



Interim report

six months ended 31 December 2006



Company information

Directors

Andrew R M Bell - Chairman
Kenneth F Watson - Managing director
Julian M E Lee - Non executive director
John Watkins - Non executive director

all of
115 Eastbourne Mews
Paddington
London W2 6LQ

Secretary and registered office

Stephen F Ronaldson
55 Gower Street
London WC1E 6HQ

Website

www.regency-mines.com

Auditors

Chapman Davis LLP
2 Chapel Court
London SE1 1HH

Nominated advisor and broker

ARM Corporate Finance Limited
12 Pepper Street
London E14 9RP

Broker

Simple CFDs Limited
1 High Street
Godalming
Surrey GU7 1AZ

Bankers

Coutts & Co
440 Strand
London WC2R 0QS

Registrars

Share Registrars Limited
Craven House
West Street
Farnham
Surrey GU9 7EN

Registered number 5227458

Chairman's statement

Dear Shareholder,

Summary

We report the following key developments during the six months to 31 December 2006:

- Change of focus towards exploration of the recently acquired Mambare lateritic nickel project in Papua New Guinea;
- Share price increase from 1.62 pence to 2.12 pence;
- Raised £134,635 by way of a placing of 7,180,544 new shares at 1.875 pence in August 2006;
- Conducted further exploration of the Bundarra copper/gold project in Queensland, Australia.

Developments have continued during 2007 so that the current market value of the Company's quoted investments in Red Rock Resources plc, Greatland Gold plc, Sunvest Ltd and Aquarian Gold Corporation now approximates to £4m against a market capitalisation of £2.7m. It seems that little or no value is attributed to the Mambare, Bundarra and other assets.

Corporate events

On 3rd August we completed a further placing of 7,180,544 shares at 1.875p per share following the initial placing of 4,786,666 shares announced in June. The placing price was above the company's market price at the time and places included the Company's largest shareholder, BellMin Ltd.

Exploration

In September the company announced the results of its preliminary exploration programme at its lateritic nickel project at Mambare, Papua New Guinea.

The laterite bearing nickel potential of the Mambare Plateau, some 2 to 20 kilometres north of Kokoda had been explored intermittently since 1960. Kokoda and Mamba Estate to the southwest of the license area are linked to Popondetta and Oro Bay by gravel at first and then sealed road. The Company through a local 75% owned subsidiary holds the exploration rights to 584 sq km of the Mambare Plateau.

Previous exploration by several companies in the 1960s and early 1970s resulted in 240 auger holes being drilled, and 56 pits and one costean dug. In 1999 Anaconda Nickel Ltd reviewed the data over a 158 sq km area of the Mambare Plateau and estimated two limonite resource potentials: 630 Mt at 0.78% nickel with a 0.5% cut-off and 200 Mt at 1.01% nickel with a 0.8% cut-off.

The auger drilling across the Mambare Plateau indicates a profile of:

3-5m of ash;

3-6m of low grade limonite laterite;

3-6m of limonite ore grading 0.9 to 1.1% nickel (+0.1% cobalt); and

4m of saprolite ore grading at least 1.15% nickel.

The programme consisted of creating a data base of the historical data with ground truthing and re-sampling. The samples from the ten re-sampled shallow pits were assayed in Djakarta by PT Intertek Utama Services using the XRF technique. There was good correlation with previous results, with 19 of the 48 samples grading over 0.8% nickel and 11 grading over 1% nickel.

The 1971 sampling, and that carried out this season, tested systematically for cobalt and the data indicate that over 500 ppm cobalt is very common in the mineralized limonite sections, with one re-sampled hole grading 0.12%. Compilation by Anaconda indicates that the Plateau and its slopes have the potential to host +200 Mt of limonite ore grading 1% nickel. To this resource the cobalt potential of approximately 0.1% can also be added. The auger drilling and pitting did not intersect much of the underlying and generally higher grade saprolite ore. This resource potential may be similar to that of the limonite ore and can also be added to the potential indicated by Anaconda.

This resource potential can in the view of our exploration team be summarised as:

Limonite Ore 200 Mt of 1% nickel and 0.1% cobalt and

Saprolite Ore 200 Mt of 1.25-1.5% nickel.

It must be emphasized strongly that no resource has yet been established and this would require further work. What has been identified is resource potential. The next step is to do the work necessary to develop a JORC standard resource at inferred or indicated level.

Much of the previous auger drilling and pitting were too shallow to test adequately the limonite ore, and in many cases failed to encounter the saprolite ore or ended in mineralization. The potential resource needs to be further evaluated with diamond drilling to test both this limonite ore and the underlying poorly tested saprolite ore. The underlying saprolite ore is suggested to be as thick as the overlying limonite ore. Geophysical techniques such as magnetics and ground penetrating radar may help better definition of bedrock rock types and thickness of laterite profiles.

We plan a ground penetrating radar programme this spring, followed by limited diamond drilling.

The large size of the 20 km by 5-7 km Mambare Plateau, compared with the 7 km by 2-3 km envelope of known mineralization at the nearby Wowo Gap, gives a large potential area of mineralization and the possibility of a significant resource. The high cost of setting up a nickel laterite treatment plant means that a large ore reserve is usually required for a project to be viable.

One important difference, we believe, between our project and those of others in the area, is that our 110 km largely metalled road access to port opens up the possibility of direct shipping untreated iron-rich nickel limonite ore from some areas of our property. The cobalt and nickel values encountered in previous work indicate that this may be an economic prospect. The possibility of being able to obtain large revenues from ore export without the delays and expense of a treatment plant is of course an extremely attractive one, and we are actively pursuing this possibility.

Confidentiality agreements have been signed with two major Chinese metal companies, and information is being provided.

On our other nickel properties, we have conducted minimal exploration, and we have surrendered our Cat Camp license in Western Australia.

At our Bundarra copper/gold project in the Bowen Basin in Queensland, we completed a 107 hole shallow RAB drilling programme in October. A 1.37% copper intersection at 23-24m in the Iron Duke area and 0.66 g/t gold at 26-27m at South Isens were the best results. The results did not match our expectations and it seems probable that further exploration needs to be focused closer to the granite/hornfels contact. The generally steeper relief near the contact had led us to a drill programme in easier terrain where track and drill pad preparation were cheaper and less challenging. In retrospect that appears to have been a mistake. Bundarra still has a number of promising targets, either untested or meriting follow-up.

Outlook

Since December, we have seen a successful outcome to our small investment in a coal project in Indonesia, and now hold a 12,021,360 share position in the restricted stock of Aquarian Gold Corporation, that expects shortly to change its name to Aquarian Coal Corporation, and trades on the pink sheets in the U.S.

We bade farewell to Pedro Kastellorizos as a member of our board in March. Pedro is now developing, and hopes soon to list, his own company, and this naturally is now his highest priority. He continues to work for us, as he did before he joined the board, on tenement administration and in a consulting capacity.

We expect the forthcoming period to be one of continued progress.

We thank you for your support in 2006, and look to a successful 2007.

Andrew Bell
Chairman
26 March 2007

Consolidated profit & loss account

	6 months to 31 December 2006 Unaudited £,000	6 months to 31 December 2005 Unaudited £,000	Year to 30 June 2006 Audited £,000
Operating income	30	-	234
Direct costs	(29)	-	(44)
Gross profit	<u>1</u>	<u>-</u>	<u>190</u>
Exploration costs and tenement amortisation	(204)	-	(90)
Administrative expenses	(180)	(184)	(276)
Operating loss	<u>(383)</u>	<u>(184)</u>	<u>(176)</u>
Interest receivable	-	2	6
Loss on ordinary activities before taxation	<u>(383)</u>	<u>(182)</u>	<u>(170)</u>
Tax on profit on ordinary activities	-	-	(6)
Loss on ordinary activities after taxation	<u>(383)</u>	<u>(182)</u>	<u>(176)</u>
Minority interests	80	26	70
Retained loss for the period	<u>£(303)</u>	<u>£(156)</u>	<u>£(106)</u>
Loss per share – see note 3			
Basic	(0.22) pence	(0.12) pence	(0.08) pence
Fully diluted	(0.22) pence	(0.12) pence	(0.08) pence

Consolidated balance sheet

	6 months to 31 December 2006 Unaudited £,000	6 months to 31 December 2005 Unaudited £,000	Year to 30 June 2006 Audited £,000
Fixed assets			
Intangible assets	1,690	1,568	1,657
Goodwill	45	-	45
Office equipment	19	-	-
	<u>1,754</u>	<u>1,568</u>	<u>1,702</u>
Current assets			
Debtors	185	41	105
Cash at bank and in hand	65	286	230
Current asset investments	270	44	49
	<u>520</u>	<u>371</u>	<u>384</u>
Creditors - amounts falling due within one year	<u>(348)</u>	<u>(101)</u>	<u>(81)</u>
Net current assets	<u>172</u>	<u>270</u>	<u>303</u>
Total assets less current liabilities	<u>£1,926</u>	<u>£1,838</u>	<u>£2,005</u>
Capital and reserves			
Called up share capital	137	125	130
Share premium account	1,210	992	1,080
Profit and loss account	(592)	(257)	(204)
Other reserves	759	539	550
	<u>1,514</u>	<u>1,399</u>	<u>1,556</u>
Equity shareholders' funds	<u>1,514</u>	<u>1,399</u>	<u>1,556</u>
Minority interests	<u>412</u>	<u>439</u>	<u>449</u>
	<u>£1,926</u>	<u>£1,838</u>	<u>£2,005</u>

Consolidated cash flow statement

	6 months to 31 December 2006 Unaudited £,000	6 months to 31 December 2005 Unaudited £,000	Year to 30 June 2006 Audited £,000
Net cash (outflow) from operating activities	(628)	(241)	(334)
Returns on investments	-	-	6
Capital expenditure and investment	-	(605)	(195)
Cash outflow before financing	(628)	(846)	(522)
Financing	463	978	598
Decrease/(increase) in cash in the period	£(165)	£132	£76

Reconciliation of movement in shareholders' funds

	6 months to 31 December 2006 Unaudited £,000	6 months to 31 December 2005 Unaudited £,000	Year to 30 June 2006 Audited £,000
Total recognised losses relating to the period	(303)	(156)	(106)
Proceeds of share issues, net of expenses	230	-	101
Other reserves	31	532	538
(Decrease)/increase in shareholders' funds	(42)	376	533
Opening shareholders' funds	1,556	1,023	1,023
Closing shareholders' funds	£1,514	£1,399	£1,556

Half-yearly report notes

1. Half-yearly report

This half-yearly report was approved by the Directors on 26 March 2007.

The information relating to the six month periods to 31 December 2006 and 31 December 2005 is unaudited.

The information relating to the year ended 30 June 2006 is extracted from the audited accounts of the Company which have been filed at Companies House and on which the auditors issued an unqualified audit report.

2. Basis of accounting

The report has been prepared using accounting policies and practices that are consistent with those adopted in the statutory accounts for the year ended 30 June 2006 by the Group and its subsidiary undertakings, although the information does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

These interim financial statements consolidate the financial statements of the Company and its subsidiaries.

The Company and Group will report again for the full year to 30 June 2007.

3. Loss per share

	6 months to 31 December 2006 Unaudited £,000	6 months to 31 December 2005 Unaudited £,000	Year to 30 June 2006 Audited £,000
These have been calculated on a loss of:	(303)	(156)	(106)
The weighted average number of shares used was:	135,959,680	125,110,596	125,136,824
Share options were not dilutive during the period			
Basic loss per share:	(0.22) pence	(0.12) pence	(0.08) pence

Copies of this interim report are available free of charge by application in writing to the Company Secretary at the Company's registered office, 55 Gower Street, London WC1E 6HQ, or by email to admin@regency-mines.com.

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