arrangements	10
Working capital	10
Dividend policy	10
Taxation	10
Corporate governance	10
CREST	11
Risk factors	11
Further information	12
PART 2 ACCOUNTANTS REPORT ON REGENCY MINES PLC	13
PART 3 ACCOUNTANTS REPORT ON REGENCY RESOURCES LIMITED	17
PART 4 UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP	24
PART 5 CONSULTING GEOLOGIST'S REPORT	27
PART 6 ADDITIONAL INFORMATION	54

## **EXPECTED TIMETABLE OF EVENTS**

Publication of this document	16th February 2005
Admission and dealings expected to commence	22nd February 2005

## **DIRECTORS, SECRETARY AND ADVISERS**

<b>Directors</b>	Andrew Ronald McMillan Bell (Chairman) Kenneth Frank Watson (Managing Director) Julian Michael Edward Lee (Non-executive Director)
<b>Registered Office and Directors' business address</b>	3rd Floor 55 Gower Street London WC1E 6HQ
<b>Secretary</b>	Stephen Frank Ronaldson MA
<b>Nominated Adviser and Broker</b>	ARM Corporate Finance Limited 12 Pepper Street London E14 9RP
<b>Auditors and Reporting Accountants</b>	Chapman Davis LLP 2 Chapel Court London SE1 1HH
<b>Solicitors to the Company</b>	Ronaldsons 55 Gower Street London WC1E 6HQ
<b>Principal Bankers</b>	Coutts & Co 440 Strand London WC2R 0QS
<b>Registrars</b>	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN

## DEFINITIONS

In this document, unless the context requires otherwise, the words and expressions set out below shall bear the following meanings.

“Act”	the Companies Act 1985 (as amended)
“Admission”	admission of all the existing Ordinary Shares to trading on AIM in accordance with Rule 6 of the AIM Rules
“AIM”	the AIM Market of the London Stock Exchange
“AIM Rules”	the rules of AIM as published by the London Stock Exchange
“ARM”	ARM Corporate Finance Limited, the Company’s Nominated Adviser, and Broker which is regulated by The Financial Services Authority
“Articles”	the articles of association of the Company
“Board”	The directors of the Company whose names appear on page 4
“Broker”	ARM, the Company’s broker, which is regulated by The Financial Services Authority and is a member of the London Stock Exchange
“Company” or “Regency”	Regency Mines plc
“CREST”	the computerised settlement system to facilitate the transfer of title in shares in uncertificated form, operated by CRESTCO
“CRESTCO”	CRESTCO Limited
“Directors”	the directors of the Company
“London Stock Exchange”	London Stock Exchange plc
“Official List”	the Official List of the United Kingdom Listing Authority
“Ordinary Shares” or “Shares”	ordinary shares of £0.001 each in the capital of the Company
“Offer”	the offer for subscription of 25,000,000 new Ordinary Shares at a price of 2p per Ordinary Share which closed on 2 February 2005
“Purchase Agreements”	the agreements listed in paragraphs 6.5, 6.6, 6.7, 6.8 and 6.9 of Part 6 of this document
“Regency Resources”	Regency Resources Limited, a wholly owned subsidiary of the Company registered in Western Australia on 19th December 2003 under the Corporations Act 2001 of the Commonwealth of Australia with Australian Company Number 107 448 215
“POS Regulations”	the Public Offers of Securities Regulations 1995, as amended
“Shareholders”	holders of Ordinary Shares
“UK Listing Authority”	the competent authority for listing in the UK, which is part of the Financial Services Authority

# PART 1

## INFORMATION ON THE COMPANY

### **Introduction and strategy**

Regency has been established to invest in the mining and minerals sector. The investments may be either quoted or unquoted and may be in companies, partnerships, joint ventures or direct interests in mining projects. Whilst it is likely that the investments will be made in exploration or development stage undertakings, the Directors may decide that the Company should invest in producing assets. There are no geographic restrictions on investment, but it is intended that the primary focus of the Company will be the pursuit of base metals, and in particular copper and nickel projects in Australia.

The Directors combine extensive experience in both the mining and finance sectors. Ken Watson and Andrew Bell are experienced in the evaluation of mining assets. Andrew Bell and Julian Lee are experienced in capital markets and in evaluating acquisition and investment prospects. Ken Watson has worked in the Australian mining sector for over 40 years. The Directors believe that their expertise and experience will benefit the Company in identifying attractive assets, pegging mineral properties, negotiating the purchase or disposal of assets, and enhancing or realising the value of the Company's assets. The Directors believe that, in current market conditions, good opportunities exist for investment in commodities, and that Australia is well placed to meet growing Asian demand.

The Directors are focussed on the creation of a base metals and precious metals exploration and development company, with initial emphasis on copper in Central Queensland and nickel tenements in Western Australia. The Directors believe that both copper and nickel will continue to see growth in demand. The company also has gold mineralisation targets in its portfolio.

Following Admission to AIM, the Directors will conduct exploration on the existing projects. They will also work to identify new opportunities, including projects that may be at a more advanced stage, to add to the portfolio, in order to increase the value of the Company and the marketability of the Shares.

The Directors consider that further funding of the Company will be required as investments are made and exploration proceeds.

### **Acquisition of Regency Resources**

Regency Resources is a public company incorporated in Australia in December 2003. BellMin Limited and Ken Watson, investors in the Company, participated in the fund raising by Regency Resources and as a result held 41.7 per cent. and 18.1 per cent. respectively of the ordinary issued share capital of Regency Resources. Regency Resources has entered into conditional contracts to acquire options over a number of mining properties in Western Australia and Queensland as detailed under "Proposed portfolio of properties" below and in Part 6 of this document.

At the extraordinary general meeting of Regency Resources held on 9th October 2004 the offer for all the outstanding ordinary shares and outstanding options of Regency Resources, on the basis of four new Ordinary Shares and options over four Shares of the Company for every one Regency Resources ordinary share and Regency Resources option or right to such option was accepted by all Regency Resources shareholders. By written resolutions of 4th November 2004 the Company approved the purchase of the whole of the issued share capital of Regency Resources and authorised the Directors to issue and grant such shares and options.

### **Proposed portfolio of properties**

Regency Resources has entered into conditional agreements to acquire tenements in central-eastern Queensland to prospect for copper and gold and tenements in central-southern Western Australia prospective for nickel sulphides and gold.

### **Exploration Budget**

Regency has proposed an exploration budget to 30 June 2006 of £167,380 for its projects. These figures exceed the minimum annual expenditure commitments as prescribed by the respective Australian State Government authorities.

## **QUEENSLAND**

The Queensland projects consist of Bundarra and Mt Stone, located in the Bowen and Drummond Basins. These projects have as their target Mesozoic epithermal stockwork and vein hosted gold-copper deposits.

From the late 1960s exploration efforts were successful in outlining further areas of mineralisation, and confirmed the areas potential to host multiple styles of mineralisation.

Regency Resource's complete coverage of the previously fragmented ownership of Bundarra tenements and advances in geological knowledge present an opportunity for systematic exploration of all prospective areas.

The Mt Stone project area is located in volcanic and sedimentary rocks of the northern Drummond Basin. Previous exploration in the Mt Stone region has located many historic gold, silver and copper workings that exploited epithermal breccia and vein style mineralisation, and also outlined numerous other areas of gold anomalism.

### ***Bundarra copper/gold project***

The Bundarra Project comprises a single granted exploration permit covering an area of approximately 260 sq km. The project area covers numerous genetically related copper-gold occurrences located around the perimeter of a large granodiorite intrusion known as the Bundarra granodiorite. Historically copper was produced from numerous small mines in the late 1800's and 1960's. Modern exploration has outlined further areas of mineralisation which confirms the area's potential to host multiple styles of mineralisation, including: 1) modest tonnage high grade copper-gold vein type mineralisation amenable to open pit and underground extraction; 2) bulk tonnage low grade or smaller higher grade breccia hosted gold-copper bodies; and 3) bulk tonnage low grade sheeted vein/stock-work copper-gold bodies.

A review of exploration results to date suggests that limited work is required to delineate copper-gold resources at a number of prospects and that the project area is also prospective for large iron oxide-copper-gold ("IOCG") systems of Olympic Dam and Ernest Henry style.

In the past exploration of the Bundarra region was hampered by fragmented tenement ownership, however Regency now has complete tenement coverage over the entire Bundarra pluton and its margins enabling systematic evaluation of all prospective areas.

The Directors believe there are many drill ready targets at Bundarra and the most prospective will be drilled in the six months following Admission. This active drill oriented approach to exploration on this advanced stage exploration property enhances the chances of delineating small to medium sized copper-gold resources which can be put into production quickly.

The Company has proposed an exploration programme and budgeted to spend £28,570 on the Bundarra project for the period to 30 June 2006.

### ***Mt Stone gold project***

The Mt Stone project comprises a single exploration permit of approx. 200 sq km located 230 km west of Mackay in Queensland, consisting of volcanic and sedimentary rocks of the northern Drummond Basin intruded by granitoid bodies and porphyries of carboniferous age.

Previous exploration has outlined extensive gold anomalism within the project area. However, these anomalies have had little follow-up despite showing similar signatures to known epithermal gold mineralisation. Regency proposes to target the more promising areas with early drilling programs.

A review of the previous geochemical exploration data by Regency Resources has outlined gold anomalies that have received little attention in the past. The most significant anomalies are 1) south of Cramoisie prospect, 2) northeast of Cramoisie, 3) northeast of Silvernorth and 4) east of Granite Dam. These represent encouraging exploration targets in light of encouraging drill results from other prospects with similar geochemical signatures.

Results of previous exploration within the Mt Stone project area show several areas of gold anomalism that have not been followed up despite encouraging drill intercepts at prospects in adjacent ground. The

company has proposed an exploration program that includes geological mapping, soil sampling and rock chip sampling to outline more prospective targets that are to be subsequently tested with rotary air blast drilling.

The Company has proposed an exploration programme and budgeted to spend £27,300 on the Mt Stone project for the period to 30 June 2006.

### **WESTERN AUSTRALIA**

The Western Australian projects are located in the Lake Johnston greenstone belt of the central-southern Yilgarn Block in southern Western Australia, and cover an area of 450km<sup>2</sup>. The target is in each case primarily Archean ultramafic hosted nickel sulphide deposits.

Regency Resources has seven exploration licences comprising five separate project areas in the Yilgarn Block of southern Western Australia. The tenements are primarily prospective for ultramafic hosted nickel sulphide mineralisation, however gold mineralisation may also occur.

The Yilgarn is a segment of stable Archean crust that is well endowed in commodities such as nickel, gold, copper, lead, zinc, and iron. The central-southern Yilgarn region has a solid production history of nickel from deposits at Lake Johnston, Forrestania, and Ravensthorpe, and gold from Marvel Loch, Forrestania and Southern Cross.

Exploration for nickel sulphides in the Lake Johnston area commenced in the mid 1960s, and the first nickel mineralisation was located 600m south of Maggie Hays in the early 1970s. In the early 1980s Amoco Minerals Australia Inc. intersected sulphide mineralisation in the Maggie Hays deposit, which was sold to Forrestania Gold NL in 1991. Forrestania Gold NL had successfully outlined disseminated and massive nickel sulphide mineralisation over a strike length of 1400m by the mid 1990s. In 1997 the Emily Ann deposit was discovered 3 km north of and along strike from the Maggie Hays deposit by Capricorn Resources Australia NL.

The emerging nickel district comprising the Lake Johnston belt and the Forrestania belt to the West is currently being actively explored by Inco in joint venture with LionOre, Western Areas NL in joint venture with Image Resources NL and Monarch Resources Ltd. Recent encouraging nickel intercepts have been reported by Western Areas from exploration drilling at their Lake Percy project which lies adjacent to the Company's tenements, and near to the Johnston Sandplain prospect.

The Company's project areas lie immediately adjacent to, or along strike from, the Emily Ann and Maggie Hays deposits and provide significant exposure to nickel prospective stratigraphy in a region that has demonstrated the potential to host economic nickel sulphide resources. The Directors consider that the Lake Johnston area will continue to be a focus of active exploration and that the ground held by Regency is highly prospective for nickel, as well as potentially some gold, mineralisation.

#### ***Cat Camp area nickel project***

The Cat Camp project area comprises two exploration licence applications that cover an area of 153km<sup>2</sup> and include strike extensions of greenstone stratigraphy prospective for nickel, and known ultramafic sequences. The project is located in the north eastern part of the Lake Johnston greenstone belt.

Reported exploration activities commenced in 1997 with Central Kalgoorlie Gold Mines carrying out nickel sulphide exploration over the northern parts of the Lake Johnston greenstone belt. Subsequent results are considered significant in light of the detection of bedrock conductors and subsequent intersection of nickel bearing sulphides.

Regency had proposed a work programme to evaluate the nickel sulphide potential of the Cat Camp project. The Company has budgeted to spend £25,300 on the Cat Camp project for the period to 30th June 2006.

#### ***Lake Percy area nickel project***

The Directors consider the Lake Percy project to be one of the Company's most prospective because of the encouraging drilling results encountered by Western Areas near the boundaries of the project and the continuing exploration activity in neighbouring licences. The project comprises two adjoining granted



tenements that cover an area of 63km<sup>2</sup> located in the northern parts of the Lake Johnston greenstone belt, some 40km northwest of the Emily Ann nickel mine. The area has been subject to only limited exploration in the past, which has however identified ultramafic lithologies. In late 2003 Western Areas commenced exploration on ground adjoining the Company's Lake Percy tenements under a joint venture with Image Resources. Although at an early stage of exploration these results support the nickel sulphide prospectivity of the broader Lake Percy region, and also provide encouragement for further exploration within Regency's strategically located tenements.

The Company has proposed a work programme to evaluate the potential of the Lake Percy project for ultramafic hosted nickel sulphide mineralisation. The Company has budgeted to spend £33,600 on the Lake Percy project for the period to 30th June 2006.

#### ***Maggie Hays area nickel project***

The Maggie Hays project comprises a granted exploration licence covering 105km<sup>2</sup> in the central parts of the Lake Johnston greenstone belt, located 3km south of the Maggie Hays nickel sulphide deposit. No specific exploration data relating to Regency's Maggie Hays tenement area is known apart from regional mapping and airborne surveys.

The project area is in the early stage of evaluation and the proposed exploration program, for nickel sulphide mineralisation, reflects this. The Company has proposed an exploration programme and budgeted to spend £26,400 on the Maggie Hays project for the period to 30th June 2006.

#### ***Mt Gordon and Tay area nickel/gold project***

The Mt Gordon and Tay project areas comprise two exploration licences covering a total of 129km<sup>2</sup> in the south of the Lake Johnston greenstone belt. The tenements are prospective for nickel sulphides and also have the potential to host gold mineralisation.

Exploration results confirm the presence of nickel and gold prospective stratigraphy within the project area and suggest further work is required to follow-up untested bedrock conductors and gold targets.

The Company has proposed an exploration programme and budgeted to spend £26,250 on the Mt Gordon and Tay project for the period to 30 June 2006.

#### **Directors**

The Directors are as follows:

##### **Andrew Bell, MA, LLB** aged 49, Chairman

In the late 1970's Andrew Bell was a natural resources analyst at Morgan Grenfell & Co. His business experience encompasses periods in fund management and advisory work at financial institutions including Grieson Grant and Co and Philips & Drew and corporate finance in Hong Kong and private equity. He is currently a non-executive director of Ormonde Mining Plc (listed on the Exploration Securities Market of the Irish Stock Exchange), Axiom Resources Ltd (listed on the Venture Exchange of the Toronto Stock Exchange), Magyar Mining Plc, is President of BellMin Limited and Minera Condor S.A., and is a director of Redstone Metals Pty Ltd.

##### **Kenneth Watson**, aged 67, Managing Director

Ken Watson is a mining entrepreneur and prospector with over 40 years of experience. After operational and supervisory roles in uranium and gold processing plants and copper mines, including Mount Isa Mines, and supervisory roles in open pit copper and coal production, he founded Kenrock Mining and Engineering Pty Ltd, an industrial and mining equipment company, designing, importing, manufacturing under license for U.S. manufacturers and exporting to the Asian region. Co-founder of the Golden Kilometre gold mine at Mt Pleasant near Kalgoorlie, Ken Watson has been active in recent years in mineral exploration, and is Chairman of Redstone Metals Pty Ltd.

##### **Julian Lee, MA, ACCA** aged 33, Non-executive Director

Julian Lee qualified as an accountant with Deloitte & Touche in 1996. Subsequently he provided corporate advisory services to small companies for PBTCCF Ltd and worked as a venture capitalist for Elderstreet Investments Ltd and Fifth Avenue Capital Inc. He is the founder and Managing Director of

Melee Venture Management Ltd, a private equity company investing principally in the technology sector, Managing Director of Wound Solutions Ltd, and a director of International Mining, Research and Development Ltd, MSL Medical Ltd, and Wavionix Ltd.

### **The offer for subscription**

The Company recently raised £500,000, before expenses, by the Offer of 25,000,000 Ordinary Shares at 2p. The Shares issued under the Offer represent 20.7 per cent. of the enlarged issued share capital of the Company. The Offer was not underwritten, but 6,800,000 of the Shares issued under the Offer were subscribed under a binding commitment given by Starvest Plc. The Offer closed on 2nd February 2005.

### **Use of proceeds**

The proceeds of the Offer will be used to make payments in respect of the acquisition of mining properties, to finance the mineral exploration programme of the Company, and for general working capital purposes.

### **Admission**

Application has been made to the London Stock Exchange for all the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares on AIM will commence on 22 February 2005.

### **Lock-in**

The Directors are committed to the long term future of the Company. Their aggregate interest in the issued ordinary share capital of the Company on Admission will amount to 55,400,006 Ordinary Shares, equivalent to approximately 45.9 per cent. of the issued ordinary share capital of the Company. The Directors and their connected persons have each undertaken not to dispose of any interest in the Ordinary Shares held by them for a minimum period of twelve months following Admission. Thereafter the Directors and their connected persons have each agreed to maintain an orderly market in relation to the sale of Ordinary Shares by consulting with ARM prior to the sale of any Ordinary Shares, save in certain specified circumstances, and, for as long as ARM is the Company's broker, they have agreed that they will not dispose of or acquire Ordinary Shares without first giving ARM the opportunity to effect such disposal or acquisition.

Starvest Plc, Bellmin Limited and Redstone Metals Pty Limited and their connected persons have undertaken not to dispose of any interest in Ordinary Shares held by them, which on Admission will amount to 22,800,000, 30,000,000 and 12,200,000 Ordinary Shares respectively, for a minimum period of twelve months following Admission. Thereafter Bellmin Limited and Redstone Metals Pty Limited and their connected persons have each agreed to maintain an orderly market in relation to the sale of Ordinary Shares by consulting with ARM prior to the sale of any Ordinary Shares, save in certain specified circumstances, and, for as long as ARM is the Company's broker, they have agreed that they will not dispose of or acquire Ordinary Shares without first giving ARM the opportunity to effect such disposal or acquisition.

Further details of these agreements are set out in Paragraph 6.3 of Part 6 of this document.

### **Working capital**

The Directors are of the opinion that, having made due and careful enquiry and having regard to the net proceeds received under the Offer, the working capital available to the Company will be sufficient for its present requirements, that is for at least the next 12 months from Admission.

### **Dividend policy**

The nature of the Company's business means that it is unlikely that the Directors will recommend a dividend in the early years following Admission. The Directors believe the Company should seek to generate capital growth for its Shareholders. The Company may recommend distributions at some future date when it becomes commercially prudent to do so, having regard to the availability of Regency's distributable profits and the retention of funds required to finance future growth.

## **Taxation**

The attention of prospective investors is drawn to the taxation section in paragraph 9 of Part 6 of this document.

## **Corporate governance**

The Directors recognise the importance of sound corporate governance commensurate with the size of the Company and the interests of Shareholders. As the Company grows, the Directors intend that it should develop policies and procedures which reflect the Principles of Good Governance and Code of Best Practice as published by the Committee on Corporate Governance as amended from time to time (commonly known as the “Combined Code”). So far as is practicable, taking into account the size and nature of the Company, the Directors will take steps to comply with the Combined Code.

The Company will ensure, in accordance with and subject to the provisions of Rule 19 of the AIM Rules, that the Directors and applicable employees shall not deal in any of the Ordinary Shares during a close period (as defined in the AIM Rules) and will take all reasonable steps to ensure compliance by the Directors, and applicable employees with this Rule 19.

## **CREST**

The Directors have arranged with CRESTCO for the Shares to be admitted to CREST with effect from Admission. Accordingly settlement of transactions in the Shares following Admission may, if a shareholder wishes, take place within the CREST system. CREST is a paperless settlement procedure, which allows title to securities to be evidenced without a certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of Ordinary Shares under CREST.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain certificates will be able to do so.

## **Risk factors**

The Directors consider the following risks to be the most significant for potential investors in the Company. However, the risks listed do not necessarily comprise all those associated with an investment in the Company:

- The Company will initially be dependent upon the ability of the Directors to identify suitable investment opportunities and implement the Company’s strategy.
- The Company may be unable to effect an investment in an identified opportunity, as a consequence of which resources might have been expended fruitlessly on investigative work and due diligence.
- The Company’s main strategic focus for investment will be in the mining and minerals sector and therefore the Company will be exposed to general exploration, mining and processing risks. These include unusual and unexpected geological formations, rock falls, seismic activity, flooding and other conditions involved in the extraction of material, any of which could result in the damage to, or destruction of, mines and or other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimise risk will be taken, operations are subject to hazards which may result in environmental pollution and consequent liability which could have an adverse impact on business, operations and financial performance of the Company.
- The Company may invest in exploration for and the development of resources which is speculative and involves a significant degree of risk. There is no assurance that such exploration will lead to commercial discoveries or, if there is a commercial discovery, that such reserves will be realisable.
- The Company’s total return and net assets may be significantly affected by currency movements.
- The Company may not be able to obtain such necessary consents as may be required under native title legislation in respect of any of its properties to allow it to explore or develop such property.

- Stock market conditions, particularly those affecting mining and exploration companies, may affect the ultimate value of the Company's share price regardless of future operational performance.
- The Company is likely to face competition from other entities operating in its business sector, many of which may have significantly greater resources than the Company.
- The market price of the Ordinary Shares may not reflect the underlying value of the assets of the Company.
- The market in the Ordinary Shares may be illiquid or subject to sudden or large fluctuations and it may be difficult for an investor to sell his Ordinary Shares and he may receive less than the amount originally invested.
- Further issues of Ordinary Shares may be necessary for the Company to achieve its objectives.
- The Company is highly dependent upon the Directors. Whilst the Board has sought to and will continue to ensure that Directors and key employees are appropriately incentivised, their services cannot be guaranteed. The Group has a small management team and the loss of one or more executive or key employees may have a material adverse effect on the performance of the Company.
- Native title legislation in Australia may result in some uncertainty regarding proprietary rights over land including rights in and to mining tenements. Whilst the Directors believe that all necessary legislation and regulations have been complied with outstanding native title claims may result in native title rights co-existing with the Company's rights over the various tenements.

The investment described in this document may not be suitable for all those who receive it. Before making a final decision, investors in any doubt are advised to consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

**Further information**

Your attention is drawn to Part 2-6 of this document, which provide additional information on the Company.

## PART 2

### ACCOUNTANTS REPORT ON REGENCY MINES PLC

The following is the full text of a report received from Chapman Davis LLP, the Reporting Accountants.



The Directors  
Regency Mines plc  
3rd Floor  
55 Gower Street  
London WC1E 6HQ

and

The Directors  
ARM Corporate Finance Limited  
12 Pepper Street  
London E14 9RP

16 February 2005

Dear Sirs,

#### **REGENCY MINES PLC (“the Company”)**

##### **Introduction**

We report in connection with the proposed admission of the Company’s ordinary share capital to trading on the Alternative Investment Market (“AIM”). This report has been prepared for inclusion in the Admission Document dated 16 February 2005 (“the Document”).

The Company was incorporated on 10th September 2004 as Regency Mines Limited and was re-registered as a public limited company under the name Regency Mines plc on 24th November 2004.

The Company has not traded, prepared any financial statements for presentation to members, incurred neither profit or loss, and has neither declared nor paid dividends or made any other distributions since the date of incorporation. On 2nd February 2005 the Company raised £500,000 by the allotment of 25,000,000 £0.001 Ordinary Shares at 2p each. There have been no transactions other than as described in paragraphs 5 and 6 of Part 6 of the Document and the acquisition of the entire issued share capital of Regency Resources Limited by the allotment of shares described below. Accordingly, no profit and loss account information is presented in this report.

##### **Basis of preparation**

The financial information set out below has been extracted from financial records of the Company for the period ended 30th November 2004, no adjustments being considered necessary. No audited financial statements have been prepared for submission to members in respect of any period since incorporation.

##### **Responsibility**

The financial records are the responsibility of the Directors of the Company (“Directors”). The Directors are also responsible for the contents of the Document in which this report is included.

It is our responsibility to compile the financial information set out below from the Company's financial records and to make a report in accordance with paragraph 45 of Schedule 1 to the Public Offers of Securities Regulations 1995. Our work has been undertaken so that we might state those matters we are required to state in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone for any other purpose for our work, for this report or for the opinions we have formed.

### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial records and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the financial information set out below gives, for the purpose of the Document, a true and fair view of the state of affairs of the Company as at 30th November 2004.

### **BALANCE SHEET**

	<i>Notes</i>	<i>As at 30th November 2004 £</i>
<b>Fixed assets</b>		
Investments	2	<u>72,000</u>
<b>Capital and reserves</b>		
Called up share capital	3	<u>72,000</u>

### **NOTES TO THE FINANCIAL INFORMATION**

#### **1. Accounting policies**

The principal accounting policies, which have been consistently applied in the Company's financial information throughout the period under review, are as follows:

#### ***Basis of accounting***

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

#### ***Investments***

Long term investments are described as participating interests and are classified as fixed assets. Short term investments are classified as current assets.

Unlisted investments are stated at cost.

Provision is made for any impairment in the value of fixed asset investments.

## 2. Investment in subsidiary undertakings

	<i>Shares in subsidiary undertakings</i> £
<b>Cost</b>	
Additions	72,000
As at 30th November 2004	<u>72,000</u>

The Company has an equity interest in the following undertakings:

	<i>Class of holding</i>	<i>Proportion</i>	<i>Country of Incorporation</i>	<i>Nature of business</i>
Regency Resources Limited	Ordinary	100%	Australia	Mining and exploration

As at 30th November 2004, the Company undertook an impairment review of its investment in subsidiary undertakings, as a result of which no provisions were required.

The Company acquired 100 per cent of the issued share capital of Regency Resources Limited on 4th November 2004. This acquisition gave rise to positive goodwill of approximately £1,577 as follows:

	<i>Initial book value</i> £	<i>Fair value adjustment</i> £	<i>Fair value at acquisition</i> £
<b>Net assets acquired:</b>			
Intangible Fixed assets			
Exploration costs and intellectual property rights	40,653	-	40,653
Current assets	33,129	-	33,129
Current liabilities	<u>(3,359)</u>	-	<u>(3,359)</u>
	<u>70,423</u>	<u>-</u>	<u>70,423</u>
Consideration settled by shares, at par value			<u>72,000</u>
Positive goodwill on acquisition			<u>£1,577</u>

## 3. Share capital

	<i>As at 30th November 2004</i> £
Authorised:	
10,000,000,000 ordinary shares of £0.001 each	<u>10,000,000</u>
Issued and fully paid:	
72,000,006 ordinary shares of £0.001 each	<u>72,000</u>

The Company was incorporated with an authorised share capital of £10,000,000 divided into 10,000,000,000 ordinary shares of £0.001 each of which two were issued.

On 4th November 2004 72,000,004 ordinary shares of £0.001 each were issued, fully paid, at par value to acquire the entire share capital of Regency Resources Limited.

In addition options were granted over 8,000,000 ordinary shares of £0.001 each, exercisable at 2p per share with an expiry date of 30th April 2008.

On 2nd February 2005 the Company raised £500,000 by the allotment of 25,000,000 £0.001 Ordinary Shares at 2p each.

**4. Nature of financial information**

The financial information presented above in respect of the period ended 30th November 2004 does not constitute statutory accounts.

**5. Consent**

We consent to the inclusion of this report in the Document and accept responsibility for this report for the purposes of paragraph of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully,

Chapman Davis LLP  
*Chartered Accountants*  
*Registered Auditors*



## PART 3

### ACCOUNTANTS REPORT ON REGENCY RESOURCES LIMITED

The following is the full text of a report received from Chapman Davis LLP, the Reporting Accountants.



The Directors  
Regency Mines plc  
3rd Floor  
55 Gower Street  
London WC1E 6HQ

and

The Directors  
ARM Corporate Finance Limited  
12 Pepper Street  
London E14 9RP

16 February 2005

Dear Sirs,

#### **Regency Resources Ltd**

#### **Introduction**

We report on the financial information set out below relating to Regency Resources Ltd (“the Company”) a company incorporated and resident in Australia. The Company was incorporated on 19th December 2003 to assemble a portfolio of mining opportunities. This information has been prepared for inclusion in the Admission Document of Regency Mines plc dated 16 February 2005 (“the Document”).

#### **Basis of preparation**

The financial information set out below is based on the financial statements in Australian Dollars (“AUD”) of the Company for the period from 19th December 2003 to 30th June 2004 to which no adjustments were considered necessary. The exchange rate at the balance sheet date was £1 to AUD2.62.

The financial statements from incorporation to 30th June 2004 were audited by Moore Stephens BG Chartered Accountant registered in Australia. Their opinion expressed in their audit report was unqualified.

#### **Responsibility**

The financial statements are the responsibility of the Directors of the Company, who approved their issue.

The Directors of Regency Mines plc are responsible for the contents of the Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence

relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial records and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary.

### **Opinion**

In our opinion, the financial information contained in this report gives, for the purposes of the Document drawn up under the Public Offers of Securities Regulations 1995, a true and fair view of the state of affairs of the Company as at 30th June 2004 and of its results and cash flows for the period then ended.

## **PROFIT AND LOSS ACCOUNT**

### **For the period to 30th June 2004**

	<i>Note</i>	<i>AUD</i>
<b>TURNOVER</b>		–
Administration Costs	2	(18,890)
(Loss) from ordinary activities before income taxation		(18,890)
Taxation	3	–
(Loss) after taxation		(18,890)

## **BALANCE SHEET**

### **30th June 2004**

	<i>Note</i>	<i>AUD</i>
Exploration Expenditure	4	105,261
Intangible Assets		1,251
		106,512
<b>CURRENT ASSETS</b>		
Cash		86,798
Receivables		–
Investments		–
		86,798
<b>CURRENT LIABILITIES</b>		
Payables	5	8,800
		8,800
<b>NET CURRENT ASSETS</b>		77,998
<b>NET ASSETS</b>		184,510
<b>EQUITY</b>		
Contributed Equity	6	203,400
Reserves		–
Retained Losses	7	(18,890)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		184,510

**STATEMENT OF CASH FLOWS**  
**For the period to 30th June 2004**

	<i>AUD</i>
<b>Cash Flows From Operating Activities</b>	
Payments to creditors and receipts from debtors	(10,090)
Exploration Expenditure	(105,261)
Intangible Assets	(1,251)
<b>Net Cash (Outflows) From Operating Activities</b>	<u><b>(116,602)</b></u>
 <b>Cash Flow From Financing Activities</b>	
Proceeds from Capital Raisings	203,400
Repayment of borrowings	–
<b>Net Cash Used by Financing Activities</b>	<u><b>203,400</b></u>
 <b>Net Increase in Cash Held</b>	86,798
Cash at Beginning of Financial Year	–
<b>CASH AT END OF FINANCIAL YEAR</b>	<u><b>86,798</b></u>

**NOTES TO THE STATEMENT OF CASH FLOWS**

**Reconciliation of operating loss to net cash flow from operating activities**

Operating (Loss) after tax	(18,890)
Purchase of fixed assets	(106,512)
Increase in accounts payable	8,800
(Increase)/Decrease in accounts receivable	–
<b>Cashflow from operating activities</b>	<u><b>(166,602)</b></u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. STATEMENT OF ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the significant accounting policies adopted by the Company in the preparation of the accounts.

#### (a) Income Tax

The Company adopts the liability method of tax effect accounting whereby the income tax expense shown in the profit and loss account is based on the pre-tax accounting profit adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of pre-tax accounting profit and taxable income are brought to account either as a provision for deferred income tax or an asset described as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of these benefits brought to account or which may be realised is based on the assumption that no adverse change will occur in income taxation legislation, the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### (b) Foreign Currency Transactions and Balances

Foreign currency transactions during the period are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted to the rates of exchange ruling at that date.

The gains and losses from conversion of short term assets and liabilities, whether realised or unrealised, are included in operating profit before income tax as they arise.

Exchange differences arising on hedged transactions undertaken to hedge foreign current exposures, other than those for the purchase and sale of goods and services, are brought to account in the profit and loss account when the exchange rates change.

Costs or gains arising at the time of entering hedge transactions for the purchase or sale of goods and services and exchange differences that occur up to date of purchase or sale are deferred and included in the measurement of the purchase or sale.

#### (c) Exploration Expenditure

Exploration and development costs include expenditure on prospects at an exploratory or development stage. These costs include costs of acquisition, exploration, determination of recoverable reserves, economic feasibility studies and all technical and administrative overheads directly associated with those projects.

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

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

**(d) Cash**

For the purposes of the statement of cash flows, cash includes cash on hand and deposits held at call with a financial institution which are being used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

**(e) Going Concern**

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

**(f) Adoption of Australian Equivalents to International Financial Reporting Standards**

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year (ie as at 1 July 2004).

The Company’s management, along with its auditors, are assessing the significance of these changes and preparing for their implementation.

The directors are of the opinion that the major differences in the Company’s accounting policies which will arise from the adoption of IFRS are:

**Impairment of Assets**

The Company currently determines the recoverable amount of an asset on the basis of either undiscounted or discounted ( depending on the specific asset ) net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of the fair value less costs to sell and value in use. It is expected that this change in accounting policy will generally lead to impairments being recognised more often than under the existing policy.

**Income Tax**

Currently, the Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB: 112 Income Taxes, the Company will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit. It is not expected that this change will significantly impact the Company’s reported results and financial position, at least in the short term.

**Exploration Expenditure**

At present the Directors’ are unable to determine the impact of the proposed IFRS in relation to capitalized exploration expenditure.

## 2 ADMINISTRATION COSTS

	<i>AUD</i>
Accounting Fees	5,500
Audit Fees	3,300
Bank Charges	90
Geologist Fees	5,000
Management Fees	5,000
	<u>18,890</u>

## 3 INCOME TAX

The prima facie income tax expense on operating losses is reconciled to the income tax expense in the Accounts as follows:

Income tax expense calculated on operating (loss)	(18,890)
Add tax effect of permanent differences	
Non deductible items	-
Add tax effect of timing differences	-
	<u>(18,890)</u>
Tax losses carried forward	18,890
Income Tax Expense	-
Future income tax benefits attributable to tax losses and timing difference the benefit of which are not certain at 30%	<u>5,667</u>

These benefits will only be obtained if:

- (a) The Company derives assessable income of a nature and amount sufficient to enable the benefit to be realised;
- (b) The Company continues to comply with the conditions of deductibility imposed by law; and
- (c) There are no changes in tax legislation which adversely effect the Company in realising the benefit from deduction for the losses.

## 4 EXPLORATION EXPENDITURE

	<i>AUD</i>
Exploration expenditure costs carried forward in respect of areas of interest in exploration and evaluation phases.	105,261
	<u>105,261</u>

## 5 PAYABLES

	<i>AUD</i>
Sundry creditors	8,800
Accounts payable to Directors and Director related entities	-
	<u>8,800</u>

## 6 SHARE CAPITAL

	<i>AUD</i>
<b>Issued and Paid Up Capital</b>	
13,000,001 ordinary shares	<u>203,400</u>
Opening balance	-
Movements during the year	<u>203,400</u>
Closing Balance	<u>203,400</u>

## 7 RETAINED LOSSES

	<i>AUD</i>
Opening balance	-
Net profit/(loss) attributable to members	(18,890)
	<hr/>
Closing balance	(18,890)
	<hr/>

## 8 REMUNERATION OF DIRECTORS

The following were Directors of the Company during the financial year:

Kenneth Frank WATSON  
Andrew Ronald BELL  
Kerry Ron RANDALL

Kenneth Watson received a management fee of AUD 5,000 in respect of the financial year.

### Directors Shareholdings

Shares held at the end of the financial year

	<i>Ordinary shares</i>	<i>Options</i>
K F Watson	3,250,001	125,000
K R Randall	250,000	125,000
Bellmin Ltd (a company associated with Andrew Ronald Bell)	6,500,000	250,000

## 9 REMUNERATION OF AUDITORS

Amounts received, or due and receivable, by the auditors for auditing the 30th June 2004 Financial Statements amount to AUD 3,300.

### Nature of financial information

The financial information presented above in respect of the period to 30th June 2004 does not constitute UK statutory accounts for the purposes of Section 240 of the Act. This financial information has been prepared in accordance with the law and the Directors accept responsibility..

### Consent

We consent to the inclusion of this report in the Document and accept responsibility for this report for the purposes of paragraphs 45 of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully,

**Chapman Davis LLP**  
*Chartered Accountants*  
*Registered Auditors*

## PART 4

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP ON ADMISSION TO AIM

	<i>Regency Mines Plc per Accountants' Report as at 30th November 2004 (Note 1) £'000</i>	<i>Regency Resources Ltd per Accountants' Report as at 30th June 2004 (Note 1) £'000</i>	<i>Net Proceeds of the Offer (Note 2) £'000</i>	<i>Unaudited Pro Forma Adjusted Net Assets of Regency Mines Plc and its subsidiary (the "Group") on Admission to AIM £'000</i>
<b>Fixed Assets</b>				
Intangible assets	–	1	–	1
Other assets	–	40	–	40
Investments	72	–	–	–
Financial assets	<u>72</u>	<u>41</u>	<u>–</u>	<u>41</u>
<b>Current assets</b>				
Goodwill on consolidation	–	–	–	1
Cash at bank and in hand	–	33	425	458
	<u>–</u>	<u>33</u>	<u>425</u>	<u>459</u>
<b>Creditors</b>				
Amounts falling due within one year	–	(3)	–	(3)
<b>Net current assets</b>	<u>72</u>	<u>71</u>	<u>425</u>	<u>497</u>
Amounts falling due after more than one year	–	–	–	–
<b>Net assets</b>	<u>72</u>	<u>71</u>	<u>425</u>	<u>497</u>

**Notes:**

1. The pro forma net assets statement has been prepared by the Company to illustrate the combination of the effect of the minimum proceeds of the Placing, together with the notional group consolidation. Save for the adjustments outlined in note 2 no account has been taken of any trading or transactions since the balance sheet dates for Regency Mines Plc or its subsidiary.
2. The net proceeds of the Offer, which closed on 2nd February 2005, are based on the gross cash proceeds of £500,000 less estimated expenses payable by the Company in connection with the Offer and the costs of Admission to AIM amounting in aggregate to £75,000.





The Directors  
Regency Mines Plc  
3rd Floor  
55 Gower Street  
London WC1E 6HQ

and

The Directors  
ARM Corporate Finance Limited  
12 Pepper Street  
London E14 9RP

16 February 2005

Dear Sirs,

#### **REGENCY MINES PLC**

We report on the *pro forma* statement of net assets as set out in Part 4 of the Admission Document dated 16 February 2005, which has been prepared, for illustrative purposes only, to provide information about how the proposed placing might have affected the financial information presented.

#### **Responsibilities**

It is the responsibility solely of the Directors of Regency Mines plc to prepare the *pro forma* statement of net assets.

It is our responsibility to form an opinion on the *pro forma* statement of net assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us or any financial information used in the compilation of the *pro forma* statement of net assets beyond that owed to those to whom the reports were addressed by us at the dates of their issue.

#### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin "Reporting on *pro forma* financial information pursuant to the Listing Rules" issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the *pro forma* statement of net assets with the Directors of Regency Mines plc.

**Opinion**

In our opinion:

- (i) the *pro forma* statement of net assets has been properly compiled on the basis stated;
- (ii) such basis is consistent with the accounting policies of Regency Mines plc; and
- (iii) the adjustments are appropriate for the purposes of the *pro forma* statement of net assets as disclosed.

Yours faithfully,

**Chapman Davis LLP**  
*Chartered Accountants*  
*Registered Auditors*

## PART 5

### CONSULTING GEOLOGIST'S REPORT



The Directors  
Regency Mines plc  
Suite 5 Octagon Court  
High Wycombe  
Bucks HP11 2HS U.K.  
and

16 February 2005

The Directors  
ARM Corporate Finance Limited  
12 Pepper Street  
London E14 9RP

### INDEPENDENT GEOLOGICAL REPORT

Dear Sirs

Baxter Geological has prepared this independent report at the request of Regency Mines plc ('Regency' or 'the Company'). The report has been prepared to provide an independent geological assessment of the Company's mineral exploration projects and proposed exploration programs on those properties, which are located in eastern and central-western Australia, in preparation for the listing of the Company on the Alternative Investment Market ('AIM') in the United Kingdom ('UK').

This report has been prepared by Baxter Geological for inclusion in this Prospectus. Baxter Geological is an independent geological consultancy established in 1997. Callum Baxter, the principal, graduated from Curtin University, Perth, Western Australia in 1990 with a BSc degree in Geology, and from the University of Western Australia in 2004 with an MSc in Economic Geology, and is a member of the Australasian Institute of Mining and Metallurgy ('AusIMM') and Australian Institute of Geoscientists ('AIG'). He has been actively involved in exploration and development of mineral commodities throughout Australia, Asia, Africa and North America since 1990. He has the relevant and appropriate experience, competence and independence to appraise the projects, and to be considered a 'Competent Person' under the definitions provided in Sections 19.12 and 19.13 of 'The Listing Rules' as published by the UK Listing Authority ('UKLA').

The report is based on 1) geological reports and information supplied by Regency, 2) government geological publications, 3) Baxter Geological's extensive experience with Australian geology and mineralisation as it pertains to this report, 4) open-file historic company reports, 5) knowledge of the mineral licencing system in the respective states of Australia and 6) prior field experience in geological regions included in this report. Baxter Geological checked the current status of the licences with the relevant authorities, although full legal verification of licence documents was not carried out. Baxter Geological considers that the exploration programs proposed by Regency are consistent with the status and mineral potential of the projects. However additional work, over and above that currently proposed by the Company, will be required to complete a full economic evaluation of any of its projects.

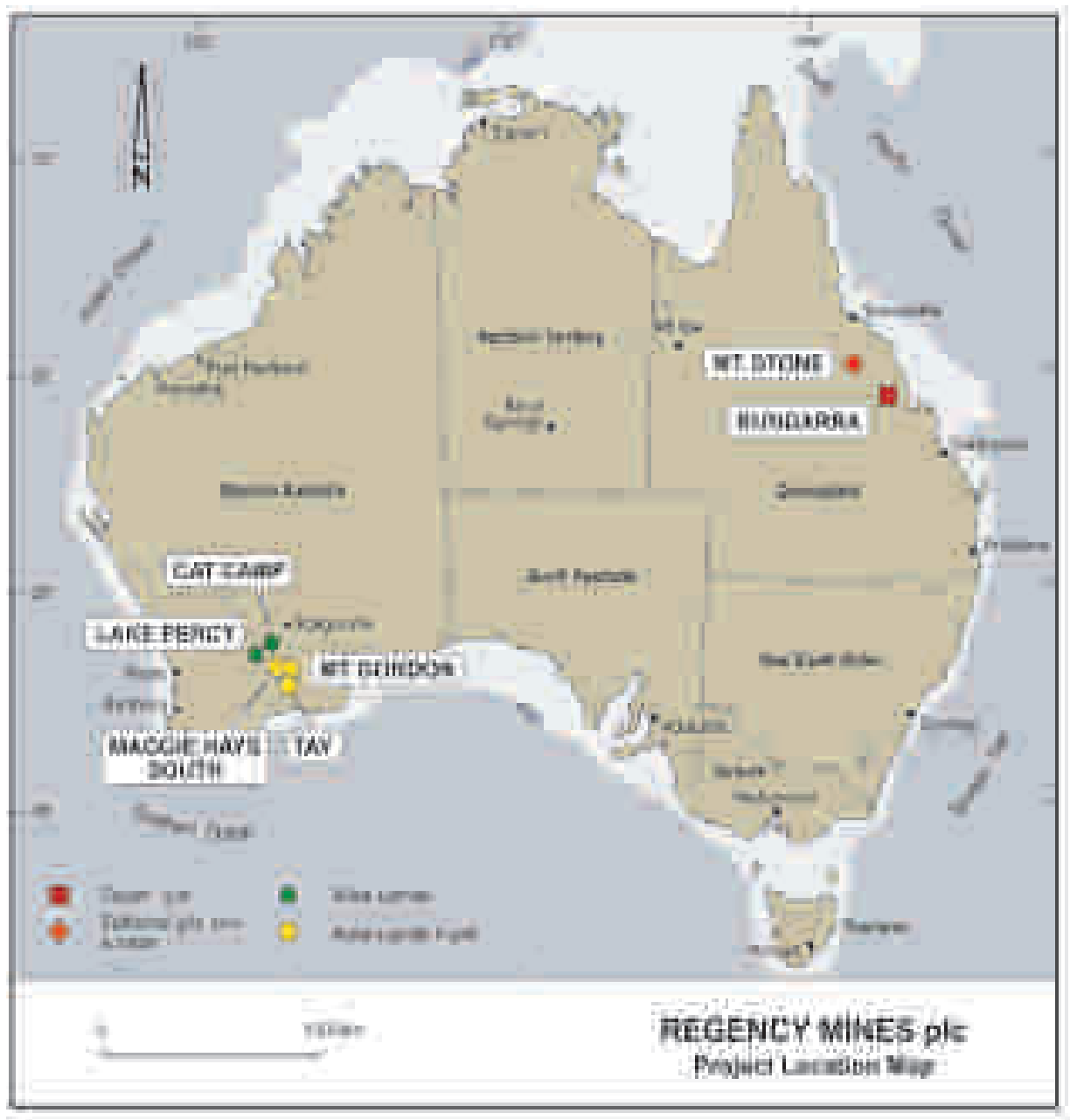
At no time during the course of preparation of the report did Baxter Geological become aware of either withholding of information or of the changing of records to influence the conclusions of the report. Baxter Geological has endeavoured to ensure that no error of fact is contained within the report, and any such error is neither intentional nor a deliberate effort to mislead.

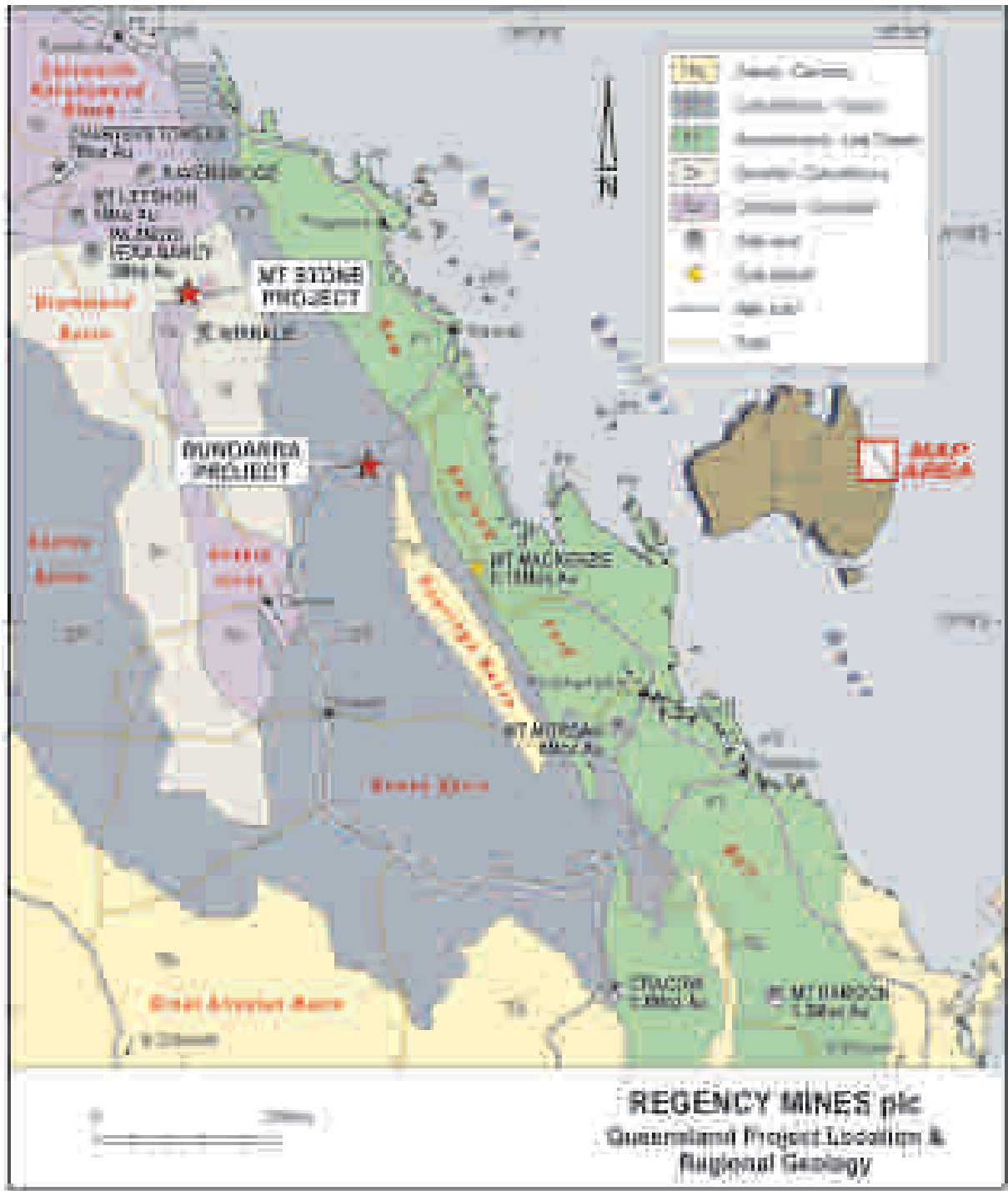
Baxter Geological has given consent to the Company to use this report as part of an Admission Document to be published in connection with an application for all the issued share capital of the Company to be traded on AIM, and to reference this report in any applicable disclosure document, provided that no portion be used out of context in such a manner as to convey a meaning which differs from that set out in the whole.

Yours faithfully

**BAXTER GEOLOGICAL**

Callum Baxter  
MSc Geol, MAIG, MAusIMM  
PRINCIPAL GEOLOGIST





## **Introduction**

Regency has acquired, or is acquiring, tenements in central-eastern Queensland prospective for copper and gold, and tenements in central-southern Western Australia prospective for nickel sulphides and gold. They are focused on two major exploration target types;

1. Mesozoic epithermal stockwork and vein hosted gold-copper deposits, and
2. Archean ultramafic hosted nickel sulphide deposits.

### *Queensland Projects*

The Queensland projects of Bundarra and Mt Stone are 120km southwest and 230km west of Mackay respectively, located in the Bowen and Drummond Basins. They collectively cover an area of some 460km<sup>2</sup>.

The Bundarra project covers numerous copper-gold occurrences located around the margin of a large intrusion known as the Bundarra granodiorite. Copper and gold mineralisation typically occurs within discrete lodes or breccias hosted by metamorphosed sediments. Historical copper production was significant from many small mines in the area.

More modern exploration efforts from the late 1960s were successful in outlining further areas of mineralisation, and confirmed the area's potential to host multiple styles of mineralisation that include high-grade copper-gold vein type mineralisation amenable to open pit and underground extraction, and large IOCG copper and gold systems of Olympic Dam and Ernest Henry style. Results of exploration to date suggest limited drilling and evaluation work is required to delineate copper-gold resources at a number of prospects.

Exploration of the Bundarra region has traditionally been hindered by fragmented tenement ownership and competitive company attitudes. However, Regency now has complete tenement coverage over the entire Bundarra pluton (and its margins) which enables systematic evaluation of all prospective areas.

The Mt Stone project area is located in volcanic and sedimentary rocks of the northern Drummond Basin that have been intruded by granitoid bodies and porphyries of Carboniferous age. This geological setting is the same as that of the Pajingo and Wirralie gold mines (+500,000oz), located with 50km of the project. Previous exploration in the Mt Stone region has located many historic gold, silver and copper workings that exploited epithermal breccia and vein style mineralisation, and also outlined numerous other areas of gold anomalism.

In ground adjacent to the project area, drill testing of mineralisation has confirmed the presence of high grade gold mineralisation while anomalies within the project area have had little follow-up despite showing similar geochemical signatures. Regency proposes to target the more promising areas with early drilling programs.

### *Western Australian Projects*

The Western Australian projects are located in the Lake Johnston greenstone belt of the central-southern Yilgarn Block in southern Western Australia, and cover an area of 450km<sup>2</sup>. The Yilgarn is a segment of stable Archean crust that is well endowed in commodities such as nickel, gold, copper, lead, zinc, and iron. The central-southern Yilgarn region has a solid production history of nickel from deposits at Lake Johnston, Forrestania, and Ravensthorpe, and gold from Marvel Loch, Forrestania and Southern Cross.

Regency's tenements are located in the Lake Johnston belt that is a generally narrow, north to northwesterly striking, 200km long greenstone sequence dominated by mafic, ultramafic, felsic volcanic, and sedimentary lithologies. This belt hosts the Emily Ann and Maggie Hays nickel sulphide deposits that are owned and operated by LionOre Mining International ('LionOre'). The Emily Ann operations currently produce approximately 9,000t of nickel in concentrate per annum. The concentrate is sold to Inco Ltd ('Inco') under a life of mine offtake agreement. Regency's five project areas of Lake Percy, Cat Camp, Maggie Hays South, Mt Gordon and Tay lie adjacent to, or along strike from, the Emily Ann and Maggie Hays deposits.

Early exploration in the Lake Johnston greenstone belt was concentrated in areas of outcrop. It was not until the late 1990s that explorers began to test for nickel and gold prospective stratigraphy under areas of soil and sand cover, particularly in the northern and southern extremities of the belt. Their efforts were successful in confirming the presence of greenstone under a thin veneer of colluvium and aeolian sand, and also detected nickel bearing sulphides in ultramafic lithologies at a number of prospects, including the Johnston Sandplain prospect and Cat Camp prospect.

Current exploration in the Lake Johnston greenstone belt is being carried out by Inco in Joint Venture with LionOre, Western Areas NL ('Western Areas') in Joint Venture with Image Resources NL ('Image Resources') and Monarch Resources Ltd ('Monarch'). Recent encouraging nickel intercepts have been reported by Western Areas from exploration drilling at their Lake Percy project which lies adjacent to the Company's tenements, and near to the Johnston Sandplain prospect. These results suggest that further exploration is warranted on Regency's projects, which lie in a region that hosts economic nickel sulphide deposits and where there is active exploration.

#### *Exploration Budget*

Regency has proposed a minimum 12 month exploration budget of £116,140 for its projects as presented in the following table. These figures exceed the minimum annual expenditure commitments as prescribed by the respective Australian State Government authorities.

Exploration Budget for the Period Nov 2004 – June 2005

<i>Project</i>	<i>Expenditure to 30.06.05</i>	<i>Expenditure 1.07.05 to 31.12.05</i>
<b>QLD</b>		
Bundarra	£11,770	£8,400
Mt Stone	£10,500	£10,500
<b>WA</b>		
Cat Camp	–	£12,600
Lake Percy	£16,800	£8,400
Maggie Hays	£13,230	£6,615
Mt Gordon	–	£4,725
Tay	£8,400	£4,200
Total	<u>£60,700</u>	<u>£55,440</u>

### **Queensland Projects**

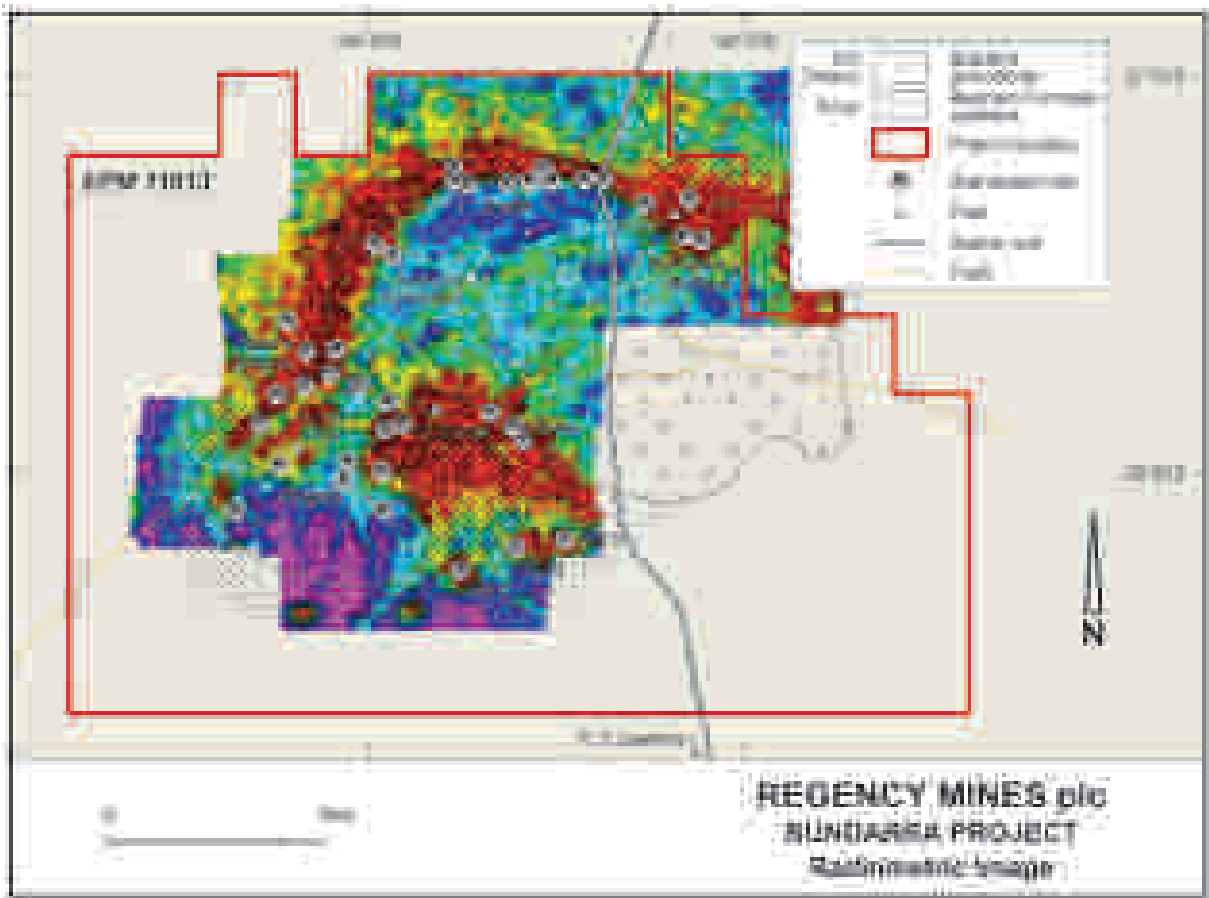
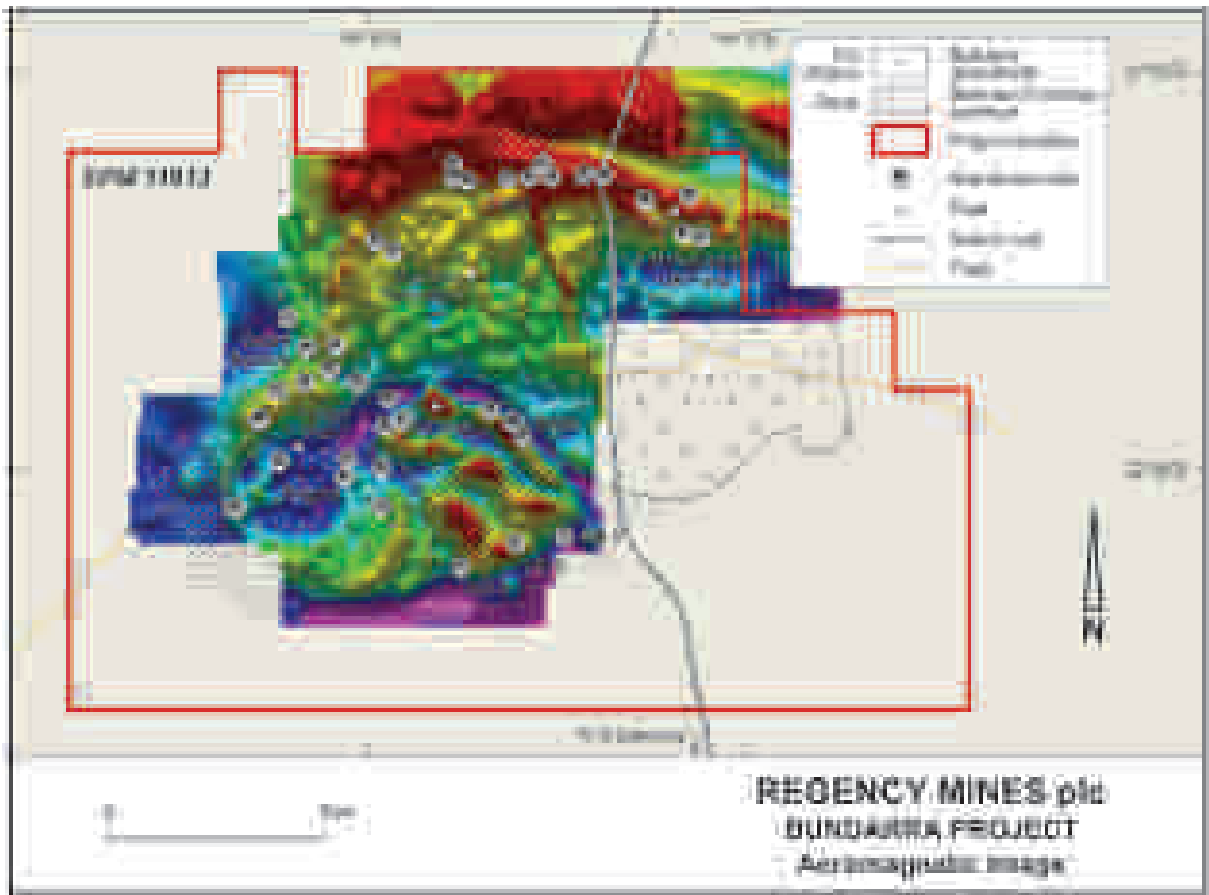
#### **BUNDARRA PROJECT**

The Bundarra project consists of a granted Exploration Permit for Minerals (EPM 11613) that covers an area of approximately 260km<sup>2</sup>. The project lies 120km southwest of Mackay in the Bowen Basin of central Queensland. A rail line between the Bowen Basin coalfield and the coast passes less than 10km to the north of the tenement. Access from Mackay is by the Sarina/Marlborough Road, then via the Peak Downs Highway and Fitzroy Road to Bundarra Homestead. A network of formed gravel roads provides good access within the tenement.

The project area covers numerous genetically related (epithermal) copper-gold occurrences located around the perimeter of a large granodiorite intrusion known as the Bundarra granodiorite. Copper and gold mineralisation typically occurs as discrete lodes or breccias within contact metamorphosed sediments. Historically, copper was produced from the numerous small mines in the late 1800s, and 1960s. Modern exploration commenced in the early 1960s and was carried out sporadically through to the late 1980s, outlining further areas of mineralisation and confirming the area's potential to host multiple styles of mineralisation, including; 1) high-grade copper-gold vein type mineralisation amenable to open pit and underground extraction, 2) bulk tonnage low grade or smaller higher grade breccia hosted gold-copper bodies, and 3) bulk tonnage low grade sheeted vein/stockwork copper-gold bodies.







A review of past exploration suggests that limited work is required to delineate copper-gold resources at a number of prospects, and that the project area is also prospective for large IOCG copper and gold systems of Olympic Dam and Ernest Henry style. In the past, exploration of the Bundarra region was hampered as a result of competitive company attitudes and fragmented tenement ownership, however Regency now has complete tenement coverage over the entire Bundarra pluton (and its margins), enabling systematic evaluation of all prospective areas.

### *Regional Geology and Mineralisation*

The Bundarra tenement covers the oval shaped Early Cretaceous Bundarra Granodiorite pluton, which intrudes sedimentary rocks of the Lower Permian Back Creek Group, part of the Bowen Basin. The pluton is approximately 6km x 14km in size. The granodiorite pluton is a composite body with phases ranging from diorite, quartz diorite, monzonite, adamellite, through to alkaline granite and syenite. In the south western part of the pluton complex is the Painted Peak pluton, which is readily discernable as a separate intrusion on airborne magnetic data. It is dominated by porphyritic dyke swarms and is possibly emplaced at higher level than the remainder of the complex. Outcrop is relatively poor so the intrusive relationships between the various phases are not known. Microgranite/microsyenite dykes and sills intrude the sedimentary rocks to the west and south of the Bundarra Granodiorite.

Intrusion of the pluton is interpreted to have been localised at the intersection of two regional lineaments, one a northwest-trending zone defined by several other Cretaceous intrusions located along the axis of the Bowen Basin, and the other a northeast-trending lineament.

The surrounding Permian sedimentary rocks are predominantly fine-grained silty carbonaceous rocks, domed upwards because of the granodiorite intrusion, and dip at 20° to 50° radially outwards from the pluton. These sedimentary rocks have been metamorphosed and altered to upper albite-epidote facies metasediment, locally containing knotted andalusite, in an aureole up to 800m wide along the pluton contact.

The altered silicified rocks are more resistant to weathering and so form a prominent topographic rim around the perimeter of the pluton. Alteration is very extensive as can be seen on airborne radiometrics and magnetics. A prominent positive response on airborne magnetic data has been attributed to the development of pyrrhotite/magnetite/hematite, and a high coincident potassium channel radiometric count has been attributed to abundant potassic (biotite/?K-feldspar) alteration, in addition to silicification.

The discovery of many copper occurrences within, and surrounding, the pluton led to the proclamation of the Mount Flora Mineral Field in 1907. Historically copper was produced from numerous small mines from the late 1800s to 1909, when production decreased due to the failure of the local smelter. Records indicate that between 1900 and 1918, 1,930 tonnes of ore were treated at an average grade of 16.5% Cu. Between 1909 and 1920, and again during the late 1960s and early 1970s, production from the more significant Mt Flora and Mt Orange deposits was sent to Mt Morgan for treatment. Production from the Isens Mine in the Mt Orange area in the 1960s-1970s is said to total 10 000t grading 8-12% copper, 6-9 oz/t silver, and 2g/t gold.

Two main and distinct styles of mineralisation have been recognised within the area: quartz-hematite-copper-gold vein deposits located close to the margin of the pluton, either within or immediately adjacent to the granodiorite, and copper-gold breccia or stockwork deposits hosted within the metasediments peripheral to the granodiorite. Almost all of the old workings are situated within 2 to 6m wide fracture zones. Higher grade lodes within these zones are generally up to 1m wide and commonly exceeded 15% Cu. The fracture zones are usually perpendicular to the contact between the granodiorite and the sedimentary rocks, although some are parallel to it. Surrounding these fracture zones, particularly in the Painted Peak area, are zones of alteration up to 90m wide. The alteration is generally not of a pervasive nature but more commonly consists of anastomosing fractures. Alteration minerals are generally hematite, silica, sericite, chlorite, K-feldspar, and rare magnetite.

Mineralisation consists of copper carbonates and/or copper sulphides and gold in a gangue of quartz, hematite, pyrite, pyrrhotite and more rarely magnetite. Magnetite occurs, for example, at Rogers prospect as bladed crystals pseudomorphed after specular hematite, and at the Clooracorn mine and Painted Peak as hematite-magnetite veining in breccia. Magnetite also occurs in association with quartz-K feldspar dykes which are commonly intrusive into breccias.

Vein mineralisation in the granodiorite can have strike lengths greater than 500m. Disseminated sulphides can occur between multiple sheeted veins. The known breccia style deposits are scattered in the Painted Peak-Rogers-Isens- Hill 1 areas.

The largest breccia system is at Quorn. Here brecciation has a surface area of 150m x 75m and is surrounded by an alteration envelope of 250m x 125m. It is a collapse breccia in black siltstone and contains large clasts (up to 2m wide) of quartz/potassium feldspar altered porphyry. A stockworked quartz feldspar dyke intrudes the breccia-wall rock (siltstone) contact.

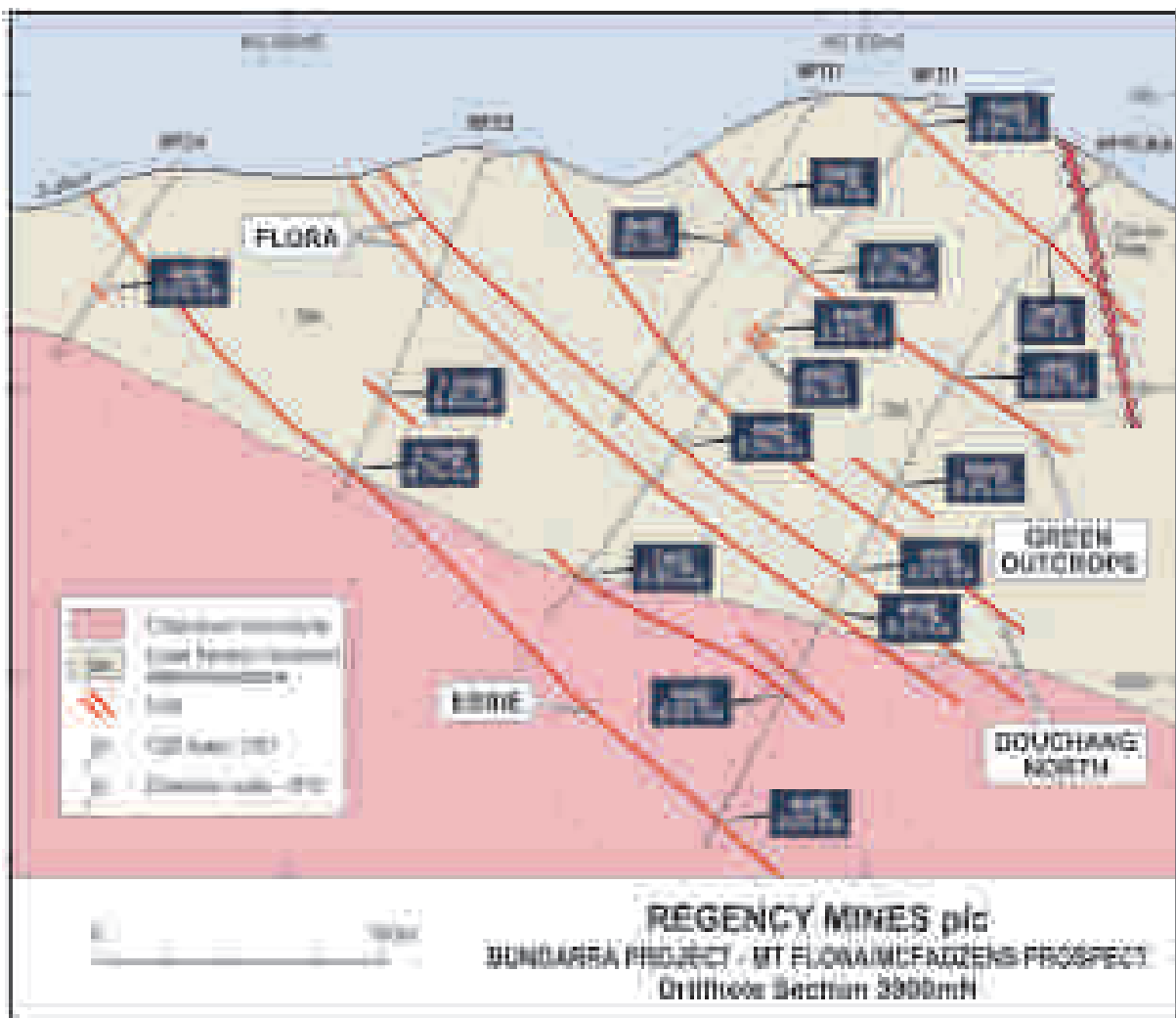
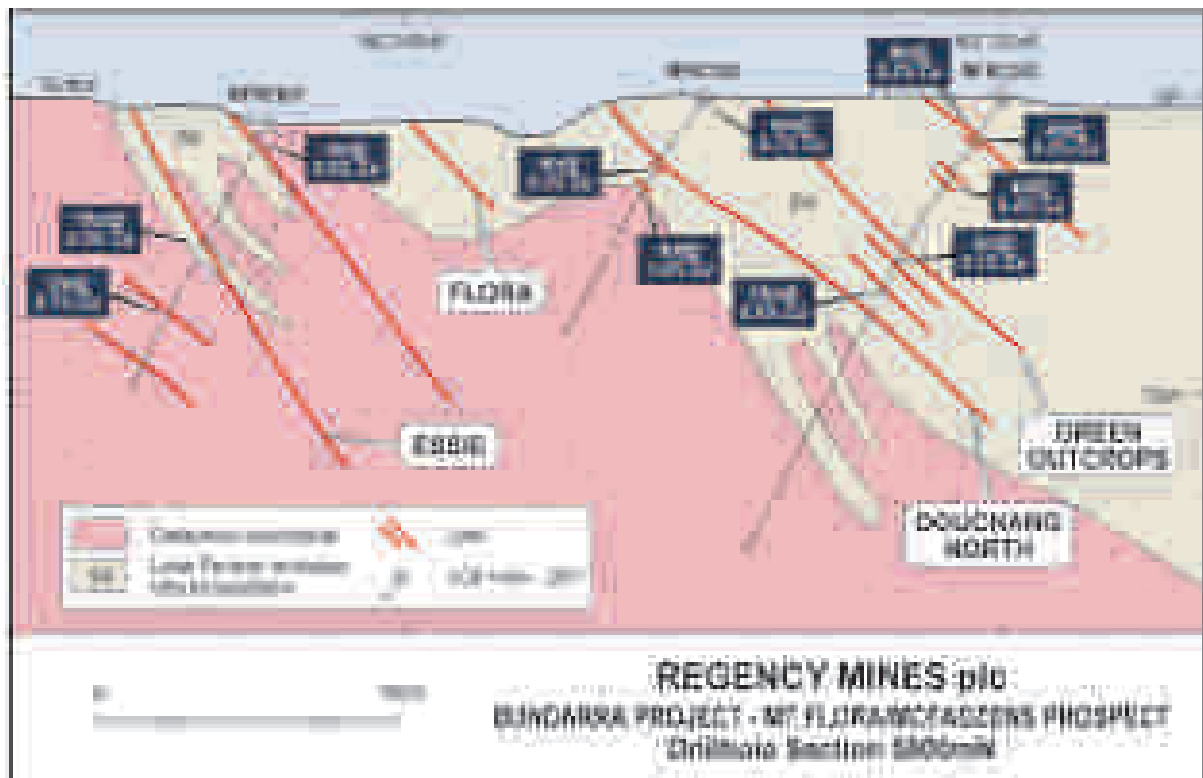
#### *Previous Exploration*

Historically, a systematic coverage by exploration and mining groups has been hampered by a fragmented tenement ownership and restrictions in gaining access to areas under freehold title. Regency now has complete tenement coverage over the entire Bundarra pluton and its margins. The first phases of modern exploration of the Bundarra area occurred from 1963 to 1973, focusing especially on the potential for intrusive-related porphyry-style copper and gold mineralisation. In this period, Enterprise Exploration Pty Ltd, Geopeko Limited, Planet Metals Limited, Shaw River Alluvials Limited, ICI Exploration, and the Endeavour Oil Company carried out geological, geochemical, geophysical, diamond drilling and mine evaluation programs at Mount Orange and Mount Flora. In 1973 Endeavour Oil calculated that the mineralised body at Mt Flora consisted of 262,000t at 2.59% Cu and 40g/t Ag, with possibly up to 1.45Mt.

In the early 1980s Chesterfield Mining and Exploration evaluated the Quorn breccia and other occurrences along the northern margin of the granodiorite, with the best result from drilling being 3m at 7.25g/t Au at the Cadet Prospect. In 1984, Carpentaria Exploration Pty Ltd completed a gravity survey over the area. This work outlined a strong gravity ridge along the western edge of the intrusive which was interpreted as another intrusive, or a stacked set of hematite veins within the Permian sediments.

Between 1986 and 1988 G.S.S. Homes Pty Ltd, ARI Ltd and Elliott Exploration Co Pty Ltd evaluated targets at Mt Flora, Quorn and Painted Peak by reanalysing earlier drill holes for gold, and by costeaning and rock chip sampling. Results included 6m at 2.2g/t Au and 6.5% Cu at Isens. In 1989 Xenolith Gold Ltd conducted photogeological mapping, stream sediment sampling and rock chip sampling south of the intrusive complex. Breccias (of apparently limited tonnage potential) were located east of Mount Orange, though at the Hill 1 prospect rockchip samples returned up to 3g/t Au.

Palladin Resources Pty in 1989-1991 defined two copper-silver-gold prospects in the Quorn area. Exploration comprised bulk leach and rock chip sampling and detailed mapping. This was followed, between 1991 and 1994, with exploration efforts by Dominion Mining Limited, Marlborough Mines NL, Queensland Metals Corporation, and Normandy Exploration Limited over several areas, including the Quorn Breccia. Here an 800m long siliceous breccia was located containing up to 9% Cu, however results of drilling suggested the better grades were confined to near surface, and that the breccia narrowed at depth. In 1994, MIM Exploration Pty Ltd re-processed and interpreted airborne magnetic data and drilled targets on the northern margin of the intrusion, however no results of significance were returned. In 2001, Central Queensland Resources Ltd drilled six Reverse Circulation ('RC') holes at Mt Flora, intersecting up to 8m at 0.71% Cu.

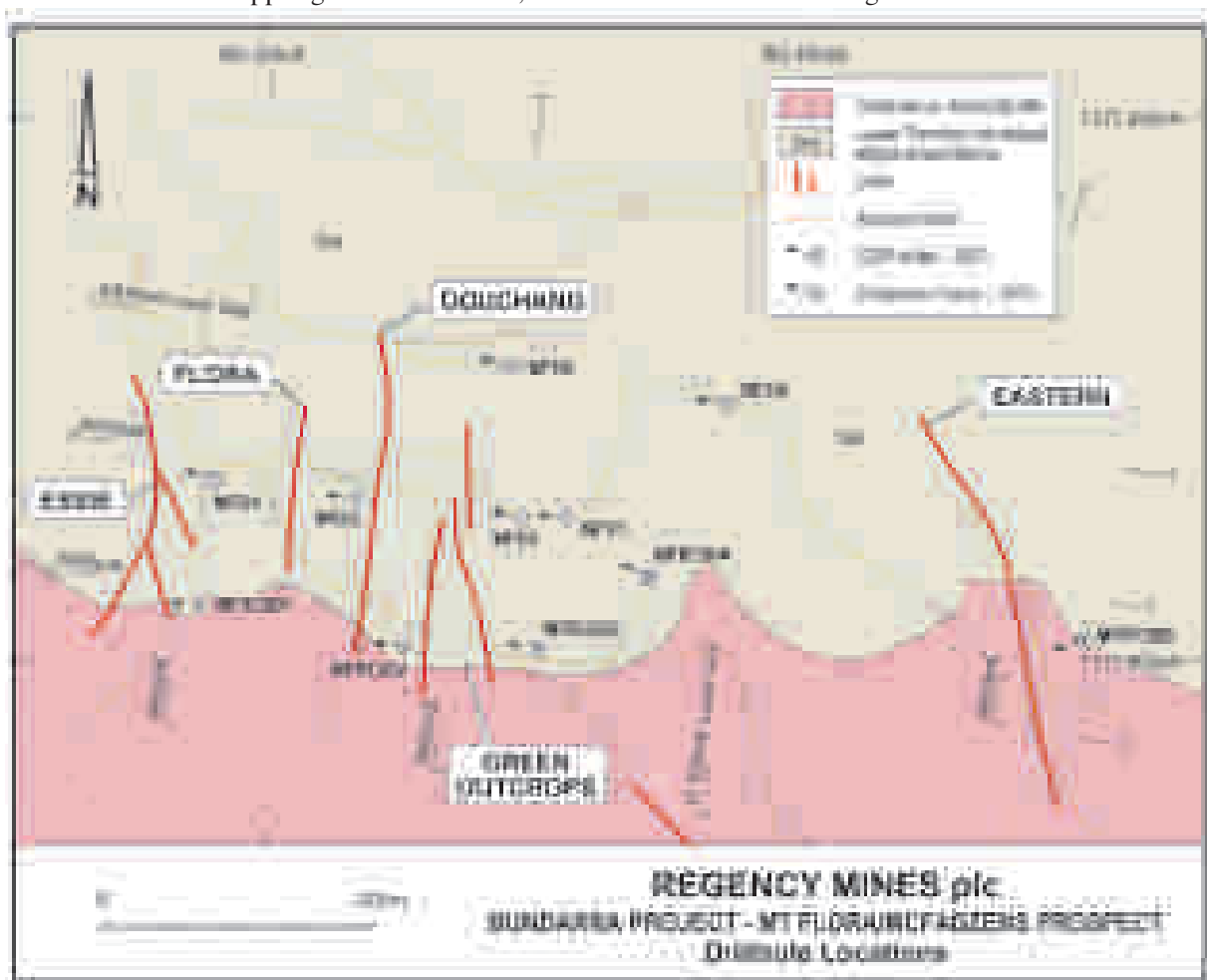


### Exploration Potential

Regency's tenement covers an entire mineral field in which there are numerous significant disseminated, vein and breccia type copper gold deposits in and adjacent to the Bundarra Granodiorite pluton. Two main styles of mineralisation have been recognised within the area; they are firstly copper-gold vein-deposits located close to the margin of the intrusion, hosted by either granite or metasediment, and secondly copper-gold breccia or stockwork deposits hosted within the meta-sediments peripheral to the granodiorite.

The known main mineral deposits, in both the metasediments and in the granite have been evaluated with a variety of techniques including rock chip sampling, costeaning, IP surveys and drilling. These were designed to find strike and depth extents of the mineralisation. Existing drilling on vein-style deposits suggests that high-grade mineralisation may be discontinuous and that copper and gold grades may be preferentially enriched in the near-surface oxidised zone. However, the Mount Flora and Isens systems, for example, have received limited drilling along the strike and depth extent of the vein systems. Furthermore there is potential for broad zones of low-grade mineralisation occurring as disseminated sulphides between multiple sheeted veins as demonstrated by the Central Queensland Resources drilling results. Therefore, it is considered that such targets require further evaluation and exploration.

Breccia or stockwork mineralisation is known at Quorn, adjacent to the western margin of the pluton, and at the Hill 1, Hill 2 and Hill 3 prospects that are located within the embayment in the southern margin of the pluton. At Quorn the breccia contains up to 9% secondary copper mineralisation at surface, with grades not replicated by drilling. The breccia was interpreted to be narrowing at depth, although this interpretation may be incorrect because only limited percussion drilling has been completed to date, and it is unlikely that the breccia could be effectively logged in drill chips. The interpretation was likely to have been based on the copper grade distribution, which is an unreliable lithological indicator.



At Hill 1, gold analyses of up to 3g/t Au were obtained in rock chip sampling, however no drilling was completed due to the low tenor of soil anomalies and absence of observed strong hydrothermal alteration. The exploration data suggest that a more rigorous approach to exploration in this area is warranted and that there is potential for large disseminated gold and copper breccia systems. Breccia-style deposits have generally been only modestly explored. No systematic approach to geophysical or drilling programs has been adopted within these prospects, and the existing drilling has generally been targeted on the basis of limited geochemical data. It is possible that breccias of Kidston/Mt Leyshon-type may occur in the area; clearly these would be attractive targets.

In the Painted Peak region, there are many indications that the intrusive is at a high level. The evidence includes the presence of breccias, pebble dykes, porphyritic dyke swarms, and open space comb-quartz lined vughs. There is intense alteration over a large area. This is a potentially highly productive environment for the development of gold/copper mineralisation of several styles. The metamorphic/metasomatic aureole around the pluton is up to 800m wide and airborne magnetics and radiometrics clearly show that a vast volume of pyrrhotite/hematite/magnetite/ potassic alteration is present. It is host to most of the known mineralisation. Doubtless other copper/gold mineralised systems apart from the known ones remain to be found in such a large system.

The southeast margin of the pluton has not attracted any recorded exploration, apparently due to issues related to land access in this area. The south-eastern margin of the intrusive includes an embayment similar to that which hosts the Mount Flora lode system, providing an immediate high priority target for exploration.

The common presence of hematite (and magnetite) associated with potassic alteration in the lodes is consistent with a model involving the mixing of hydrothermal fluids (derived from the granodiorite) with oxidised meteoric fluids. This model for mineralisation is similar to other iron oxide-copper-gold ('IOCG') systems that include a range of mineral deposit styles from porphyry-copper through to large deposits such as Olympic Dam and Ernest Henry. No systematic approach to exploration for IOCG style deposits has yet been done, but is readily justified.

In summary, the Bundarra Project is considered to have the potential for 1) modest tonnage, high-grade copper-gold vein type mineralisation amenable to open pit and underground extraction, 2) bulk tonnage low grade or smaller higher grade breccia hosted gold-copper bodies, 3) bulk tonnage low grade sheeted vein/stockwork copper-gold bodies, and 4) large IOCG systems of Olympic Dam and Ernest Henry style.

Regency has high quality aerial photography over the entire project area, and a digitally compiled geochemical and drilling database of previous exploration data. This information provides a basis from which the nature and effectiveness of previous exploration can be evaluated and new targeting strategies developed with modern exploration techniques in mind. The company has proposed an exploration program that includes the following key elements;

- Acquisition and processing of multi-spectral satellite imagery, and further processing and interpretation of airborne magnetic data.
- Selection of target areas from data compilation, and from interpretation of satellite imagery and magnetic data.
- Ground assessment of targeted areas, including geological and structural mapping, and geochemical sampling.
- Reconnaissance Rotary Air Blast ('RAB') drill testing, potentially of the Mt Flora and Isens areas.

## MT STONE PROJECT

The Mt Stone project comprises a single Exploration Permit application (EPM14581) located 230km west of Mackay. The tenement covers approximately 200km<sup>2</sup> of volcanic and sedimentary rocks of the northern Drummond Basin. These rocks have been intruded by granitoid bodies and porphyries of Carboniferous age. The project is prospective for epithermal gold deposits such as those at the Pajingo and Wirralie gold mines, located 50km northwest and 40km southeast respectively.

Access from Mackay to the Mt Stone project area is by sealed and formed roads via Glenden, Mt Coolon, and Pyramid Homestead to Mt McConnell. Local roads and station tracks provide reasonable 4WD access throughout the project area, except following heavy rains.

Previous exploration has outlined extensive gold anomalism within the project area. However, these anomalies have had little follow-up despite showing similar signatures to known epithermal gold mineralisation. Regency proposes to target the more promising areas with early drilling programs.

### *Regional Geology and Mineralisation*

The Mt Stone project lies in the northern part of the Drummond Basin that is a large intracratonic basin which formed in response to east-west extension during the late-Devonian to Early Carboniferous periods. Locally, the tenement covers intermediate to northeast striking and west dipping felsic volcanic and volcanoclastic rocks that are ascribed to the St Annes Formation (Silver Hills Volcanics equivalent). These rocks host epithermal gold ( $\pm$  silver) mineralisation at Pajingo, Wirralie, Yandan and Mt Coolon. Pajingo and Wirralie are located within a 50km radius of the project area and have a combined pre-mining gold resource of over 675,000oz.

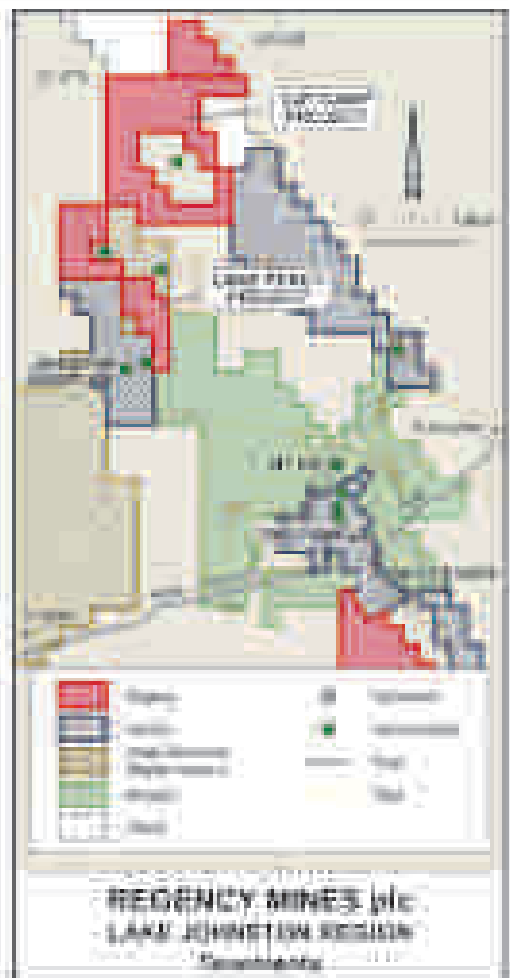
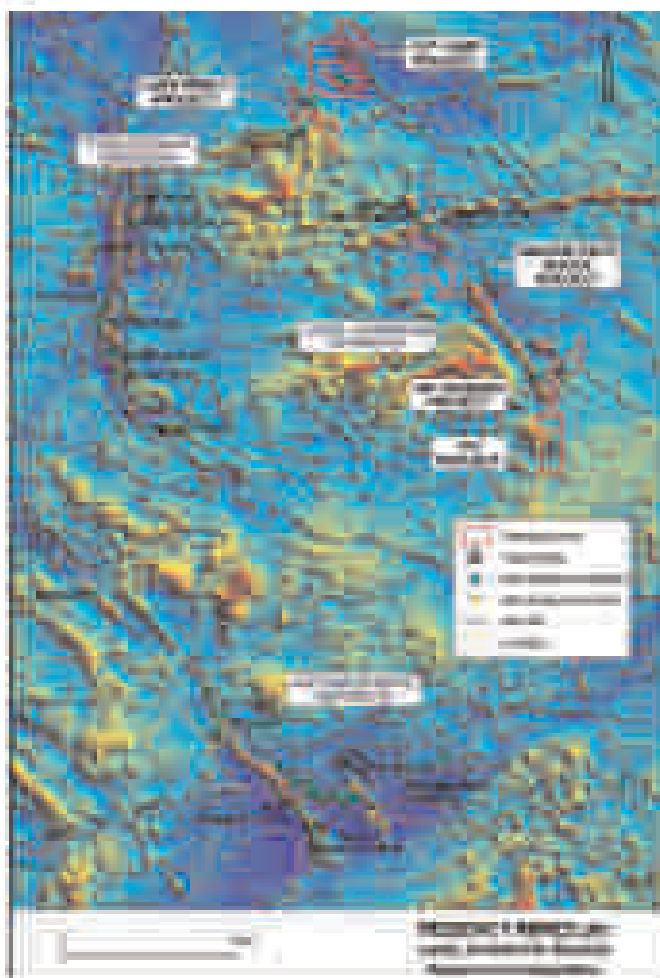
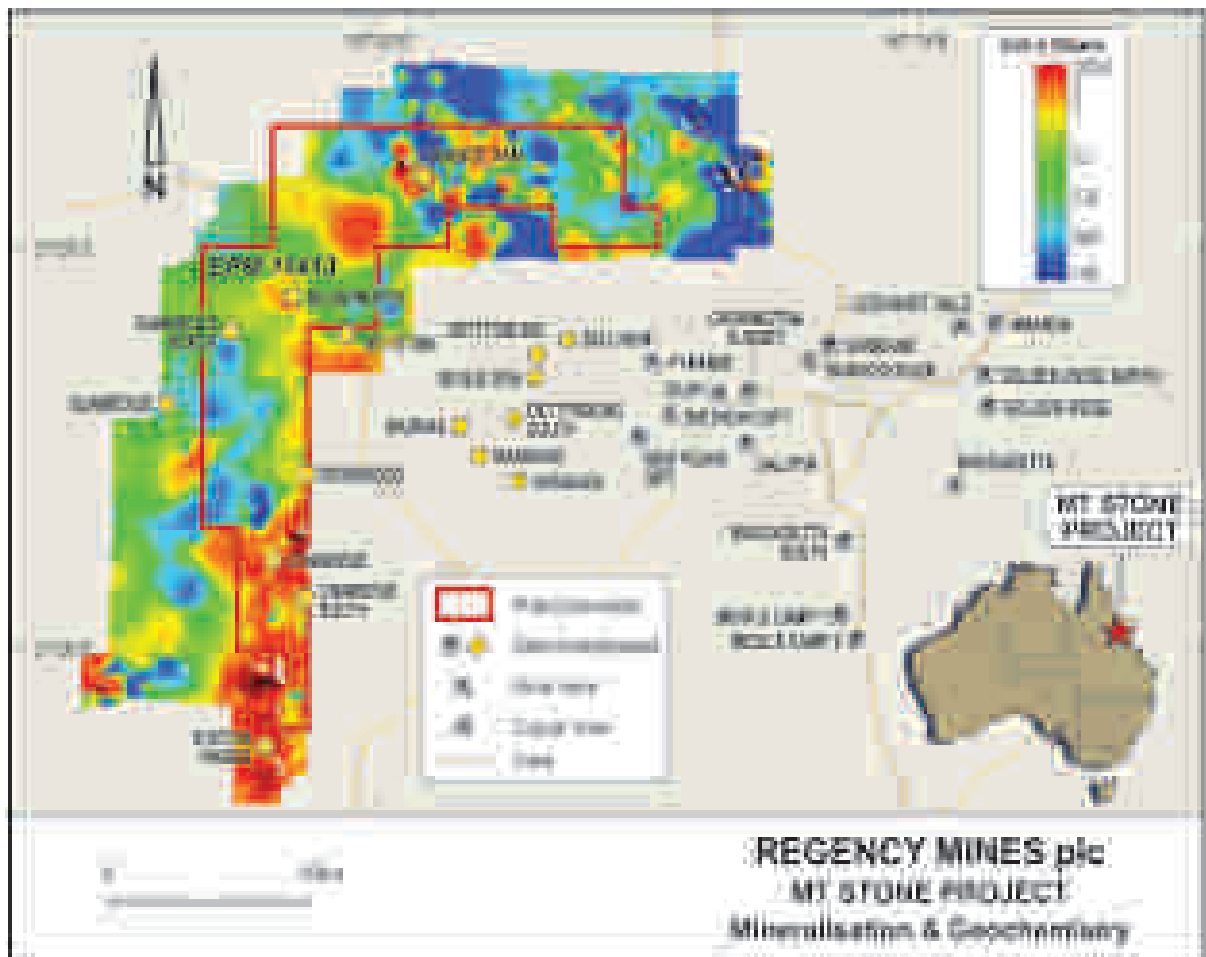
The St Annes Formation rocks are intruded by granitoid and porphyry bodies of Carboniferous age, for example, at Cramoisie in the south of the project area. Northeast trending lineaments, which are possibly basement faults active at the same time as sediment deposition within the Drummond Basin, appear to provide a control on the spatial distribution of granitoids and porphyries. In the northern parts of the project area St Annes Formation rocks are covered by Late Carboniferous rhyolitic volcanics ascribed to the Bulgonunna Volcanics. Outcrop throughout the project area is reasonable, with only a thin veneer of immature soil, making the project area amenable to coarse sieve geochemical drainage sampling and soil sampling. Historic workings of Middle Camp, Margaretta and Bannockburn are located 20km to the east. These workings have exploited accumulations of precious and base metals attributed to epithermal vein and breccia style mineralisation.

### *Previous Exploration*

From the late 1970s, mining companies have explored the Mt Stone region and adjacent areas. Exploration for gold was carried out by companies including Battle Mountain Australia Inc., Hunter Resources Ltd, Aztec Mining Company Ltd, CSR Ltd, Exploremine Pty Ltd, Ross Mining NL, Dalrymple Resources NL, Newcrest Mining Ltd and Western Mining Corp. Their work was mainly directed towards locating epithermal gold mineralisation and involved geological mapping, stream and soil geochemistry, and drilling.

Mapping and reconnaissance work was successful in locating historic gold, silver, and copper mines and workings to the east of the project area including Middle Camp, Sunbeam, Bannockburn, Daisy and Pyramid. Stream and soil geochemistry outlined numerous areas of anomalism within the current project area, and areas to the east, including Cramoisie, Rosewood, Gunnedoo, Mt Stone, Silvernorth, Granite Dam, Sellheim, Gettysburg and Varanasi. Most prospects and historic workings are hosted by Saint Annes Formation rocks that are equivalent hosts to the large Pajingo and Wirralie resources. Drilling at a number of these prospects has returned encouraging results including 8m at 18.1g/t Au and 24m at 5.0g/t Au, highlighting the prospectivity of the region for high grade gold resources.

A review of the previous geochemical exploration data by Regency has outlined gold anomalies that have received little attention in the past. The most significant anomalies are 1) south of Cramoisie prospect, 2) northeast of Cramoisie, 3) northeast of Silvernorth and 4) east of Granite Dam. These represent encouraging exploration targets in light of encouraging drill results from other prospects with similar geochemical signatures.





### *Exploration Potential*

The Mt Stone project area is located in the northern part of the Drummond Basin, within a northerly trending rift system that is traversed by northeast trending lineaments. Late granitoid and porphyry bodies intrude the volcanic and sedimentary rocks with their spatial distribution apparently controlled by basement faults.

In the region in this geological setting epithermal gold and base metal mineralisation is known, with large deposits of +500,000oz occurring at Pajingo and Wirralie. Mineralisation has been identified over a large 40km x 30km area that includes the current project area. Several of these occurrences were worked as historic mines with high grade gold, silver and/or copper shows hosted by epithermal veins and breccias.

Results of previous exploration within the Mt Stone project area show several areas of gold anomalism that have not been followed up despite encouraging drill intercepts at prospects in adjacent ground. The company has proposed an exploration program that includes geological mapping, soil sampling and rock chip sampling to outline more prospective targets that are to be subsequently tested with RAB drilling. These methods are considered suitable for exploration of this deposit type, and are consistent with the mineral potential of the project.

### **Western Australia Projects**

Regency has seven exploration licences comprising five separate project areas in the Yilgarn Block of southern Western Australia. The tenements are primarily prospective for ultramafic hosted nickel sulphide mineralisation, however gold mineralisation may also occur.

The Yilgarn Block is a segment of stable Archean crust that is well endowed in commodities such as nickel and gold, and has also produced significant quantities of copper, lead, zinc, and iron. The central-southern Yilgarn region in particular has a solid production history of nickel from sulphide deposits at Lake Johnston, Forrestania, and Ravensthorpe, and also has a long history of gold production from the mining centres of Southern Cross, Marvel Loch, Bullfinch, and Westonia.

Regency's Western Australian tenements are located in the Lake Johnston region, located 160km southeast of Southern Cross. The region has good infrastructure, formed roads, regular air services, good communication facilities, and readily accessible supply points. The Company's tenements cover approximately 450km<sup>2</sup> of the Lake Johnston greenstone belt that is host to the currently producing Emily Ann nickel mine, and Maggie Hays nickel resource, both owned and operated by LionOre Mining International Ltd ('LionOre').

### **LAKE JOHNSTON REGIONAL GEOLOGY, EXPLORATION HISTORY AND NICKEL MINERALISATION**

The Lake Johnston greenstone belt is a relatively new nickel sulphide producing region located in the southern Yilgarn of Western Australia. Access to the area from Perth is best via the sealed Brookton Highway to Hyden, then by the formed Hyden-Norseman road to the Lake Johnston area.

The Lake Johnston greenstone sequence strikes north to north-northwest and is a generally narrow greenstone belt over 200km long. The succession consists of basalts with mafic and ultramafic layer-parallel intrusions, overlain by clastic sedimentary rocks, Banded Iron Formation ('BIF'), and minor felsic volcanics. Structurally, the belt is complex with the crustal scale Koolyanobbing Fault forming its eastern margin, and adjacent greenstones showing sub-parallel stratigraphic contacts. Thrust repetition of stratigraphy is evident with younger mafic and ultramafic units apparently overlying older sedimentary and felsic volcanic rocks. Late east to west trending dolerite dykes traverse the belt, along with smaller scale quartz veins.

Outcrop of the greenstone sequence is poor; the area is largely covered by a variably stripped laterite profile, a thin layer of calcareous colluvium and wind blown sand. Laterite is most common in the belt's central parts near the Emily Ann and Maggie Hays deposits while sand-cover is prevalent in the northern and central-east of the belt. Thin calcareous colluvium dominates the belt's southern parts.

Exploration for nickel sulphides in the Lake Johnston area commenced in the mid 1960s, and the first nickel mineralisation was located 600m south of Maggie Hays in the early 1970s. In the early 1980s Amoco

Minerals Australia Inc. intersected sulphide mineralisation of the Maggie Hays deposit, which was later sold to Forresteria Gold NL in 1991. Forresteria Gold NL had successfully outlined disseminated and massive nickel sulphide mineralisation over a strike length of 1400m by the mid 1990s. The Emily Ann deposit was discovered 3km north of and along strike from the Maggie Hays deposit by Capricorn Resources Australia NL in 1997.

Mineralisation at Maggie Hays and Emily Anne is hosted by similar ultramafic and felsic volcanic units. Both disseminated and massive nickel sulphides, interpreted to have been locally remobilised by tectonic activity along faults and lithological contacts, are present. Exploration methods used in the discovery of these deposits include geological mapping, soil and laterite geochemistry, ground geophysics (EM), RAB, RC, and diamond drilling, and downhole geophysics (EM). Current exploration activities elsewhere in the belt are being carried out by Inco Ltd under a Joint Venture agreement with LionOre, Western Areas NL in Joint Venture with Image Resource NL, and Monarch Resources Ltd.

Development of the Emily Ann deposit was initiated by LionOre in 2000, having a pre-mining resource of 2.1Mt @ 3.98% Ni for 84,000t of contained nickel, with the first production of concentrate coming in late 2001. Total ore production from the Emily Ann mine for 2003 was 292,000t grading 3.06% Ni for 9,052t of contained nickel metal. At the 2003 average monthly London Metal Exchange ('LME') nickel price of US\$9,625/t this represents over US\$85million in metal revenue for the year. Also, in early 2004 LionOre committed to the development of the Maggie Hays deposit that has a resource of 12Mt @ 1.55% Ni for 186,000t contained nickel. The addition of Maggie Hays ore will increase total output from the Lake Johnston operations to at least 12,000t per annum of contained nickel. Nickel concentrates produced from the Lake Johnston operations are sold to Inco Ltd under a life-of-mine off-take agreement.

Regency's five project areas of Lake Percy, Cat Camp, Maggie Hays South, Mt Gordon and Tay lie immediately adjacent to, or along strike from, the Emily Ann and Maggie Hays deposits and provide significant exposure to nickel prospective stratigraphy in a region that has demonstrated the potential to host economic nickel sulphide resources.

#### CAT CAMP

The Cat Camp project area comprises two contiguous exploration licence applications of E15/827 and E15/830 that cover an area of 153km<sup>2</sup>. The tenements are located in the northeastern parts of the Lake Johnston greenstone belt and include strike extensions of greenstone stratigraphy prospective for nickel sulphide mineralisation.

The tenements include parts of a north-northwest trending sequence of interlayered ultramafic rocks and BIF within a two to five kilometre wide greenstone sequence. The greenstone sequence is bounded by granite to the east, and the large Koolyanobbing Shear. Outcrop within the project area is poor, being largely covered by a variably stripped laterite profile and aeolian sand. Consequently, knowledge of bedrock geology is heavily reliant on extremely limited drilling data and interpretation of aeromagnetic data.

There is no record of significant exploration activity within the project area prior to the mid 1990s. Reported exploration activities commenced in 1997 with Central Kalgoorlie Gold Mines carrying out nickel sulphide exploration over the northern parts of the Lake Johnston greenstone belt. Their work included geological reconnaissance and interpretation of aeromagnetic data that generated 15 targets, based on magnetic signature. Two of these targets, located 2km south of the current project area, were considered high priority and followed up with ground EM surveys which outlined two bedrock conductors located 700m apart within an interpreted mafic/ultramafic sequence. Subsequent drill testing of the conductors intersected sulphides with grades up to 3990ppm Ni. Downhole EM was completed and off-hole conductors detected, however no follow-up work was carried out.

These results are considered significant in light of the detection of bedrock conductors, and subsequent intersection of nickel bearing sulphides. These results highlight the nickel sulphide prospectivity of the northern parts of the Lake Johnston greenstone belt where Regency's Cat Camp project area is located.

Regency had proposed a work program to evaluate the nickel sulphide potential of the Cat Camp project. The program includes interpretation of aeromagnetic data, surface geochemistry, geological mapping, and a ground EM survey.

## LAKE PERCY

The Lake Percy project comprises two adjoining granted tenements of E63/877 and E63/878 that cover an area of 63km<sup>2</sup>. The tenements are located in the northern parts of the Lake Johnston greenstone belt, some 40km northwest of the Emily Ann nickel mine. The Lake Percy area is characterised by extensive surface cover and lack of outcrop. Consequently, knowledge of bedrock geology is largely derived from limited drilling information and interpretation of aeromagnetic data.

The tenements cover the northwestern extremities of the Lake Johnston greenstone belt that has been subject to only limited exploration in the past. Samantha Exploration NL and Forresteria Gold NL completed surface geochemistry and scout RAB drilling to test regional aeromagnetic anomalies (remnant greenstone) below cover of aeolian sand and transported laterite. Their work was successful in outlining mafic, ultramafic, BIF and felsic volcanic lithologies interpreted to be the northern strike extensions of lithologies that host the Emily Ann and Maggie Hays deposits. Drillholes by Samantha were not analysed for nickel despite recognition of prospective ultramafic rocks. More recent exploration on LionOre's adjacent Johnston Sandplain prospect was successful in intersecting narrow widths of disseminated nickel sulphides in the same ultramafic lithologies.

In late 2003 Western Areas commenced exploration on ground adjoining the northeast of Regency's Lake Percy tenements under a Joint Venture agreement with Image Resources. They carried out aeromagnetic interpretation and reconnaissance RAB drilling. RAB drilling targeted aeromagnetic anomalies that trend into Regency's current project area and returned two encouraging intersections, 6km apart, of 2m @ 0.6% Ni from 46m downhole, and 1m @ 0.9% Ni from 40m to end of hole. Both intersections were hosted by ultramafic lithologies.

Although at an early stage of exploration these results support the nickel sulphide prospectivity of the broader Lake Percy region, and also provide encouragement for further exploration within Regency's strategically located tenements. The Company has proposed a work program to evaluate the potential of the Lake Percy project for ultramafic hosted nickel sulphide mineralisation. The program includes interpretation of detailed aeromagnetic data, geological mapping, surface geochemistry and RAB drilling of resultant targets.

## MAGGIE HAYS

The Maggie Hays project comprises a single granted exploration licence of E63/879 covering 105km<sup>2</sup> in the central parts of the Lake Johnston greenstone belt. The tenement is located 3km south of the Maggie Hays nickel sulphide deposit and extends for 17km to the south-southwest.

Bedrock geology of the project is largely covered by lake sediments and aeolian sand. Interpretation of aeromagnetic data and regional geological mapping suggests the underlying rocks are largely granitoids, however mapping by the Geological Survey of Western Australia ('GSWA') shows the tenement covers the structurally complex western margin of the Lake Johnston greenstone belt. This stratigraphic and structural setting is similar to that of the Lake Percy area, 40km to the north-northwest, which has returned anomalous nickel intercepts from reconnaissance drilling.

Between 1966 and 1994 Laporte Titanium Australia Pty Ltd, Western United Mining Services Pty Ltd, Forresteria Gold, and Maggie Hays Nickel NL previously held tenements that partially overlap the current project area. Their work focused on nickel and gold exploration, but largely in areas immediately east of the current project area. No specific exploration data relating to Regency's Maggie Hays tenement area is known apart from regional mapping and airborne surveys.

The project area is in the early stage of evaluation and the proposed exploration program, for nickel sulphide mineralization, reflects this. Work proposed includes evaluation of existing airborne geophysical datasets and Landsat imagery to assist in identifying the extent and complexity of the greenstone margin. Further work will comprise geological mapping, and soil and auger geochemical sampling programs. Any subsequent targets would be tested with Reverse Circulation ('RC') drilling.

## MT GORDON and TAY

The Mt Gordon and Tay project areas comprise two contiguous exploration licences of E63/861 and E63/876 that cover a total of 129km<sup>2</sup> in the south of the Lake Johnston greenstone belt. The tenements are prospective for nickel sulphides and also have the potential to host gold mineralisation.

Mt Gordon and Lake Tay areas cover a north to northwest striking greenstone sequence of ultramafic, mafic, sedimentary and felsic volcanic rocks of the southern Lake Johnston greenstone belt. A layered gabbro known as the Medcalf Sill intrudes mafic and ultramafic rocks along the south-eastern parts of the belt with sporadic outcrops in the northern parts of the Mt Gordon project area. The western and eastern boundaries of the greenstone sequence are marked by strike parallel shears that largely define the contact with the surrounding granitoid terrain. Regolith in the region is dominated by aeolian sand, which based on RAB drilling data in adjacent tenements, overlies transported clays up to 10m thick.

The scope of early exploration in the southern parts of the Lake Johnston greenstone belt was limited by the lack of outcrop and, as a consequence, was confined to a relatively small area. However, later detailed aeromagnetic surveys suggested that a more widespread distribution of prospective stratigraphy was present under cover. Early exploration work, between 1966 and 1989 was completed by Western United, Laporte, Amoco Minerals Australia Co., Cyprus Gold Australia Corp. and Precious Metals Australia Ltd. Their work included geological mapping, gridding, surface geochemistry, and RAB drilling. Results of soil sampling located several gold anomalies to the north of the current Mt Gordon project area. Also, drilling outlined an Inferred vanadium resource, situated 3km northwest of the Mt Gordon tenement, of 16Mt grading 12% titanium, 0.8% vanadium, hosted by the Medcalf Sill. Later work from 1990 to 2001 was carried out by LionOre, Goldfields Exploration Pty Ltd and Mount Burgess Mining NL, testing areas under cover. These programs outlined extensive gold anomalies in ground adjoining the Mt Gordon tenement, and within the Tay tenement. Exploration within the Tay project area detected several geochemical anomalies with numerous bedrock conductors. Subsequent RC drill testing of a number of these anomalies intersected sulphide (pyrite and pyrrhotite) mineralisation. Although nickel content of the sulphides was of low tenor, gold analyses including 1m @ 2.97g/t Au were returned. These results confirm the presence of nickel and gold prospective stratigraphy within the project area and suggest further work is required to follow-up untested bedrock conductors and gold targets.

For the Mt Gordon and Tay project areas Regency has proposed an exploration program including a compilation and review of previous exploration data, interpretation of aeromagnetic and Landsat imagery, geological mapping and RC drilling. These methods are appropriate to follow-up existing nickel sulphide targets.

### **Conclusions**

Baxter Geological is satisfied that the data presented and the exploration programs proposed by Regency are appropriate for the current exploration stage of each of the projects reviewed. The geological reasoning employed in interpretation of the information available on the tenements is valid and has been carefully considered in each case. In the opinion of Baxter Geological the licences have significant merit as exploration plays, and have proven potential for the minerals sought.

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## **Glossary of technical terms**

### ***Aerial photography***

The taking of air photos for surveying or other purposes.

### ***Airborne magnetics/Aeromagnetics***

Measurement of the earth's magnetic field from a surveying aircraft, for the purpose of recording the magnetic characteristics of rocks.

### ***Alluvium/alluvial***

Recent surficial water-lain sediments.

### ***Alteration zone***

Zone within which rock-forming minerals have been chemically changed.

### ***Amphibolite***

A metamorphic rock composed mainly of amphibole.

### ***Anomalism***

Said of geochemical and geophysical data which deviates from regularity.

### ***Archean***

The oldest rocks of the Precambrian Era, older than about 2500 million years.

### ***Arsenic***

A mineral, the native element, occurring in grey masses.

### ***Arsenopyrite***

A mineral, FeAsS.

### ***Auger***

A screw-like drill designed to provide shallow soil or soft rock samples.

### ***Auriferous***

Containing gold.

### ***Banded Iron Formation (BIF)***

Chemical sedimentary rock composed mainly of finely alternating layers of silica and iron oxide.

### ***Base metals***

The more common and chemically active metals, e.g. lead, copper, zinc, nickel.

### ***Basin***

An extensive depressed area into which the adjacent land drains.

### ***Bedrock***

Solid rock underlying surficial deposits.

### ***Bismuth***

A brittle metallic chemical element.

### ***BLEG***

Bulk Leach Extractable Gold, an analytical method of gold analysis.

### ***Breccia***

Rock containing angular fragments enclosed in a matrix.

***Carbonate***

A salt or ester of carbonic acid; a compound containing the radical CO<sub>3</sub>

***Chalcopyrite***

Copper pyrites, a mineral CuFeS<sub>2</sub>

***Chert***

Very fine grained rock composed of silica.

***Chlorite***

A platy hydrous silicate related to mica.

***Colluvium***

A general term applied to loose and incoherent deposits.

***Craton***

A relatively immobile part of the earth, generally of large size.

***Deformation***

Any change in the original form or volume of rocks produced by tectonic forces.

***Deposition***

The laying down or precipitation of potential rock forming material.

***Diamond drilling***

Method of obtaining cylindrical core of rock by drilling with a diamond-set or diamond-impregnated bit.

***Dip***

The angle strata or planar feature is inclined from the horizontal.

***Disseminated***

Particles scattered throughout the rock.

***Dolerite***

A medium grained mafic intrusive rock composed mainly of pyroxene and plagioclase.

***Drainage***

The processes of discharge of water from an area by stream or sheet flow and removal of excess water from soil by downward flow.

***Electromagnetic (EM)***

A geophysical technique whereby transmitted electromagnetic fields are used to energise and detect conductive material beneath the earth's surface.

***Fault***

A fracture in rock along which there has been relative displacement of the two sides either vertically or horizontally.

***Felsic***

Descriptive of light coloured rock containing an abundance of the mineral feldspar (generally potassium rich) and quartz.

***Ferruginous***

Containing the element iron.



***Fold***

A bend in strata or any planar structure.

***Foliation***

The laminated structure resulting from the parallel arrangement of different minerals.

***g/t***

Grams per tonne

***Gabbro***

A plutonic rock consisting of calcic plagioclase.

***Geochemistry***

The study of the abundance of elements in rocks by chemical methods.

***Geological setting***

The overall distribution of geological features including the ages of rocks, their composition, history, relationships and other features of its rock formations and mineral resources.

***Geophysical***

Describing the prospecting methods which seek to locate mineral deposits by direct or indirect measurements of a large range of geophysical properties of the deposits or the rocks associated with them.

***Gossan***

A surface capping of hydrated oxides of iron formed by weathering of metallic sulphides.

***Granite***

A plutonic rock consisting essentially of alkalic feldspar and quartz.

***Granitoid***

A field term for a coarse grained felsic rock resembling granite.

***Greenschist facies***

Metamorphic rocks produced under low temperature conditions.

***Greenstone***

A field term for metamorphosed mafic and ultramafic igneous rocks.

***Ground magnetics***

Measurement of the earth's magnetic field from an instrument reading taken at or near to ground level for the purpose of recording the magnetic characteristics of rocks.

***Hydrothermal***

Pertaining to heated water, particularly of magmatic origin associated with the formation of mineral deposits or the alteration of rocks.

***Igneous***

Formed by solidification of hot mobile material termed magma

***Inferred Mineral Resource***

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified from geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

***Indicated Mineral Resource***

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

***Intercepts***

Distances between defined points

***Intrusion***

A body of igneous rock that invades older rocks.

***Lag (soil) sampling***

Systematic collection of soil samples at a series of different locations in order to study the distribution of soil geochemical values.

***Landsat***

An unmanned satellite designed to provide multi-spectral imagery of the earth's surface.

***Laterite***

A strongly leached iron and aluminum rich rock, formed at the surface by weathering in tropical conditions.

***Lava***

Fluid rock such as that which issues from a volcano or fissure in the earth's surface.

***Limonite***

Hydrated iron oxide.

***Lineament/linear***

A linear geological feature.

***Lithology***

Composition and texture of rock.

***Mafic***

Descriptive of rocks composed dominantly of magnesium and iron forming silicates.

***Magnetite***

A magnetic oxide of iron,  $Fe_3O_4$ .

***Massive sulphide***

A mass of rock consisting of greater than 40% sulphides.

***Metamorphic facies***

A group of metamorphic rocks characterised by particular mineral associations indicating origin under restricted temperature-pressure conditions

***Metamorphic grade***

The grade of metamorphism depends upon the extent to which the metamorphic rock differs from the original rock from which it was derived.

***Metamorphism***

The mineralogical, structural and chemical changes induced within solid rocks through the actions of heat, pressure or the introduction of new chemicals.

***Metasediment***

Partly metamorphosed sedimentary rocks.

***Mica***

A mineral group, consisting of phyllosilicates with sheet-like structures.

***Mineralisation***

The concentration of metals and their chemical compounds within a body of rock.

***Ore***

Mineral bearing rock that may be mined and treated at a profit.

***Outcrop***

An exposure of bedrock at the surface.

***Oxidation***

Near surface decomposition by exposure to the atmosphere and ground water.

***ppb***

Parts per billion (1000 million)

***ppm***

Parts per million.

***Percussion drilling***

Rotary drilling technique in which the sample is produced using a hammer and brought to surface outside the rod string by compressed air.

***Petrography/Petrology***

The branch of science treating the systematic description and classification of rocks.

***Porphyry***

A rock with conspicuous crystals in a fine grained ground mass.

***Precious metals***

A group of metals sold in bullion form including gold, silver, and PGE.

***Primary ore/mineralization***

Ore which has not been subject to weathering processes

***Pyrite***

An iron sulphide mineral

***Quartz***

A mineral composed of silicon dioxide.

***Quartzite***

A granular metamorphic rock consisting essentially of quartz.

***Reconnaissance***

A general examination or survey of a region with reference to its main features.

***Resource***

In-situ mineral occurrence from which valuable or useful minerals may be recovered.

***Reverse circulation (RC) drilling***

A drilling technique in which the cuttings are recovered through the drill rods thus minimizing sample losses and contamination.

***Rock chip sampling***

The collection of representative samples of rock fragments within a limited area.

***Rotary air blast (RAB) drilling***

Rotary drilling technique in which sample is returned to surface outside the rod string by compressed air.

***Sandstone***

A cemented or otherwise compacted detrital sediment composed predominantly of quartz grains.

***Satellite (Landsat) imagery***

Photographs of the earth's surface, collected by satellite, processed to enhance particular features.

***Schist***

A metamorphic rock with a platy or foliated texture.

***Secondary***

Formed as consequence of alteration of pre-existing minerals.

***Sediment***

Rocks formed by the deposition of solids from water.

***Sedimentation***

The process of eroding transporting material and its deposition to form a rock.

***Sericite***

A fine grained version of muscovite mica.

***Shale***

A laminated sedimentary rock formed by the consolidation of mud or silt.

***Shear***

A fracture in rock similar to a fault.

***Shear Zone***

A planar fault zone from metres to kilometres in width.

***Silica***

Silicon dioxide, SiO<sub>2</sub>

***Silicate***

A compound whose crystal lattice contains silica tetrahedra through joining one or more groups of structures.

***Siltstone***

A very fine grained consolidated clastic rock composed predominantly of silt grade.

***Soil sampling/geochemistry***

The determination of relative or absolute abundances of elements and compounds in soil.

***Stockwork***

A network of, usually quartz veinlets diffused in the original rock.

***Stratigraphy***

Composition, sequence and correlation of stratified rock in the earth's crust.

***Stream sediment sampling***

The determination of relative or absolute abundance of elements in stream sediments.

***Structural***

Pertaining to geological structure.

***Strike***

The course or bearing of a bed or layer of rock.

***Sulphide***

A mineral compound characterized by the linkage of sulphur and metal.

***Supergene***

Said of a mineral deposit or enrichment formed near the surface by generally descending groundwater.

***Syncline***

A fold in rock strata that is concave upwards with a core of younger rocks.

***Tectonic***

Of, pertaining to, or designating the rock structure and external forms resulting from the deformation of the earth's crust.

***Thrust***

A reverse fault characterised by a low angle of inclination.

***Transported cover/soils***

Shallow soils, rocks and unconsolidated sediments derived from another source and not in situ.

***Ultramafic***

Descriptive of igneous rock containing virtually no quartz or feldspar and composed essentially of iron and magnesian silicates, mainly olivine and pyroxene.

***Unconformity***

A surface of erosion or non-deposition that separates younger strata from older rocks.

***Vein***

A thin sheet-like intrusion into a fissure or crack, commonly bearing quartz.

***Volcanic***

Descriptive of rocks originating from volcanic activity.

***Volcaniclastic***

Pertaining to clastic rock containing volcanic material.

***Volcanogenic***

Formed by processes directly connected with volcanism.

***Weathering***

The group of processes that change the character and composition of rocks by decay.

## PART 6

### ADDITIONAL INFORMATION

#### 1. The Company.

- 1.1 The Company is registered in England and Wales, having been incorporated on 10th September 2004 under the Companies Act 1985 (“Act”) with registered number 5227458 as a company limited by shares with the name Regency Mines Limited. The liability of members is limited.
- 1.2 The principal legislation under which the Company operates is the Act.
- 1.3 The Company has one wholly owned subsidiary, Regency Resources Limited.
- 1.4 On 24 November 2004, pursuant to a resolution of shareholders of 19 November 2004, the Company was re-registered as a public limited company and adopted new Articles of Association.

#### 2. Share capital

- 2.1 On incorporation, the Company had an authorised share capital of £10,000,000 divided into 10,000,000,000 ordinary shares of £0.001 each of which two were issued, fully paid, to the subscriber to the memorandum of association of the Company.
- 2.2 On 4 November 2004 resolutions were passed, inter alia, authorising the Directors to allot relevant securities, dis-applying pre-emption rights and authorising the Directors to grant options and subsequently the number of shares issued and fully paid was increased from 2 Ordinary Shares of £0.001 each to 72,000,006 Ordinary Shares of £0.001 each, following completion of an agreed offer for the entire issued share capital of Regency Resources, on the basis of four new ordinary shares in the Company for every one Regency Resources share held. In addition options were granted over four ordinary shares in the Company for every one Regency Resources option held (the “Options”).
- 2.3 Upon closing of the Offer on 2 February 2005 the Company allotted 25,000,000 Ordinary Shares.
- 2.4 Upon Admission to AIM a further 23,800,000 Ordinary Shares will be issued under and in accordance with the terms of the Purchase Agreements to certain vendors of properties to Regency Resources.
- 2.5 The authorised and issued share capital of the Company as it will be immediately following Admission is as follows:

<i>Authorised</i>		<i>ordinary shares of</i>	<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£10,000,000	10,000,000,000	£0.001 each	£120,800	120,800,006

- 2.6 The Ordinary Shares will rank pari passu in all respects including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares from the date of this document.
- 2.7 Following Admission, the Ordinary Shares may be held in either certificated or uncertificated form.
- 2.8 Save as disclosed in this document:
  - no share or loan capital of the Company has been issued or is proposed to be issued;
  - no person has any preferential subscription rights for any share capital of the Company;
  - no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option; and
  - no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company.
- 2.9 By written resolutions passed on 4 November 2004 the Directors are unconditionally authorised to allot, create, deal with or otherwise dispose of relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount of £500,000 to such persons (including any director) on such terms and at such times as they think fit as if section 89(1) of the Act did not apply to such allotment. This authority remains in force for five years from the date of the resolutions.

2.10 There are no listed or unlisted securities issued by the Company not representing the share capital.

### **3. Options**

3.1 8,000,000 Options have been granted, each Option giving until 30th April 2008 the right to subscribe for one Share at the price of 2p per Ordinary Share. There will be an adjustment of the terms of the Options (which shall be certified by the auditors of the Company for the time being as fair and reasonable) in the event of variation of the share capital of the Company by way of capitalisation of profits or reserves or otherwise or any consolidation or sub-division or reduction of capital. If any grantee (being a natural person) dies before the expiry of the option period then his option may be exercised by his personal representative within the period of twelve months beginning with the date of his death.

### **4. Memorandum and articles of association**

4.1 In this paragraph 3, references to the “Statutes” are references to the Act and every other Act for the time being in force concerning companies and affecting the Company.

4.2 The principal objects of the Company are set out in full in clause 4 of the memorandum of association and include carrying on the business of a general commercial company.

4.3 The articles of association of the Company (the “Articles”) contain, inter alia, provisions to the following effect:

#### ***Transfer***

Except as may be required by any procedures implemented pursuant to the Articles in accordance with the Statutes following the introduction of paperless trading, all transfers of shares must be in any usual form or in any other form which the Directors may approve. The instrument of transfer must be signed by or on behalf of the transferor and, if the shares being transferred are not fully paid, by or on behalf of the transferee. The Directors may refuse to register any transfer of any share that is not fully paid. They may also refuse to register a transfer of any share in favour of more than four persons jointly, and a transfer which is in respect of more than one class of share, or if a transfer has not been lodged at the Company’s registered office or such place as the board may determine and which is not accompanied by the certificates for the shares to which it relates.

#### ***Voting rights***

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held (as to which there are none at present) on a show of hands every member present in person or by proxy shall have one vote, and on a poll every member present in person or by proxy shall have one vote for each Ordinary Share of which he is the holder.

#### ***Dividends***

The profits of the Company available for distribution and resolved to be distributed shall be applied in the payment of dividends to the members in accordance with their respective rights and priorities. No dividend may exceed the amount recommended by the Board of Directors.

#### ***Return of capital***

If the Company shall be wound up, the liquidator may, with the authority of an extraordinary resolution (and any other sanction required by the Insolvency Act 1986), divide among the members in specie the whole or any part of the assets of the Company and may determine how such division shall be carried out between the members or different classes of members

#### ***Variation of rights***

None of the special rights for the time being attached to or belonging to any class of shares forming part of the issued share capital for the time being of the Company shall be modified, varied or abrogated in any manner except with the consent in writing of the holders of three fourths in nominal value of the issued shares of that class or, subject to the provisions of the Statutes, the sanction of an extraordinary resolution passed at a separate meeting of the members of that class.

#### ***Changes in share capital***

The Company may by ordinary resolution increase its share capital, cancel any unissued shares, consolidate all or any of its share capital into shares of a larger amount and, subject to the provisions of the Statutes, subdivide its shares into shares of smaller amount. Subject to the provisions of the Statutes, the Company may by special resolution reduce its share capital, any revaluation reserve, any share premium account or any other reserve fund in any way.

### ***Purchase by the Company of its own shares***

Subject to the provisions of the Statutes and to the authority of the Company in general meeting required by the Statutes, the Company may purchase its own shares.

### ***Unclaimed dividends***

Any dividend unclaimed after a period of 12 years from the date it became due for payment shall be forfeited and shall revert the Company.

### ***Borrowing powers***

The Board may exercise all the powers of the Company to borrow money, to give guarantees and to mortgage or charge its undertaking, property and assets (future and present) and uncalled capital, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

### ***Directors***

Unless otherwise determined by ordinary resolution, the number of directors shall not be not fewer than two nor more than eight.

## **5. Directors' and other interests**

- 5.1 The interests (all of which are beneficial unless stated otherwise) of the Directors and their immediate families and the persons connected with them (within the meaning of Section 346 of the Act) which have been notified to the Company pursuant to Sections 324 and 328 of the Act or are required to be disclosed in the Register of Directors' Interests pursuant to Section 325 of the Act in the issued share capital of the Company and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director as at the date of this document are as follows:

<i>Name</i>	<i>Number of Ordinary Shares on Admission</i>	<i>Percentage of issued capital on Admission</i>
Andrew Bell (Note 1)	42,200,002	34.9%
Julian Lee (Note 2)	30,000,000	24.8%
Kenneth Watson (Note 3)	25,200,004	20.9%

Note:

1. The interests of Andrew Bell and persons connected with him noted above (all of which are beneficial) are held through BellMin Limited and Redstone Metals Pty Limited (see paragraph 5.6 below) save for two ordinary shares held in his own name.
2. The interests of Julian Lee and persons connected with him noted above (all of which are beneficial) are held through BellMin Limited and Redstone Metals Pty Limited (see paragraph 5.6 below).
3. The interests of Kenneth Watson and persons connected with him noted above (all of which are beneficial) are held as to 12,200,000 Ordinary Shares through Redstone Metals Pty Limited (see paragraph 5.6 below) and the balance are held in his own name.

- 5.2 The Directors hold the following options over Ordinary Shares as set out on paragraph 3.1 of Part 6 of this document:

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Exercise Price per share</i>	<i>Expiry of Exercise Period</i>
Andrew Bell	1,000,000	£0.02	30 April 2008
Julian Lee	1,000,000	£0.02	30 April 2008
Kenneth Watson	500,000	£0.02	30 April 2008

Note:

The interests of Andrew Bell, Julian Lee and persons connected with them noted above are indirect interests held through BellMin Limited.

- 5.3 Save as disclosed above, none of the Directors nor any member of their respective immediate families nor any person connected with the Directors (within the meaning of Section 346 of the Act) has any interest, whether beneficial or non-beneficial, in any share capital of the Company.
- 5.4 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.
- 5.5 Save as otherwise disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or unperformed.



- 5.6 Save as disclosed in paragraph 5.1, the Company is aware of the following persons who hold 3 per cent. or more of the ordinary share capital of the Company and could directly or indirectly exercise control over the Company:

<i>Name</i>	<i>Number of Ordinary Shares on Admission</i>	<i>Percentage of issued capital on Admission</i>
Starvest Plc	22,800,000	18.9%
BellMin Limited	30,000,000	24.8%
RAB Special Situations LP	34,500,000	28.6%
Redstone Metals Pty Limited	12,200,000	10.1%
City Equities (Nominees) Limited	7,000,000	5.8%
Midas Resources Limited	6,000,000	5.0%
Credit Suisse First Boston Nominees Limited	4,500,000	3.7%
C J French	4,000,000	3.3%
Bamboo Holdings Pty Limited	4,000,000	3.3%
L F Tan	4,050,000	3.3%

Note:

30,000,000 of the Ordinary Shares in which RAB Special Situations LP is interested are indirect interests held through BellMin Limited and 4,500,000 of the Shares in which RAB Special Situations LP is interested are indirect interests held through Credit Suisse First Boston Nominees Limited.

Save as disclosed above, the Company is not aware of any person who could, directly or indirectly, be interested in 3 per cent. or more of the capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

- 5.7 Andrew Bell has executed a service contract with the Company, which provides for an annual fee of £10,000. The contract is terminable on six months notice.
- 5.8 Kenneth Watson has executed a service contract with the Company, which provides for an annual fee of £25,000, to be reviewed six months after Admission. The contract is terminable on six month's notice.
- 5.9 Julian Lee has a director's appointment letter dated 14 December 2004. The letter appoints him as a non-executive director of the Company at an annual fee of £5,000 (plus VAT if applicable). The appointment is terminable on one months notice.
- 5.10 Save as disclosed in paragraphs 5.7 to 5.9 above, there are no contracts, existing or proposed, between any Director and the Company.
- 5.11 There is no arrangement under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.
- 5.12 It is estimated that under the arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors for the eighteen months ending 30 June 2006 will be approximately £60,000.
- 5.13 In addition to the directorships in the Company the Directors hold or have held the following directorships within the five years immediately prior to the date of this document:

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Andrew Bell	Celestial Mines Ltd Chenrock Ltd Churchill Mining Ltd Condorex Ltd Fafner Secretarial and Administration Ltd Feltar Ltd General Mining Ltd Gold and Base Metals Ltd Huszar Mining Ltd The Italian Gold Fields Ltd Madagascar Mining Ltd Magyar Mining Plc Mull Energy Ltd	Alanway Ltd The Housing Loan Corporation Plc Tagg NPD (UK) Ltd Elenchus Ltd

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Andrew Bell	Pacific Resources Corporation Plc Pan Resources Ltd Panax Ltd Range Mines Ltd Red Rock Resources Ltd Sand Harvester Ltd Axiom Resources Ltd (Canada) Bellmin DOOEL (FYRM) Bellmin s.r.o. (Slovakia) Eastmine Kft (Hungary) Exploraciones Condor SA (Chile) Minera Condor SA (Chile) Redstone Metals Pty Ltd (Australia) St Stephen Gold s.r.o. (Slovakia) Thor Mining Ltd Vespasian Sp. z.o.o. (Poland) Ormonde Mining Plc (Ireland) Zeus Energy Ltd	
Kenneth Watson	Pacific Resources Corporation Plc Redstone Metals Pty Ltd (Australia) Redstone Minerals Pty Ltd (Australia)	Nicu Metals Ltd (Australia)
Julian Lee	Melee Venture Management Ltd MSL Medical Ltd MSL Medical Group Ltd Pacific Resources Corporation plc Wavionix Software Ltd Wound Solutions Ltd	Arthritis Solutions Ltd Electronic Direct Response Plc Positivity Media Plc Sibercom (Europe) Plc X-Fat (UK) Ltd

5.14 In 1993 a fall in the value of properties held as security for its loans following the substantial fall in property values of the early 1990s resulted in The Housing Loan Corporation Plc, a company of which Andrew Bell was non-executive chairman, going into administrative receivership. The company was dissolved in 2001. No criticism of the directors was made.

5.15 Andrew Bell entered into an individual voluntary arrangement (“IVA”) with his creditors in 1993 (High Court No.709 of 1993). Andrew Bell had made or was guarantor of borrowings secured on properties, including development properties. Following a substantial rise in interest rates and decline in capital values at the beginning of the 1990s, he was left with debts he could not meet and was advised to enter into an IVA. The IVA concluded on 31 December 1997.

5.16 Save as disclosed above none of the Directors has:

- any unspent convictions in relation to indictable offences;
- had any bankruptcy order made against him or entered into any voluntary arrangements;
- been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;
- been publicly criticised by any statutory or regulatory body (including recognised professional bodies); or
- been disqualified by a court from acting as a director of any company or from acting in the management or conduct of affairs of a company.

## 6. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business of the Company, have been entered into by the Company and are or may be material:

### 6.1 *Nominated and Financial Adviser Agreement*

An agreement dated 15 February 2005 between (1) ARM and (2) the Company pursuant to which ARM has been appointed to act as the Company's nominated adviser. Under the agreement the Company has agreed to pay ARM a fee of £22,500 (plus VAT) on Admission. Out of this fee ARM has agreed to apply £10,000 thereof towards the subscription of 500,000 New Ordinary Shares at 2p per share. The Company has also agreed to pay ARM an ongoing nominated adviser fee of £12,500 per annum (plus VAT) payable quarterly in advance, to be reviewed upwards on completion of the first transaction following Admission. This agreement is for an initial period of one year from the date of Admission and thereafter, may be terminated by six months' written notice by either party.

### 6.2 *Broker Agreement*

An agreement dated 15 February 2005 between (1) ARM and (2) the Company pursuant to which ARM has agreed to act as the Company's broker from Admission (the "Broker Agreement"). Under the Broker Agreement, the Company has agreed to pay to ARM an ongoing broker fee of £10,000 per annum (plus VAT) payable quarterly in advance, to be reviewed upwards on completion of the first transaction following Admission. This agreement is for an initial period of one year from the date of Admission and thereafter, may be terminated by six months' written notice by either party.

### 6.3 *Lock-in Agreements*

The Lock-in Agreements between ARM and the Company, each of the Directors, BellMin Limited and Redstone Metals Pty Limited and their connected persons were entered into on 15 February 2005 and Starvest Plc and their connected persons on 17 December 2004 under which the Directors, Starvest Plc, BellMin Limited and Redstone Metals Pty Limited and their connected persons have agreed with ARM and the Company not to dispose of any interest in Ordinary Shares in the Company for a period of 12 months from the date of Admission, except in limited circumstances. These agreements also contain orderly market provisions for the Directors, BellMin Limited and Redstone Metals Pty Limited which apply for a further period of 12 months after expiry of the lock-in period.

6.4 A share for share exchange dated 4 November 2004 made between the Company (1) and the shareholders of Regency Resources Limited (Australia) (2) pursuant to which the Company has purchased the entire issued share capital of Regency Resources Limited.

### 6.5 *Bundarra Sale and Purchase Agreement*

An agreement dated 1st July 2004 between (1) Regency Resources and (2) Midas Resources Limited ("Midas") amended by an agreement dated 28th October 2004 and a letter agreement dated 24th January 2005, pursuant to which Regency Resources paid fifty five thousand Australian dollars to or on behalf of Midas and Regency Resources obtained the option to purchase the Bundarra property from Midas on or before 2 business days following 28 February 2005. Upon completion, which is expected to be immediately following Admission, Regency Resources will pay eighty thousand Australian dollars to Midas and allot Midas 6,000,000 Shares.

### 6.6 *Pangolin Option and Purchase Deed*

An agreement dated 15th April 2004 between (1) Regency Resources and (2) Pangolin Resources Pty Ltd ("Pangolin"), amended by letter agreements between the Company and Pangolin dated 12th October 2004 and 26th January 2005 pursuant to which Regency Resources paid fifteen thousand Australian dollars to Pangolin and obtained an option to acquire 80% of Exploration License 63/876 with a carry of Pangolin's remaining 20% interest through bankable feasibility exercisable on or before 28th February 2005. Upon completion, which is expected to be immediately following Admission, Regency Resources will pay fifty thousand Australian dollars to Pangolin and allot Pangolin 2,000,000 Shares.

### 6.7 *Newvale Conditional Purchase Deed*

An agreement dated 2nd April 2004 between (1) Regency Resources and (2) Newvale Holdings Pty Ltd ("Newvale") as amended by letter agreements between the Company and Newvale dated 19th October 2004 and 27th January 2005 pursuant to which Regency Resources paid fifteen thousand Australian dollars to Newvale and Regency Resources obtained the option to purchase the Cat Camp Central property from Newvale on or before 28th February 2005. Upon completion, which is expected to be immediately following Admission, Regency Resources will pay thirty-five thousand Australian dollars to Newvale and allot Newvale

3,000,000 Shares.

#### 6.8 *Redstone Option and Purchase Agreement*

Agreement dated 12 October 2004 between (1) Regency and (2) Redstone Metals Pty Ltd (“Redstone”), a company jointly owned by Kenneth Watson and by BellMin Limited, a connected party of Andrew Bell, and amended by a letter agreement dated 26th January 2005, pursuant to which Regency Resources paid five thousand Australian dollars to Redstone and Regency Resources obtained the option to purchase its right and interest in exploration licenses ELA63/861 and ELA15/827 from Redstone on or before 28th February 2005. Upon completion, which is expected to be immediately following Admission, Regency will allot Redstone 12,000,000 Shares.

#### 6.9 *Bigscene Option and Purchase Agreement*

An agreement dated 31st March 2004 between (1) Regency Resources and (2) Bigscene Investments Pty Ltd (“Bigscene”) and (3) Redstone, amended by letter agreements between the Company, Bigscene and Redstone dated 11th October 2004 and 26th January 2005 pursuant to which Regency Resources paid twenty thousand Australian dollars to the other parties and Regency Resources obtained the option to purchase Exploration Licenses 63/877, 63/878, and 63/879 from the other parties on or before 28th February 2005. Upon completion, which is expected to be immediately following Admission, Regency Resources will pay forty thousand Australian dollars to Bigscene, twenty thousand Australian dollars to F Deng, and twenty thousand Australian dollars to Redstone, and RML will allot Bigscene 400,000 Shares, F Deng 200,000 Shares, and Redstone 200,000 Shares.

Save as disclosed above, there are no contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Company since its incorporation and which are or may be material.

### **7. Litigation**

There are no legal or arbitration proceedings (including, to the knowledge of the Directors, any such proceedings which are pending or threatened by or against the Company) which may have or have had during the 12 months immediately preceding the date of this document a significant effect on the financial position of the Company.

### **8. Working capital**

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company will, from the date of Admission, be sufficient for its present requirements, that is, for at least the next 12 months from the date of Admission.

### **9. Taxation**

#### ***UK Taxation***

##### *General*

The statements set out below are intended only as a general guide to the tax position under current UK taxation law and practice and apply only to certain categories of UK persons. The summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding Ordinary Shares.

Prospective purchasers of Ordinary Shares are advised to consult their own tax advisers concerning the consequences under any tax laws of the acquisition, ownership and disposition of Ordinary Shares in the Company. Shareholders who may be subject to tax in any jurisdiction other than the UK should consult their professional advisers without delay.

The statements do not cover all aspects of UK taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on the acquisition, ownership or disposition of Ordinary Shares in the Company by particular investors. The statements are not applicable to all categories of Shareholders, and in particular are not addressed to

- (i) Shareholders who do not hold their Shares as capital assets;
- (ii) Shareholders who own (directly or indirectly) 10 per cent. or more of the Company;
- (iii) special classes of Shareholders such as dealers in securities or currencies, broker-dealers, or investment companies;
- (iv) Shareholders who hold Ordinary Shares as part of straddles, hedging or conversion transactions; or
- (v) Shareholders who hold Ordinary Shares in connection with a trade, profession or vocation carried on in the UK

(whether through a branch or agency or otherwise).

#### ***Taxation of Dividends and Distributions***

- (a) Under current UK legislation, no UK tax will be withheld from any dividend paid by the Company.
- (b) An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which such shareholder may set off against his total income tax liability on the dividend. The tax credit will be equal to 10 per cent. of the aggregate of the dividend and the tax credit (the “gross dividend”), which is also equal to one-ninth of the cash dividend received. A UK resident individual Shareholder who is liable to income tax at the starting or basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend, so that the tax credit will satisfy in full such shareholder’s liability to income tax on the dividend. However, to the extent that the gross dividend falls above the threshold for the higher rate of income tax the UK resident individual Shareholder will have further tax to pay. The tax credit will be set against but not fully match his or her tax liability on the gross dividend and the Shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the cash dividend received).
- (c) UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company.
- (d) Subject to certain exceptions for traders in securities, a Shareholder that is a company resident for tax purposes in the United Kingdom and which receives a dividend paid by another company resident for tax purposes in the UK will not generally have to pay corporation tax in respect of it. Such shareholders will not be able to claim repayment of tax credits attaching to dividends.
- (e) Non UK resident individual Shareholders will be taxed on dividends paid by the Company on an arising basis. Broadly, the UK tax liability for non-UK residents will be restricted to the amount of the tax credit. However, this is subject to the Shareholder’s personal circumstances and further advice should be obtained if the Shareholder has other UK source income or is claiming relief for tax allowances in the UK.
- (f) Non-UK resident Shareholders will not generally be able to claim repayment from the Inland Revenue of any part of the tax credit attaching to dividends paid by the Company.
- (g) A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident in the UK for tax purposes should consult their own tax advisers concerning tax liabilities on dividends received from the Company.

#### ***Taxation of Chargeable Gains***

- (h) A disposal of Ordinary Shares in the Company by a Shareholder who is either resident or ordinarily resident for tax purposes in the UK will, depending on the shareholder’s circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains in the UK.
- (i) Broadly, Shareholders who are not resident or ordinarily resident for tax purposes in the UK will not be liable for UK tax on capital gains realised on the disposal of their Ordinary Shares unless such Ordinary Shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency or for the purpose of such branch or agency. Such Shareholders may be subject to foreign taxation on any gain under local law.
- (j) A Shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five complete tax years and who disposes of the Ordinary Shares during that period may also be liable to UK taxation of chargeable gains (subject to any available exemption or relief) as if, broadly, the disposal was made in such Shareholder’s year of return to the UK.

#### ***Stamp Duty***

No UK stamp duty will be payable on the issue by the Company of Ordinary Shares. Transfers of Ordinary Shares for value will give rise to a liability to United Kingdom ad valorem stamp duty, or stamp duty reserve tax, at the rate in each case of 0.5 per centum of the amount or value of the consideration (rounded up in the case of stamp duty to the nearest £5). Transfers under the CREST system for paperless transfers of shares will generally be liable to stamp duty reserve tax.

Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the UK should consult their own professional adviser.

## **10. General**

- 10.1 The estimated amount of the expenses of the Offer and the application for permission to trade on AIM, which are all payable by the Company, is approximately £75,000 (excluding VAT).
- 10.2 The accounting reference date of the Company is 30th June and the first audited accounts will be made up to 30th June 2005.
- 10.3 Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 10.3.1 received, directly or indirectly, from the Company within 12 months preceding the date of this document; or
  - 10.3.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
    - (a) fees totalling £10,000 or more; or
    - (b) securities in the Company with a value of £10,000 or more calculated by reference to the Offer Price; or
    - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 10.4 The financial information contained in Parts 2 and 3 of this document does not constitute full statutory accounts as referred to in section 240 of the Act.
- 10.5 Chapman Davis LLP of No 2 Chapel Court, London SE1 1HH has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear and its reports in Parts 2, 3 and 4 of this document and accept responsibility for these reports for the purpose of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulation 1995.
- 10.6 ARM has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and references to its name in the form and context in which they appear.
- 10.7 Baxter Geological has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and references to its name in the form and context in which they appear.
- 10.8 Save as set out in this document, the Directors are not aware of any significant factors that have influenced the Group's activities.
- 10.9 Save as set out in this document, no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this document relates or of his procuring or agreeing to procure subscriptions for such securities.
- 10.10 No paying agent has been appointed by the Company.
- 10.11 Save as disclosed in this document, no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.
- 10.12 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are, or may be, of fundamental importance to the business of the Company.
- 10.13 Save as disclosed in this document, there are no investments in progress which are significant.

## **11. Documents available for inspection**

Copies of the following documents will be available for inspection at the registered office of the Company at Third Floor, 55 Gower Street, London WC1E 6HQ during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until at least 30 days after the date of Admission:

- 11.1 the memorandum and articles of association of the Company;

- 11.2 the Accountants' Reports set out in Parts 2, 3 and 4 of this document;
- 11.3 the Consulting Geologists Report set out in Part 5 of this document.
- 11.4 the Directors' letters of appointment referred to in paragraphs 5.7 to 5.9 of this Part 6;
- 11.5 the material contracts referred to in paragraph 6 of this Part 6; and
- 11.6 the letters of consent referred to in paragraphs 10.5 to 10.7 of this Part 6.

**Publication of this document**

Copies of this document will be available free of charge to the public at the Registered Office of the Company, 3rd Floor, 55 Gower Street, London WC1E 6HQ from the date of this document up to and including the date which is one month following Admission.

16 February 2005

