ALIGN
RESEARCH

Regency Mines

8th March 2018

Focus on battery metals and US coking coal should provide a strong re-rating of the shares and the prospect of early cash flow

Regency joined AIM in 2005 seeking to add shareholder value not only through mineral exploration but also by impressive deal making, using the same skill set that has been employed at Red Rock Resources. Always quick to spot undervalued opportunities, Regency used the Horse Hill Developments/Gatwick Gusher as a cash point to net a £1.8 million profit & which is now being re-invested strategically to add substantial value.

Metallurgical coal JV announced – and separate deal to gain 100% interest in US coking coal mine

In a classic Regency-style deal, the company has acquired the right to put what looks to be the last dollar into reopening the Rosa Mine in Alabama, which has existing NI 43-101 Proved Reserves, raising its stake from 20% to 100%. On 27th February Regency announced a Joint Venture with Legacy Hill Resources Ltd targeting US metallurgical coal opportunities. Although these are early days for the JV this could be the company's most important development of recent years.

World class battery metal project is being repackaged to add value

The vast Mambare nickel/cobalt project and the DNi processing licence now forms the solid base on which to build a battery metals and technology arm which could allow Regency to share the lofty valuations of its peers.

World class project number 2 is in niobium, tantalum and rare earths

Regency also owns Motzfeldt, which is the world's largest undeveloped Niobium-Tantalum deposit with significant in-situ value rare earth credits. Motzfeldt is being actively promoted to joint venture partners.

EBITDA multiples and peer comparisons suggests upside of 436%

Our conservative valuation demonstrates the stock is under-priced. We initiate coverage of Regency with a target price of 2.41p and **Conviction Buy** stance.

Table: Financial overview. Source: Company accounts & Align Research

Year to end June	2016A	2017A	2018E	2019E
Revenue (£'000)	25	113	150	200
PTP (£'000)	(1,966)	(534)	1,030	280
EPS (p)	(1.20)	(0.13)	0.15	0.03

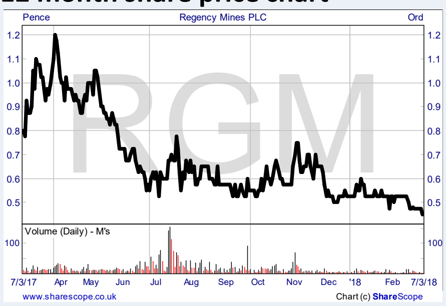
This investment may not be suitable for your personal circumstances. If you are in any doubt as to its suitability you should seek professional advice. This note does not constitute advice and your capital is at risk. This is a marketing communication and cannot be considered independent research.

CONVICTION BUY – first target 2.41p

Key data

PIC	RGM
Share price	0.45p
52 week high/low	1.2p/0.45p
Listing	AIM
Shares in issue	787.88m
Market Cap	£3.5m
Sector	Mining

12 month share price chart



Analyst details

Dr Michael Green
michael.green@alignresearch.co.uk

IMPORTANT: Regency Mines is a research client of Align Research. Align Research holds an interest in the shares of RGM. For full disclaimer information please refer to the last page of this document.

Business overview

Regency Mines Operations

Regency Mines is a natural resource exploration and development company which provides investors with a diverse exposure to mining, oil and gas, investments and transactions. Investments made thus far focus on cash generative assets where there is the potential for outsized returns. Elsewhere, transactions allow Regency to create value through joint ventures and disposals. The company's interests in mining and oil & gas that together make up the Battery and Storage Technologies Division are listed below.

MINING

• **Metallurgical Coal Production** – Regency has a 20% interest in the Rosa Mine in Alabama, US with NI 43-101 Proven Reserves of 453,000 tonnes of coal at an average 14,070 BTU/lb with 5.14% average moisture content and 4.45% average ash content. The company was given the option to increase its stake to 100% and due diligence has been carried out and is being assessed. Regency has further announced the creation of a Joint Venture structure to pursue additional producing metallurgical coal assets in the United States.

• **Niobium/Tantalum in Greenland – The Motzfeldt Multi-Element Project is the world's largest undeveloped Niobium-Tantalum deposit with significant in-situ value plus additional rare earth credits.** Regency has a 100% interest in this project which has a JORC-compliant Inferred Mineral Resource Estimate covering the Aries Target of 40,800 tonnes Ta2O5 and 629,000 tonnes Nb2O5.

BATTERY METALS & ENERGY STORAGE TECHNOLOGIES

• **Nickel in Papua New Guinea** – The Mambare Nickel/Cobalt Project constitutes one of the world's largest nickel laterite deposits. The project has JORC-compliant Indicated and Inferred Mineral Resource Estimate (2012) of 162.5 million tonnes @ 0.94% nickel and 0.09% cobalt giving 1.53 million tonnes of contained nickel at a 0.60% nickel cut-off grade. The actual resource could be considerably larger as only 3% of the main target area has been drilled out to date. The company has a 50% interest in Mambare Nickel/Cobalt Project which also has the licence to use Direct Nickel's revolutionary nickel laterite treatment process up to a production capacity of 40,000 tonnes per annum (tpa)

• **EsTeq** - A 100%-owned newly formed vehicle has been established to develop projects in the battery storage and technology space. Already, EsTeq has made an investment in White Car, a company seeking to change the way vehicles are rented, simplifying the process to an all-in-one price proposition with an all-electric vehicle fleet of Teslas, bolstered by priority technology operating behind the scenes. Whitecar has just completed a fundraising to allow it to begin European-wide expansion with new locations expected to open nearly every month going forward and has a focussed plan to be a new tech green disruptor in the space.

OIL & GAS

• **Coal Bed Methane** – Regency has a 8.9% holding in **Curzon Energy (LSE:CZN)** the 100% owner of Coos Bay Energy LLC, which owns and operates approximately 45,000 acres of known Coalbed Methane (CBM) gas accumulations in the Coos Bay, Oregon. There are five wells in place, two new wells to be drilled, along with a major regional 12in pipeline to connect it all to and plenty of local infrastructure that should allow CBM production to begin in 2018. If the results from the initial seven wells prove the overall commerciality of the project, a second and third stage of development could yield over 400 wells in the next few years.

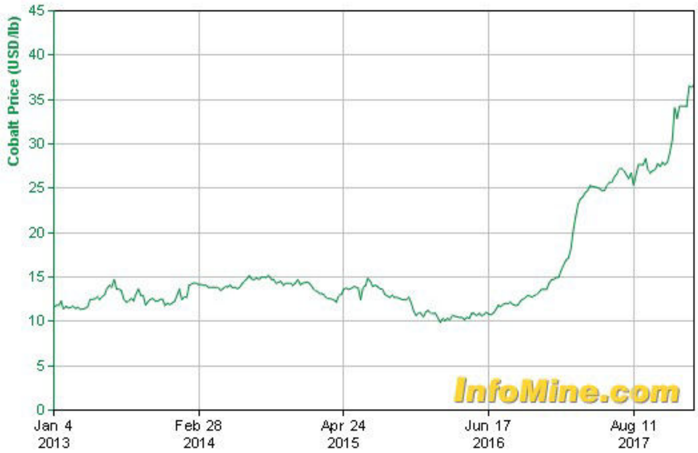
Battery and Storage Metals

The ongoing shift in the car industry towards electric propulsion has led to rapid developments in battery technology, with attention focused on metals such as cobalt and nickel which are key components in the cathodes of both electric vehicles (EV) and storage batteries.

Bloomberg New Energy Finance (BNEF) has forecast that EVs will account for 54% of new car sales by 2040 and will also make up some 33% of light-duty vehicles on the road (source: www.greencarprogress 06-07-17). BNEF believes that plug-in hybrid EVs will play a role in EV adoption until 2025, but then pure battery EVs will then take over and be responsible for most EV sales. Below we look at cobalt and nickel, two of the most important battery metals.

Cobalt

Cobalt has a wide range of uses in commercial, industrial and military applications, but its leading use is in rechargeable batteries. Most lithium-ion batteries for portable applications are cobalt-based, where the cathode is a cobalt oxide electrode. The big advantage of using a cobalt-based battery is that they have the highest energy densities. Cobalt is the element that provides both battery stability and the ability to charge quickly, both important considerations in EVs.



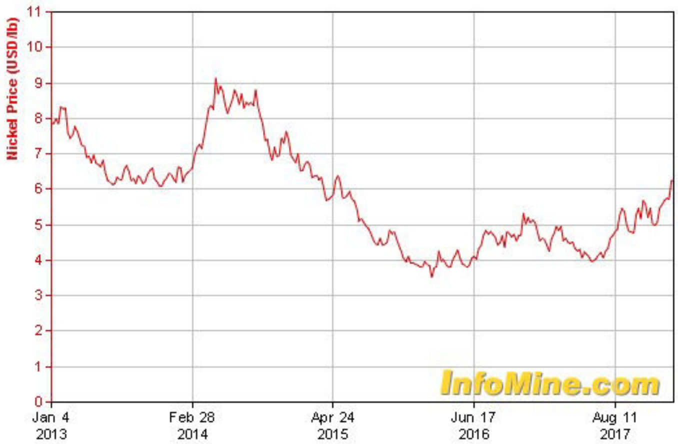
Cobalt price chart. Source: InfoMine.com

Cobalt is not mined on its own but is largely a by-product of nickel or copper mining, with some 60% of world cobalt located in the Democratic Republic of Congo**. It is thought that strong demand for cobalt in lithium-ion batteries is set to continue and cobalt is widely seen as being seen the battery metal with the tightest supply.**

In October 2017, CRU was highlighting an increase in global demand for cobalt rising from 102,000 tonnes in 2017 to 136,000 tonnes in 2021 and 161,000 tonnes in 2025. (Source: Reuters 06-10-17).

Nickel

Nickel is largely used to manufacture corrosion-resistant alloys such as stainless steel which uses roughly 65% of the world's annual nickel production. Historically there has been an increase of around 5% annually in the consumption as the population of the world becomes increasingly more urbanised, which creates greater demand for stainless steel whether it be in kitchens, homes, office or cars. However, it is the growing use of nickel as a battery metal which seems to have prompted the nickel price to move back up after many years in a bear market that ran from 2008 to 2017.



Nickel price chart. Source: InfoMine.com

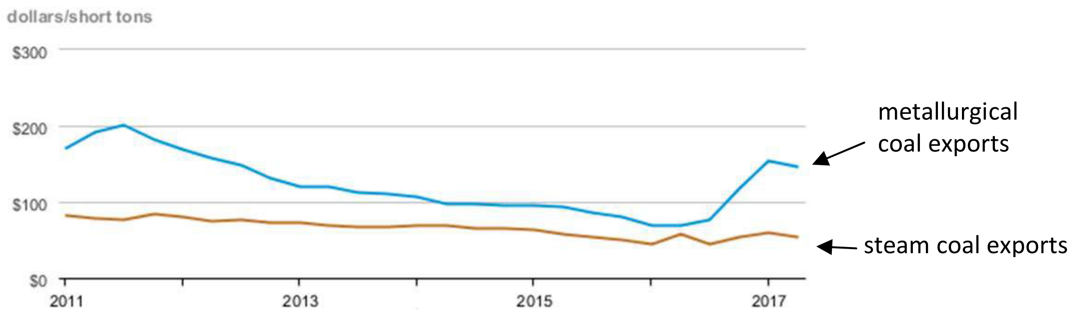
Nickel is seen as one of the critical metals for use in batteries as it has the necessary energy density and comes at a lower cost than other effective battery metals. In the past, the use of batteries was confined to consumer electronic products, but the rapid rise in EVs, which require much larger batteries, has been begun to focus the spotlight on nickel. Beijing consultancy Antaike believes the rate of growth in demand for nickel for EVs was 44% in 2017 and is forecasting that nickel demand for EVs will grow from 10,000t in 2017 to 45,000t in 2020, and to around 150,000t in 2025 (Source: Financial Times 01.11.17).

The World Bank forecasts the price per tonne of nickel will rise from US$10,559 in 2018 to US$14,413 in 2025 and US$18,000 in 2030 (Source: World Bank Commodity Markets Outlook October 2017 – nominal US$). However, in recent months the price has already began to move decisively higher and currently trades at US$13,485 per tonne (US$6.26/lb).

Metallurgical coal

Metallurgical coals are divided into hard coking coals and soft coking coals. Hard coking coals go into blast furnaces, whereas cheaper semi-soft or soft coking coals that have weaker coking properties are blended with hard coking coals to reduce costs. Blast furnaces need to be fed with a supply of a specific blend of coals in order to meet the required technical specifications and operate efficiently. The product of the blast furnace is pig iron, which is a crude form of iron ore poured into mould in preparation for making wrought iron, cast iron and steel.

Until recently, international coking coal prices were under pressure for some time. By 2015, metallurgical coal was at its lowest price for a decade, with the Japanese signing contracts at a mere $93 per metric ton, representing a fall of over 70% from 2011 levels when prices briefly climbed above the US$300 mark. More recently, the market turned around in 2016 with prices beginning to rally, making met coal one of the better performing commodities.



Average price for US steam (thermal coal) and metallurgical coal exports. Source: US Energy Information Administration Quarterly Coal Report released 02-10-17.

The rally in seaborne coal prices in early 2016 seemed to bypass US miners. Prices for coal exported from the US actually hit a low of around US$68 per short ton (907.2kg) in Q1 2016, but a year later prices had climbed to US$153 in Q1 2017 (source: www.steelonthenet.com).

Many developed countries have been moving away from coal to green energy. The US coal industry has been in decline for many years, with the level of production falling from 1.16 billion tonnes in 2006, down to an estimated 743 million tonnes in 2016 (Source: Institute for Energy Economics and Financial Analysis (IEEFA)).

The IEEFA is its January 2017 report on the US coal industry commented that despite the reduction in US coal production, there continued to be over production in most coal mining regions. Further, the IEFFA reckoned that the long-term outlook in every coal mining region until 2050 was poor and predicted that more coal-fired power stations would close. In addition, the IEEFA believe that the utilities would switch investment away from coal into cheaper natural gas as well as wind and solar power.

These sorts of sentiments may have hit the headlines, but they are solely related to US thermal coal which is burnt in power stations, rather than coking coal which is needed to manufacture steel. President Trump has vowed to revive the US coal industry and promises better times ahead by providing some regulatory relief for the sector. At the same time, metallurgical coal prices for calendar year 2017 were forecast at $143/t with an expectation that US coking coal production would increase by 9 million tonnes in that year.

Background

Regency Mines plc was founded in 2004 and listed in London in 2005. On flotation, Regency had a number of option agreements over nickel and copper exploration licences and exploration licence applications in Australia. Soon after listing, Regency acquired the Mt Ida iron ore project north-west of Kalgoorlie in Western Australia which, together with its manganese interest, formed the basis of AIM-quoted Red Rock Resources when it was spun-off in mid-2005.

In 2006, the company acquired a 75% interest in the 584km² nickel/cobalt exploration interest covering the Mambare Plateau in Papua New Guinea which it subsequently increased to 100%. The decline in the nickel price in 2008 led management to move the focus of its exploration effort to nickel sulphide opportunities in Western Australia which had lower exploration costs and additional mineral potential. In May 2009, the company gained the rights to four tenements prospective for nickel sulphide in the Archaean Lake Johnston greenstone belt in Western Australia, which lay next to some of Regency's existing licence areas. This move meant that the company controlled 160 kilometres out of a 240-kilometre trend which included 60 kilometres of newly discovered greenstone belt that was untested. The area was comprehensively tested and studied and eventually discarded as it appeared to contain only remnant nickel mineralisation.

One of the keys to unlocking the value at Mambare was to have economic beneficiation technology. Regency's search led to a 50:50 joint venture being agreed in 2009 with Direct Nickel Ltd which had the requisite nickel treatment technology. The joint venture company has a 100% interest in Mambare along with a licence to use DNi's technology. In 2012, the maiden JORC-compliant Mineral Resource Estimate for Mambare was announced together with the successful operation of Direct Nickel's pilot plant.

In 2012, the company entered into a farm-in joint venture in Sudan in search of phosphate and potash agrominerals. After initial exploration proved mixed results, the project was abandoned.

Some recently acquired Australian exploration interests in the Fraser Range were vended into Ram Resources in 2013 which gave Regency a royalty interest plus a significant shareholding which was successfully sold down over time.

The move into oil and gas began in summer 2014 when the company acquired a stake in Horse Hill Developments Ltd (HHDL) which had onshore oil interests in the UK near Gatwick Airport. In late-2014, the company was able to announce that it had a 100% interest in the Motzfeldt Multi-Element Project in Greenland.

With the continued downturn in world metals prices in 2014 and 2015, the company continued to look for projects that offered the promise of early cashflow. In 2015, overheads were dramatically reduced in a move that saw the geology and finance functions being outsourced. In November 2016, Regency entered into an agreement to acquire an interest in the Rosa metallurgical coal mine in Alabama, US, which offered a real opportunity for early cash flow. In 2017, the interests in HHDL were disposed of in a move that netted the company a clear profit of around £1.8 million. **These funds have been invested in the newly launched Battery and Storage Technologies Division, as well as allowing Regency to become debt free for the first time in five years.**

Operations

Regency Mines has a number of diverse natural resources investments in a portfolio encompassing mining, battery & energy storage technologies and oil & gas. The current interests principally include: metallurgical coal, nickel, niobium, tantalum and coal bed methane.

MINING

Rosa Metallurgical Coal Investment (20%)

The Rosa Mine is located in Blount County, Alabama, US, and lies in the Southern Appalachians within the Warrior Coal Basin. This is a historic coal district with mixed-grade Appalachian coal, which is a mixture of metallurgical and thermal coal. According to US government statistics, in 2015 there were a total of thirty-seven coal mines operating in the state of Alabama, with a combined annual production of 13.2 million tons.

Wash plant at the Rosa Mine. Source: Company

The Rosa Mine is an existing mine with infrastructure in place, and multiple potential offtake partners in the Birmingham area including coke producers, activated carbon and filter manufacturers. The Rosa Mine produces high quality Mid Volatility Coal which is metallurgical coal with a middle range of volatile matter content with low ash and sulphur.

Constituents	%
Ash	1.81
Volatile Mattes (VM)	26.20
Fixed Carbon (FC)	71.91
Sulphur	0.85

Average Rosa Mine coal quality. Source: Company

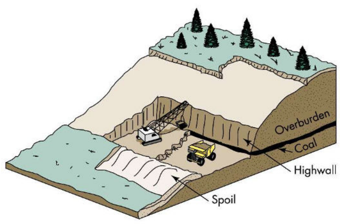
Regency first became involved in the Rosa Mine in January 2017 by making a £250,000 investment for a 20% interest in Carbon Minerals Corporation (CMC), the company which owns the mine. Regency's partner UK Carbon Resolutions had acquired the Rosa Mine when the operation was almost in a state of bankruptcy.

Progress since then has been unsatisfactory and the promise of early cash flow has not materialised. In November 2017, the company announced that it had acquired an option to buy the remaining 80% of CMC for £250,000 and become the 100% owner of the Rosa Mine, subject to due diligence. Regency would also be required to assume or renegotiate US$1.65 million of long term debt in the business.

Surface mining was conducted in the 1960s-80s by Calvert and Marsh Coal Co. Inc. Up until 1978, over 2,500 acres of the Rosa coal seam had been mined producing more than five million tons, with workings only covering part of the available acreage. In all, the property covers 6,500 acres and mine development is still at a relatively early stage, which provides substantial future met coal production potential.

Rosa Mine layout. Source: Company

The relatively thick seams are suitable for both contour and highwall mining. Contour mining involves removing the overburden from a seam in a pattern following the contours along a ridge or hillside. Whilst with highwall mining, a continuous miner is used to bore and win the coal from the seam with the highwall left behind.

Highwall mining. Source: Bucyrus. *Contour mining. Source: Kanda Earth Science*

The Rosa Mine has substantial proven reserves of metallurgical coal. The project had a NI 43-101 report prepared by McGehee Engineering Corporation in 2010, which showed that Phase 1 of the Rosa Mine project contained Proven Reserves of 453,000 tonnes of coal at an average 14,070 BTU/lb with 5.14% average moisture content and 4.45% average ash content. Aside from the Proven Reserves, there is significant expansion potential.

Due diligence has confirmed that the mine has attractive fundamentals and prices for metallurgical coal (Met Coal) are strong. Management is now assessing the necessary time and cost that would be required to bring the mine to a position where it could sustainably produce coal of a quality sufficient to command the high prices potentially available for specialist coals.

Legacy Hill Coal JV (up to 47%)

In December 2017, Regency entered a Memorandum of Understanding with Legacy Hill Resources, a privately-owned mining company, to co-operate in the structuring, financing and ownership of coal investments in the US. Regency management know Legacy Hill well as they have been sharing offices for two years. Legacy Hill has assisted in the due diligence on the Rosa Mine.

On 27th February 2018 Regency executed a Joint Venture agreement with Legacy Hill. Under the JV agreement Regency will contribute up to $2 million and Legacy Hill $1m to a new JV. Legacy Hill have been conducting on behalf of the JV (and 30% paid for by Regency) a comprehensive due diligence, on behalf of the JV, on a metallurgical coal production project in the U.S. as the foundation stone of a metallurgical coal 'roll-up' strategy in the U.S. Regency sees early profit potential and great long-term capital gain potential from this relationship. This is likely to become the company's most important driver for early profits.

We expect steady news flow on these developments in the second quarter of 2018.

Motzfeldt – Multi Element Project (100%)

Motzfeldt is the world's largest undeveloped Niobium-Tantalum deposit and also has significant in-situ value due to additional rare earth credits. The project is located in southern Greenland, twenty-four kilometres away from the International Airport at Narsarsuaq. The project is readily accessible all year round by direct flights from Europe and via deep water fjords.

Motzfeldt is 24 kilometres away from Greenland's largest airport at Narsarsuaq. Source: www.placemakingonline.com

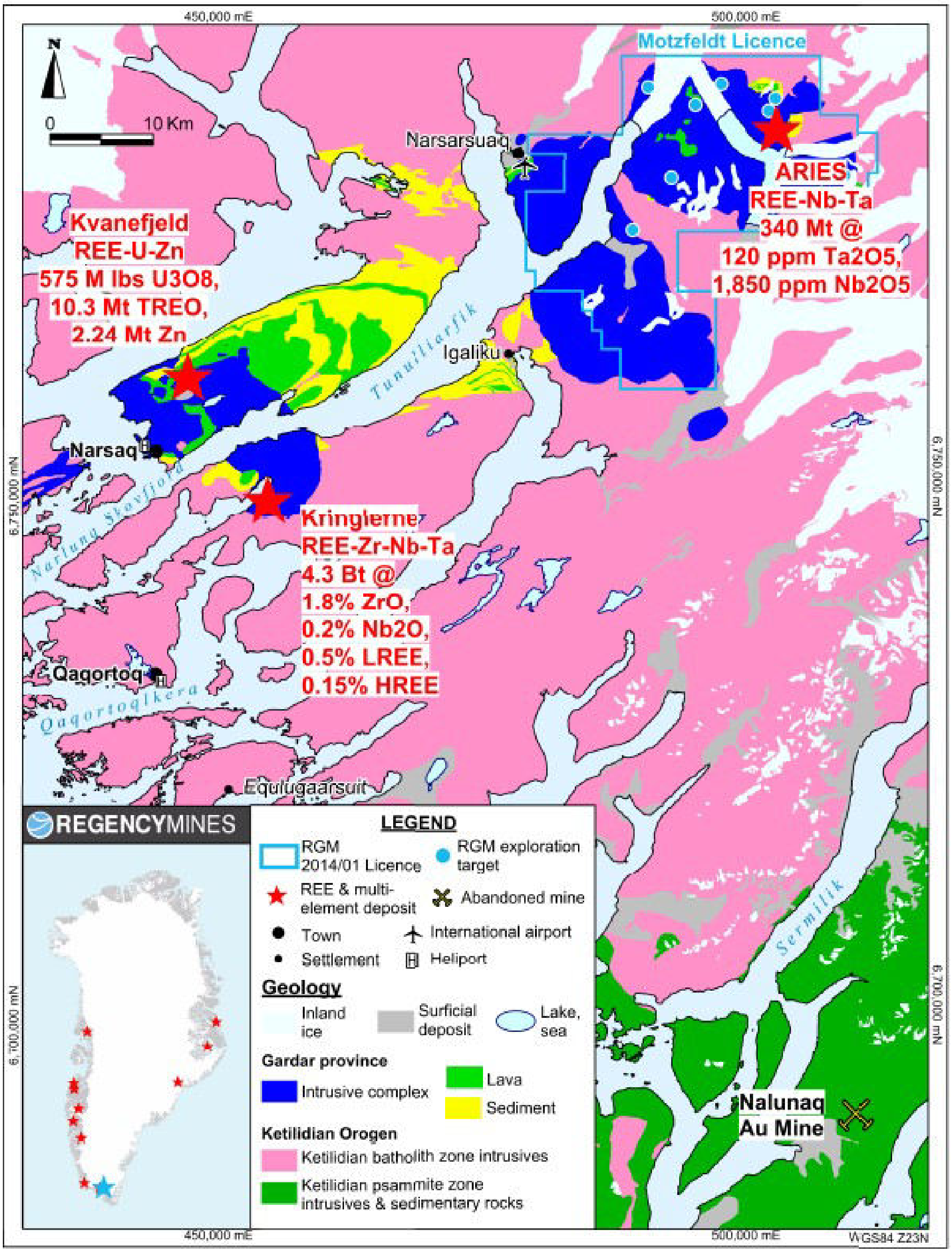
Regency owns 100% of licence area 2014/01 covering 555km² in Narsarsuaq. The previous operator spent millions defining a JORC Resource before reluctantly dropping the project to concentrate on exploration in Australia. The company acquired the project in 2014 for a nominal sum of around £2,500.

Motzfeldt is a niobium (Nb), tantalum (Ta) and rare earth elements (REE) project where the mineralisation is hosted by syenite (a coarse grained intrusive igneous rock) and peralkaline microsyenite rocks of the Motzfeldt Sø Formation which are often associated with strong hydrothermal alteration.

Tantalum and niobium mineralisation has been found to be generally held within pyrichlore group minerals while REE and Zirconium (Zr) occurs in lenses and layers. The REEs are held in bastnaesite (yellow-brown mineral consisting of a fluoride) and carbon of cvand monazite with coarse "free" grains which potentially provide for a fairly straight forward recovery process using milling and heavy metal separation. Motzfeldt is located in the Gardar Province, a Proterozoic-age rift system in South Greenland where a number of alkaline lavas and intrusions concentrated key minerals into an unusual abundance of rich REE and multi-element deposits.

The Gardar Province is the same geological province that hosts two of the world's largest REE resources. These are the Kvanefjeld deposit and the Kringlerne Project which lie less than 50 kilometres to the north east. The Kvanefjeld deposit is owned by Greenland Minerals and Energy A/S and has a JORC Resource of 575M lbs U3O8, 10.3Mt TREO (Total Rare Earth Oxides) and 2.24Mt Zn. Whilst, Tanbreez Mining Greenland A/S's Kringlerne Project has an inferred Resource Estimate of 4.3Bt @ 1.8% Zr0, 0.2% Nb2O, 0.5% light-group REE (LREE) and 0.15% heavy-group REE (HREE).

The Geological Survey of Denmark and Greenland (GEUS) discovered mineralisation at Motzfeldt in 1980. Between 2001 – 06, Angus and Ross Plc conducted exploration work which led to the discovery of the Aries Target, where a total of 1,621 metres was drilled in nine holes.



Motzfeldt licence area and JORC resource along with those for the Kvanefjeld and Kringlerne Projects. Source: Company

Subsequently, in 2011, the previous operator **Ram Resources (ASX:RMR)** drilled a total of 3,000 metres in 212 holes. In 2012, consultants SRK prepared a JORC Inferred Mineral Resource Estimate (MRE) on the Aries Target and pit optimisation work on behalf of Ram. In 2013, Ram was granted licence 2014/01, which covered a relatively small area immediately adjacent to its existing licence.

Commodity	Ta2O5	Nb2O5	ZrO2	TREO	U	TH
Grade (ppm)	120	1,850	4,600	2,600	70	120
Product (t)	40,800	629,000	1,564,000	884,000	23,800	40,800

JORC Inferred Mineral Resource Estimate at Motzfeldt (Aries Target). Source: Company

RAM reluctantly dropped the licence in 2014. Following this move, Regency was successful in its licence application and had applied to extend the 2014/01 licence over the ground dropped by Ram, which included the Aries Target with JORC mineral resource estimate.

Mineralisation is believed to be open to the south and east at the Aries Target, where SRK defined a JORC Mineral Resource Estimate**. In addition, Motzfeldt has nine other exploration targets and anomalies requiring further investigation, which all lie less than 30 kilometres from Narsaursuaq. In addition, other parts of the licence area and region in general remain unexplored. Priority targets for further work include: Viskop, Drysdal and North Qoroq.**

Viskop (Nb, Ta, Zr and REE) – The highest REE grades identified within 2014/01have been found at this target with samples containing up to 10,800ppm TREO and 22.3% HREP and Y2O3.

Drysdale (Nb, Ta, Zr and REE) – Assays samples up to 16,700ppm NB2O5, 328ppm, Ta2O5 and 13,000ppm TREO. There is intense hydrothermal alteration and veining with high Nb grades sampled and this target has the potential to be significantly larger than Aries, with better logistics.

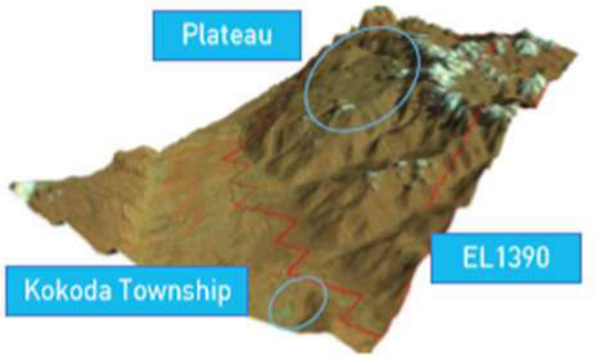
North Qoroq (Nb, Ta,ZR , REE) – In the licence area, this target offer the best logistics. There is reported to be carbonite and lujavrite (igneous rock that is abundant in minerals rich in elements like REE, U, Th and Li) which is thought to be a faulted offset of Black Ram target.

BATTERY METALS & STORAGE TECHNOLOGIES

In mid-November 2017, the company announced the establishment of a new Battery and Storage Technologies division (BST Division) which will contain the existing Mambare Nickel/Cobalt project along with the company's interest in Direct Nickel (DNi) production technology and small shareholding in Direct Nickel. This announcement also brought news of the establishment of a new company called EsTeq Limited, which would act as a vehicle to develop new opportunities in the battery and storage technology sector.

Mambare Nickel/Cobalt Project (50%)

Mambare Plateau in Papua New Guinea (PNG) represents one of the world's largest laterite nickel/cobalt deposits. The project is located 100 kilometres inland north east of Port Moreby, near the village of Kokoda. This joint venture company has a 100% interest in licence EL1390 covering 256km², with a nickel-cobalt laterite deposit in eastern Papua New Guinea (PNG), adjacent to the Kokoda Trail.



Mambare nickel laterite project. Source: Company

On the Mambare Plateau, the weathered ultramafic bedrock has formed significant layers of nickel and cobalt bearing lateritic and saprolitic material which is overlain by volcanic ash up to six metres in thickness. Laterites are rich in iron and aluminium and a rusty-red colour due to the high iron oxide content and are caused by tropical weathering. Saprolites are also chemically weathered rocks but form a lower zone and represent deep weathering of the bedrock surface.

Mambare was explored in the 1960s with fairly good results. Between 1960-71, there were a total of five exploration phases conducted by different operators totalling 240 auger holes, 56 test pits and one costean (a small pit through the superficial deposits down to solid rock). In 1999, Anaconda Nickel Ltd carried out data compilation of the previous work over 158km² of Mambare plateau.

In 2006, Regency acquired a 75% interest in a 584km² exploration licence from a private entity for £45,000. Regency went on to commence the first phase drilling programme on 100 metre centres at the southern end of the licence area. A total of more than forty drill holes were completed by hydraulic auger drill and wacker drill.

The period between 2008-09 saw Regency gain a 100% interest in Mambare and successfully conclude the first phase of the exploration and drilling programme, producing 4,000 metres of drill core from 335 drill holes. One of the keys to unlocking the value within Mambare was having access to mineral processing technology which was both economical and provided decent levels of recovery. To achieve this, the company entered into a 50:50 joint venture agreement with Direct Nickel Pty Ltd (DNi).

Area	Lith Type	Class	Cut off Ni%	Vol '000m^3	Tonnes '000 t	Ni%	Fe%	Co%	MgO%	SiO_2%
South	Limonite	Indicated	0.6	1,507	1,582	0.99	40.31	0.11	4.37	16.71
		Inferred	0.6	79,786	83,775	0.90	40.07	0.10	4.39	15.87
		Total	0.6	81,292	85,357	0.90	40.08	0.10	4.39	15.89
	Saprolite	Indicated	0.6	1,493	1,726	1.01	13.66	0.04	23.06	45.08
		Inferred	0.6	45,682	53,448	0.97	18.49	0.05	18.88	38.99
		Total	0.6	47,174	55,194	0.97	18.33	0.05	19.01	39.18
	Total	Indicated	0.6	2,999	3,328	1.00	26.33	0.07	14.18	31.60
		Inferred	0.6	125,467	137,222	0.92	31.67	0.08	10.03	24.87
		Total	0.6	128,467	140,551	0.92	31.54	0.08	10.13	25.03
North	Limonite	Indicated	0.6	0	0	0.00	0.00	0.00	0.00	0.00
		Inferred	0.6	12,691	13,325	0.90	44.45	0.13	2.62	12.18
		Total	0.6	12,691	13,325	0.90	44.45	0.13	2.62	12.18
	Saprolite	Indicated	0.6	0	0	0.00	0.00	0.00	0.00	0.00
		Inferred	0.6	7,408	8,668	1.25	15.56	0.05	22.53	39.56
		Total	0.6	7,408	8,668	1.25	15.56	0.05	22.53	39.56
	Total	Indicated	0.6	0	0	0.00	0.00	0.00	0.00	0.00
		Inferred	0.6	20.099	21,993	1.04	33.07	0.10	10.46	22.97
		Total	0.6	20.099	21,993	1.04	33.07	0.10	10.46	22.97
Total		Indicated	0.6	2,999	3,328	1.00	26.33	0.07	14.18	31.60
		Inferred	0.6	145,566	159,215	0.94	31.86	0.09	10.09	24.61
		Total	0.6	148,565	162,544	0.94	31.75	0.09	10.18	24.75

JORC-compliant MRE for Mambare Nickel/Cobalt Project June 2012. Source: Company

The DNi process is designed to process nickel laterites and has been tested at a pilot plant stage in Perth. The process is sustainable and cost effective using nitric acid, with 95% being recycled. As well as having low operating costs, capital expenditure is also low. The Mambare project is licensed to use DNi’s revolutionary nickel laterite treatment process up to a production capacity of 40,000tpa.

The joint venture partners are committed to the development of Mambare as well as piloting and applying DNi's advanced nickel-cobalt extraction technology. In 2010-11, the second phase of exploration and drilling programme began which comprised of 220 holes for a total of 4,000 metres. Also, during this period, an exploration licence application was filed to explore the region for geothermal targets, in order to meet the potential power requirements of the project. The team believe that the combination of green geothermal energy and a world-class nickel laterite project coupled with DNi's technology could result in the potential project operating in the lowest quartile of world nickel production cash costs.

The extensive drilling programme allowed the joint venture partners to announce a JORC-compliant Indicated and Inferred Mineral Resource Estimate (MRE) in 2012 of 162.5 million tons @ 0.94% nickel and 0.09% cobalt giving 1.53 million tonnes of contained nickel at a 0.60% nickel cut-off grade which was announced in April/May 2012. This included 47 million tons @ 1.23% nickel at a 1% cut-off grade.

The resource at Mambare could be far larger than this estimate as it was calculated over the flank of the plateau, which only included 2km² of the 80km² of the plateau – less than 3% of the main target. Since that time, the weakness in the nickel price forced the project into care and maintenance.

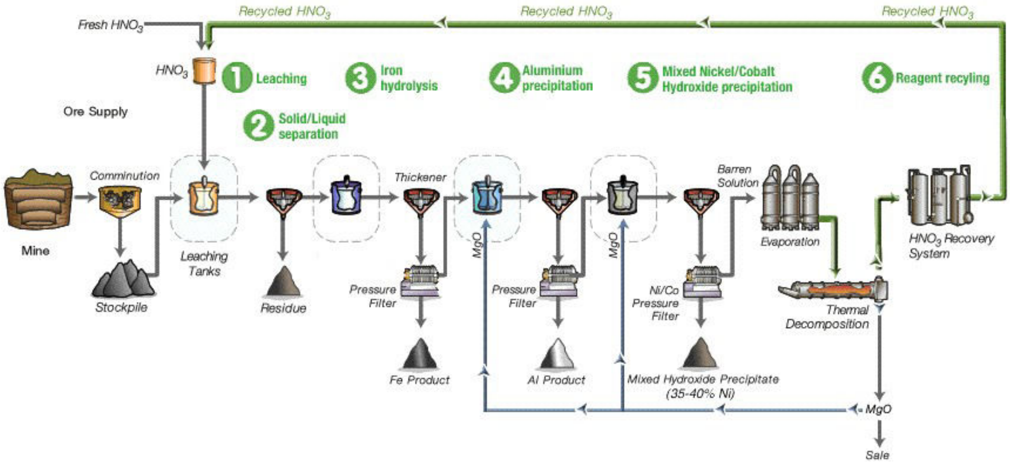
Direct Nickel production technology

Regency's joint venture partner in Mambare was Direct Nickel in which the company also owned a small direct interest. Currently, Direct Nickel (previously ASX:DIR) is delisted from the ASX and this joint venture interest has effectively changed hands. Direct Nickel developed the DNi Process™, which is the probably most financially viable nickel processing technology at today's nickel prices. The DNi Process™ is protected by registered patents and has been demonstrated to have both low opex and capex.

Direct Nickel's pilot plant. Source: www.chemicals-technology.com & Direct Nickel

The key to the process is the use of nitric acid as the leaching agent. In recent years, following a full year of operation at its pilot plant in Perth, DNi was able to announce the success of its test plant programme trialling the proprietary DNi Process™ for treating nickel laterites.

The DNi Process™ is an atmospheric hydrometallurgical route designed to treat all types of nickel laterite ores, in a single flow sheet to produce a number of final saleable products. Direct Nickel believes that the DNi Process™ is the only process available which can treat the whole limonite/saprolite profile (from 90% limonite to 100% saprolite) enabling maximum recovery. Limonite refers to a type of laterites (also known as oxide type) which are highly enriched in iron due to very strong leaching of magnesium and silica.



Simplified schematic diagram of the Direct Nickel Process. Source: Direct Nickel

The technology seems to have some clear advantages over the alternative methods which largely rely on some type of high pressure acid leach. These methods all seem to have high capital and operating costs which are due to high temperatures, high pressures and/or the large consumption of reagents. By comparison, DNi's technology uses commercially available components, with no applied pressure, mildly elevated temperatures, recycles 95% of the reagents and offers a far lower cost alternative.

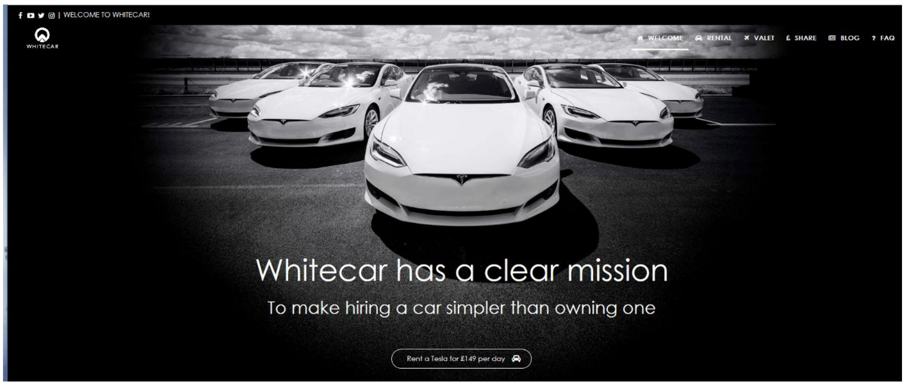
EsTeq

This new company was formed as a vehicle to develop projects in the battery storage and technology space. In essence, EsTeq was established to allow Regency, through a small independently managed business, to get involved with battery development ecosystems in a manner that would provide support for the company's wider nickel/cobalt battery metal growth ambitions.

In December 2017, EsTeq announced its first acquisition by investing in White Car. This announcement also brought news that Joseph Jayaraj had joined the board of EsTeq to look after strategy, business development, negotiation and implementation. Joseph is the former Head of Environmental Assets at Macquarie Group and was the second in command of the RAB Special Situations Fund.

White Car

The first move made by EsTeq was a £200,000 initial investment in White Car Ltd, which was announced on 22nd December 2017. White Car is a car rental company that provides white Tesla cars from Heathrow and several other locations in the UK (for £149 per day). Currently, White Car has a fleet of fifteen cars and is seeking to expand to more than nine hundred cars to be spread across c.30 hubs in the UK and Europe by 2022. Current revenue equates to £600,000 on an annualised basis.



Screenshot of White Car's website. Source: White Car

White Car recently raised a total of £1.29 million of new equity capital at a pre-money valuation of £5.85 million through the crowdfunding website Crowdcube. This new money is planned to be used to roll out new hubs in Europe in cities like: Dublin, Oslo, Frankfurt, Geneva, Madrid, Malaga, and Zurich. White Car's directors believe that this round of funding could be the last before exit, as they reckon that these funds will be sufficient to provide the necessary growth in the rental car brand due to a combination of low overheads and a strategy of being able to open new hubs relatively cheaply.

Regency is committed to make a follow-on investment of a further £200,000 in February 2018 following the success of the Crowdcube fundraise. This investment gives EsTeq a 5.6% stake in White Car. Interestingly enough, EsTeq will also hold 20% of any venture established through White Car's Chinese connections.

OIL & GAS

Curzon Energy

Curzon Energy (LSE:CZN) is the 100% owner of Coos Bay Energy LLC, which in turn is the owner and operator of approximately 45,000 acres of known Coalbed Methane (CBM) gas accumulations in Coos Bay, Oregon. The project was acquired out of bankruptcy and historically US$37 million was spent on the field under the previous owner.

Ahead of the shares starting to trade on the London market, Curzon had five existing wells ready for re-entry and cleanout. In addition, there was also four miles of pipeline running from these five wells to within 15 metres of a regional pipeline. **Contingent Resources total 85.6 to 419.4 BCF and around 1,000 BCF of gas in-place with up to 465 wells as set out in the Competent Person Report (May 2017).** The CBM is from the Eocene age in Coos Bay and comes from depth between 4,000 feet deep and the surface.

One of the five wells with pad and water tank in the Coos Bay Field. Source: Company

Curzon started trading on the London Stock Exchange in October 2017, at an initial market capitalisation of £7.73 million, raising a total of £2.33 million at 10p. The proceeds of the IPO funds are being used to finance the re-entry and clean-out of the existing five wells, the drilling of two new wells, the provision of further infrastructure and the connection to the sales line. In January 2018, Curzon was able to report that workover had already been completed on the five existing wells and that extensive well testing was to commence shortly with the team on track to deliver first gas in Q2 2018.

Coos Bay represents an attractive first asset for Curzon. It has a strong resource base and has exhibited encouraging test data historically. The reserve potential is up to 500Mscf/day peak rate, but sustained production up to 68 Mscf/d. Gas prices are in excess of the US national average and represents a 100-150% premium to Henry Hub prices.

Regency subscribed £175,000 for shares in Curzon in a private pre-IPO funding round in 2016 and followed that investment with a further £400,000 at the IPO. As part of Curzon's listing, Regency also received additional Curzon shares as payment of a 7% fee on its IPO subscription. Following the IPO and including fee shares Regency now own 6,467,500 shares represents an 8.9% holding in Curzon. In January 2018, Curzon’s brokers SP Angel upped their target price for the stock from 37p to 49p, citing the changes in US tax rates.

INVESTMENTS

Alba Mineral Resources (3.2% stake)

Alba Mineral Resources (AIM:ALBA) has a well-diversified asset and investment portfolio that encompasses graphite, ilmenite, gold, cobalt, uranium, base metals and UK onshore oil & gas. Regency has been an investor in Alba for some time. In November 2017, the company increased its holding in Alba by vending its 3.1% interest in Horse Hill Developments Limited (HHDL) into Alba in a part cash, part shares deal.

In Greenland, Alba has a strong position with the following interests.

- The Amitsoq graphite mine (90%), which is a former mine with high grade graphite and drill ready targets.

- Thule Black Sands (100%), where ilmenite has been confirmed over Alba's 4km² licence area.

- Melville Bay iron ore (51%), a previously drilled project with a JORC resource of 67Mt @ 31.4% iron.

- Inglefield Land (100%), a multi-commodity project where there is potential for copper, cobalt, gold and nickel which lies adjacent to Nuna Minerals' highly prospective Ingelfield Land licences.

In Wales, Alba has a 49% interest in Gold Mines of Wales Limited, the ultimate owner of the Clogau Gold Project, which lies within the Dolgellau Gold Belt. In onshore UK oil and gas, Alba has a 18.1% stake in HHDL, along with a 5% interest in Brockham oil & gas, which represents a previously producing oil field.

Strategy for growth

Regency is currently at an exciting stage in its development and there looks as though substantial value could be added over the next eighteen months. Below we discuss the likely developments that could affect the main business interests.

Mambare Nickel/Cobalt Project

Mambare is already one of the world's largest nickel laterite deposits and with just 3% of the plateau area drill tested so far there is significant upside potential. The company will be reenergising its exploration efforts at Mambare with a goal to further define and delineate the plateau area and main target of what is already one of the world's largest resources. The pairing of massive scale and low-cost processing that comes with applying DNi's revolutionary nickel laterite treatment process makes for a highly compelling value proposition.

Mambare might be a few steps behind some of the other nickel laterite deposits concerning its state of progress, however being able to demonstrate a hundred years of reserves and billions of dollars' worth of nickel and cobalt in the ground is likely to attract the attention of well-financed large international partners. **The project is located on the side of PNG that faces China and so is well-placed geographically to supply the Chinese market with battery metals.**

The exploration team at Mamabre back in 2011/12 found that Ground Penetrating Radar (GPR) worked well in providing reliable data. It does seem that additional GPR work allows an opportunity to determine a resource without needing as much expensive drilling. Over the intervening year, GPR has become far more accepted and more widely used in such an application. Now, six or seven years later, the equipment is better, the logarithms are better, and the results are expected to be significantly enhanced.

Compared to drilling, GPR is extremely cheap which means that the company can start quite quickly and get an idea of the true potential of the project in a cost-effective manner. At the same time, the company will buy new parts and refurbish the five drilling machines that are onsite in order to be able to drill on the necessary grid required with the goal of defining a larger JORC resource expected to have increased nickel and cobalt grades.

The board has made it clear that they are seeking to promote the battery metals side of the business with a goal of gaining a valuation of these interests and which is more akin to that enjoyed by comparators such as the Australian company **Clean TeQ Holdings (ASX:CLQ)** which owns the Sunrise Nickel/Cobalt/Scandium Project in New South Wales. **While owning a Nickel exploration project not very unlike Regency's Mambare operation, Clean TeQ currently has an Enterprise Value of £370.4 million with its shares trading at A$1.23.**

The Mambare Nickel/Cobalt Project is a 50:50 joint venture between RGM and Direct Nickel (in addition holding a 1.36% indirect stake through DNi); and the project is licensed to use Direct Nickel's revolutionary nickel laterite treatment. However, today DNi has been largely reconstituted and recapitalised in new form with new management. The remaining stake in this joint venture project is owned by a UK hedge fund that also owns the technology. Regency has a small stake in that business and the remaining interest is held by a small finance house in Sydney. Moving ahead, as the company spends on the project, these investors are expected to be diluted down, which will allow Regency to increase its holding and consolidate control of the project.

Rosa Mine

The price of metallurgical coal continues to be strong so the Rosa Mine could be a very profitable operation. Current production is sufficient purely to generate cash flow. In Q1 2017 the mine washed over 6,000 tonnes of coal, and there are plans to wash 72,000 tonnes of external coal in year 1.

The extraction process is relatively simple with the potential to use either multiple augers or a highwaller to meet production goals. Planned production is for 100,000 tonnes in year 1, rising to more than 120,000 tonnes in the following years. In fact, a highwaller could allow production to rise to more than 600,000 tpa from the Rosa coal seam. Mining costs are put at US$3 per tonne for an auger up to a depth of 300 feet and US$25 per tonne for the highwaller mining to a depth of 1,000 feet.

Currently, Regency and its partner Legacy Hill Resources are currently undertaking due diligence on the Rosa Mine with the potential to include it in a larger US coal strategy. The acquisition in its current form does require the assumption or renegotiation of US$1.65 million of debt (which is currently being repaid at a rate of US$25,000 a month and a royalty on production).

Regency is not generally seeking to manage this project, however its partner Legacy Hill is technically very strong and could provide the strong in-country management team needed to finally make Rosa a success. The plan that seems to be evolving is that Rosa could ultimately be attached to a larger producing asset as part of an overarching US strategy. Legacy Hill would in that case manage the businesses on the ground and Regency will contribute funding and its capital market expertise.

It does seem that the plan is to use this joint venture coal mining business to act as a roll up vehicle for similar deals and thereby gain additional ground in metallurgical coal by buying coal assets with no legacy liabilities. The operations would be run on a lean and mean basis with low manpower and high mechanisation with overhead costs spread across a large number of US assets bringing down the costs of production and paving the way for a listing in the US or elsewhere as deemed appropriate.

Conclusion

Regency as of today now combines an attractive mix of some of the brightest parts of old energy in metallurgical coal and natural gas, and of new energy concerning battery and storage technology. The company first got into the UK onshore oil near Gatwick attracted by the potential of near term cash flow. However, as the play became bigger and longer in duration, there was demand for working capital rather than cash flow. The move into coal at the Rosa Mine and into gas with Curzon Energy is part of the continued pursuit of owning stakes in multiple independent revenue streams, providing the company a valuable foundation for future growth.

In the US, gas is coming back as it is viewed as a cleaner energy than oil. Terminals that had been constructed to import gas are being altered to be used for exporting gas. The end result is that we may be beginning to see the equalisation between US and international gas prices. Curzon Energy serves the Oregon area which is a locked market for gas. **At present, gas is piped from Canada which is expensive and so Curzon is expected to receive a substantial premium of US$1.5 – 2 per mcf over Henry Hub prices.**

Between the company's interests in Curzon Energy and Alba Mineral Resources, there is a combined total of around £1.2m & which could provide liquidity should it be necessary. Elsewhere, the Motzfeldt Multi Element Project (100%) requires only a minimal spend to hold the licences and remains on a care and maintenance while Regency seeks partners.

The new EsTeq vehicle, which has been formed to develop projects in the battery storage and technology space, looks like it is being groomed to be spun off on the NEX market - a move which should allow an enhanced valuation to be placed on these interests.

Regency Mines is thus developing a large and profitable natural resource enterprise with diverse revenue streams and significant potential for capital growth and share price appreciation. Management has used its financial and technical skills to benefit through investing in a series of potentially large-scale opportunities at bottom of the cycle valuations. Now that metal and energy markets are improving this ought to allow an enhanced valuation to be placed on these interests going forward.

Financials & Current Trading

Losses that have been recorded over the years are mainly due to impairment of investments in associates and fixed assets and administration as the board has built a portfolio of mineral exploration interests.

Y/E 30 June £'000s	2013A	2014A	2015A	2016A	2017A
Revenue	262	1,255	96	25	113
Pre-tax profit/loss	-5,166	-1,515	-5,889	-1,966	-534
Net profit/loss	-5,352	-1,515	-5,889	-1,966	-534

Regency Mines five-year trading history. Source: Company accounts

2017 results

Financial results for the twelve months ended 30th June 2017, showed a loss of £0.534 million. The basic and diluted loss per share from continuing operations came out at 0.13p. The company emerged from the year with a much clearer identity and holding interests in coal, coal bed methane and oil, where prices were rising, alongside Regency's historic industrial metal interests in nickel and cobalt, where prices had not yet recovered quite as strongly.

Recent developments

Regency has been quick to spot the potential of the Horse Hill and other key Weald Basin assets where it gained an exposure through a holding in AIM-listed **UK Oil & Gas (AIM:UKOG).** Shares in UKOG enjoyed a meteoric rise during 2017 and Regency was able to take advantage of this to sell its entire holding, with its only remaining interest being via its holding in Alba Mineral Resources. The company began these share disposals in August and were completed by the end of November 2017.

In September 2017, there was news that Curzon Energy (LSE: CZN) was to list on the main market of the London Stock Exchange, where it raised a total of £2.3 million at a price of 10p per share. Post IPO and including fee shares, Regency owned 6,467,500 shares in Curzon.

November 2017 saw announcements regarding the Rosa Mine and a new battery division. The update on the metallurgical coal investment brought news that Regency had gained an option to buy the 80% of Carbon Minerals Corporation (CMC), the owner of the Rosa Mine, that the company did not already own. Regency has sixty days to carry out the necessary due diligence ahead of acquiring the entire ownership of the Rosa Mine for £250,000, plus the assumption or renegotiation of US$1.65 million long term debt owed to Carbon Trading Specialist LLC.

Risks

Geological risks

There are a series of technical risk factors concerning the amount of understanding of the geology of the project areas, the mineralisation being targeted and the distribution and magnitude of the indicators that have been identified in exploration work.

Political risk

There are political risks involved in companies operating in many countries around the world. The mining industry is arguably the most susceptible sector of the market to political risks largely due to its importance to the host county's economy.

Metal and oil price risks

Metal and oil prices are highly cyclical and changes in the prices of manganese, ferrosilicon, gold, copper, cobalt, metallurgical coal and oil could have a negative or positive impact on the valuation of the company's projects and revenue from the sales of metals. The price of cobalt has enjoyed a recent spectacular rise on the back of its use for the growing EV battery market but as the price climbs higher it does bring with it increasing fears of substitution by other metals.

Exchange rate risks

Movements in the value of currencies will have an effect on the company's accounts on translation from local currencies in the countries of operation around the world into UK pounds. Fluctuations in the value of these currencies against the pound may well have an effect on the valuation that Regency is awarded by the UK stock market.

Future funds

The market for raising funds for small cap companies may have improved from the worse conditions two years ago, however the equity market does continue to be difficult especially for resources companies. Some recent fund raising in the resources sector has seen share prices being undermined by incoming investors demanding substantial discounts to provide the necessary capital.

Board of Directors

Andrew Bell, MA, LLB – Chairman and CEO

Andrew began his career as a natural resources analyst at Morgan Grenfell & Co. in the 1970s. His business experience encompasses periods in fund management and advisory work at leading financial institutions, international corporate finance work and private equity. Andrew's listed company directorships are Red Rock Resources plc (Executive Chairman), and Jupiter Mines Limited (Non-Executive Director). Andrew Bell is also a former Director of ASX-listed Star Striker Limited.

Scott Kaintz, BSc, MBA – Executive Director and COO

Scott has a MBA from London Business School and Columbia Business School. He started his career as a US Air Force Officer and analyst working across Europe, the Middle East and Central Asia. Scott has held operational and managerial roles in the defence industry and worked in corporate finance and investment funds in London, focussing primarily on capital raising efforts and debt and equity investments in small-cap companies. He joined Regency in 2011 in a Corporate Finance Manager role and has subsequently taken on the role of Chief Operations Officer. Scott is also an Executive Director of AIM-listed Red Rock Resources.

Edmund Bugnosen, BSc - Non-Executive Director

Edmund has a BSc in Mining Engineering from Adamson University, Philippines and studied Environmental Science at the International Institute of Hydraulics and Environmental Engineering (IHE) in Holland. He has worked in both the government and private sectors of the Philippine mining industry. Since 1989, Edmund has worked out of the UK as a consultant for governments, mining companies, NGOs and development agencies, including the UN, UNIDO, the World Bank, the EU, ILO, DFID, and the BGS. He has also served as Senior Mining Engineer in the Department of Mines and Petroleum of Papua New Guinea and as a Technical Assistant to the Namibian Ministry of Mines and Energy. Edmund has published and presented papers on mining laws and regulation, small-scale mining and related environmental, social and development issues.

Forecasts

We initiate coverage of Regency Mines with forecasts for the years ending 30th June 2018 and 2019. For 2018 we account for the gain on the sale of investments in UK onshore oil and gas of £1.8 million. In addition, we anticipate growth in revenue from management services plus exploration costs and a small loss from the company's current 20% interest in the Rosa Mine. These are expected to create a pre-tax profit of £1.03 million and earnings per share of 0.15p.

In 2019, it is estimated that the present 20% stake in the Rosa Mine would provide the company with a £1.28 million share of profits. It is expected that exploration costs will increase as well as the impairment cost of exploration assets. We see an increased number of shares due to warrants being exercised. For 2019, it is estimated that the company will make a pre-tax profit of £0.28 million which would result in earnings per share of 0.03p. If the company was to exercise its option to become the 100%-owner of the Rosa Mine, which is then put into the joint venture vehicle for an overall 50% interest, we see this move adding £4.8 million to revenue and increasing pre-tax profits to the £0.5 million level in 2019. No tax is expected to be paid due to accumulated losses of previous years.

Year End 30 June (000s '£)	**FY2016a**	**FY 2017a**	**FY 2017e**	**FY 2018e**
Revenue				
Management services	25	113	150	200
Total revenue	25	113	150	200
Gain/(loss) on dilution of interest in associate	19	-	1,800	-
Profit/(loss) on sale of investments	(87)	-	-	-
Gain on sale of tenements	(48)	55	-	-
Impairment of available for sale financial assets	(547)	-	-	-
Exploration expenses	-	-	(250)	(500)
Impairment of exploration assets	(658)	(229)	(200)	(300)
Administration expenses (net)	(595)	(414)	(400)	(400)
Share of profits/(losses) of associates and joint ventures (net of tax)	(48)	-	(40)	1,280
Finance costs, net	(26)	(58)	(30)	(50)
Profit/(loss) for the year before taxation	(1,966)	(534)	1,030	280
Tax	-	-	-	-
Profit/(loss) for the year attributable to owners of the Parent	**(1,966)**	**(534)**	**1,030**	**280**
Profit/(loss) per share attributable to owners of the Parent				
Earnings per share – basic (p)	(1.20)	(0.13)	0.15	0.03
Weighted average number of shares	163,621,119	398,184,727	667,305,039	965,895,359
Total shares plus warrants and options	270,555,682	840,236,734	1,288,738,362	1.496,238,362

Source: Company/Align Research

Valuation

Regency lies on the brink of beginning to further develop its key assets so that more value can be rapidly added. We have sought to value the company using a sum-of-the parts approach. Below we have outlined the assumptions made and the valuations awarded to the company's main assets.

Rosa Mine - Metallurgical Coal

There is no doubt that the Rosa Mine has attractive fundamentals and prices for metallurgical coal are currently strong. At present, the company is undertaking due diligence ahead of potentially exercising an option to increase its stake in the project from 20% to 100%. In our valuation, we have assessed the beneficial impact that exercising this option could have on Regency's valuation.

Financial projections for the Rosa Mine provided by the company show a first year production target of 100,000 tonnes of met coal. At a fairly conservative price of $130 per tonne, this level of production would equate to US$13 million in revenue and give rise to EBITDA of US$8.7 million. Valuing this business on the basis of an EBITDA ratio of six times would suggest a valuation of US$52.2 million. **Regency's current 20% stake equates to US$10.44 million, or £7.45 million, which is the figure that has been carried on into the SOTP calculation.**

However, if Regency were to exercise its option to acquire a 100% interest in the Rosa Mine, the value of its stake would increase substantially. **A 100% interest in the mine has been determined above at US$52.2 million, which less the debt (US$1.65 million) which Regency is likely to have to assume to acquire a 100% interest, gives a figure of US$50.55 million.** So far progress on the ground has not been without its problems, which has probably helped Regency gain the position it has today.

Moving ahead, Regency seems to be planning to combine this project with the coal producing interests of its partner to create a vehicle to act as a consolidator of metallurgical coal interests. On this basis, we conservatively believe we could assign a value of 50% of US$50.55 million i.e. US$25.27 million or £18.31 million plus a share in the value of the coal mining interests brought into the new joint venture company by Legacy Hill.

Motzfeldt – Multi Element Project

The multi-element project at Motzfeldt is already known to host one of the world's largest undeveloped Niobium-Tantalum deposits, yet there remains considerable potential for further resources expansion and new discoveries. We have looked to value this interest by peer comparisons. **Cradle Resources (ASX:CXX)** has 50% stake in the Panda Hill Niobium Project in Tanzania which has a 2015 Mineral Resources of 178Mt @ 0.50 Nb2O5 for 891,000t of Nb2O5 (Measured 99,000t Nb2O5, Indicated 263,000t and Inferred 528,000t), where 445,500t Nb2O5 are attributable to Cradle Resources. **The current Enterprise Value of Cradle Resources at A$0.115 per share is £9.93 million, which suggests an EV/t figure for Nb2O5 of £22.29. On this basis, Motzeldt with its 100%-owned 629,000 JORC Inferred Mineral Resource, from just the Aries target alone, suggests an Enterprise Valuation of £14.01 million.**

However, the Panda Hill Niobium Project is at a more advanced stage than Motzfeldt. Panda Hill looks to be on track to become the first new niobium producer in forty odd years. This project has a Definitive Feasibility Study (2016) which showed a NPV(8) pre-tax valuation of US$796 million and a pre-tax IRR of 32%.

To balance these factors, we have conservatively assigned a valuation to Motzfeldt of £1.4 million, which represents a 90% discount to the Enterprise Valuation figure determined above. As previously stated, there does seem to be large potential to define further resources as so far, the JORC compliant resource has been confined to just the Aries Target. We wish to remain ultra conservative with this valuation however especially in light of the company's current clear strategic focus on the new Batteries Division and Storage Technology Division, Mambare and the Rosa Mine.

Mambare - Nickel/Cobalt Project

Mambare has the potential to be a large-scale nickel laterite project on a worldwide basis. In seeking to place a valuation on this project we have looked at peer comparisons. Clean TeQ is an interesting company which owns the Sunrise Nickel/Cobalt/Scandium Project in New South Wales. Sunrise's mineral resource, together with its proprietary ion exchange extraction and purification technology does look as though it has positioned Clean TeQ to become one of the largest and lowest cost suppliers of key cathode raw materials to the lithium-ion battery market – nickel sulphate and cobalt sulphate.

Clean TeQ's Sunrise Project has a resource which totals 109 million tonnes at 0.65% nickel and 0.1% cobalt for 700,000t nickel and 114,000t cobalt. Measured and Indicated resources total 101 Mt at 0.65% Ni and 0.10% Co with Inferred resources of 8Mt at 0.54% Ni and 0.10% cobalt. In addition, this project has a total of 1.5Mt of the rare-earth element scandium at a grade of 6,700ppm for a total of 996 tonnes of scandium. Clean TeQ benefits from being backed by mining legend Robert Friedland and with the shares currently trading at A$1.23, the company has an Enterprise Value of £370.4 million. This valuation suggests an EV of £529 (US$730) per tonne of nickel.

This needs to be compared with Mambare which, on just a small corner of the deposit, has 48% more tonnes (162.5Mt) with a 45% higher nickel grade at 0.94% and pretty well the same grade of cobalt. The JORC compliant resource at Mambare equates to 1.53 million tonnes nickel and 146,000t cobalt. Clean TeQ has a few more other interests but at the heart of this company lies the Sunrise project (plus the scandium potential). It has to be pointed out however that Clean TeQ is in the midst of a Definitive Feasibility Study which is expected to be completed in Q1 2018, its resource is known with greater certainty and is much further down the road towards taking the production decision than Mambare.

Considering all this, we have chosen to risk this EV/tonne figure by a very conservative 95% which results in £26.45 per tonne, suggesting a valuation of £40.47 million for Mambare – a see through value of £20.23 million for Regency's 50% stake in the project. We have included no value for the licence to use the DNi technology at Mambare which is the key to unlocking the tremendous value that lies in the in-situ nickel and cobalt. Our belief is that the rebranding will give rise to a re-rating of these interests and, so we are content to carry forward the £20.23 million figure into our SOTP calculation.

At first glance, this might appear to be a high valuation, but moving forward it should probably be seen as a base case. Peer group analysis strongly underlines this level of valuation but it does need the company to become active again at Mambare in restarting exploration work on the ground, and a well-planned IR program to really get the message out about the potential of this nickel laterite project coupled with the DNi technology.

We believe that the recent rebranding of Regency's nickel/cobalt and related assets as a battery metals function will pave the way for an enhanced valuation to be placed on Mambare. This project represents a large resource of nickel and cobalt which are the key metals used in EV batteries, giving Regency an enviable strategic position in this new and fast developing energy market. The maiden JORC compliant resource covers a part of the plateau flank and just 3% of the mineralised plateau, which is seen to be the main target area. The JORC resource outlined presently is purely a function of exploration effort and available funding. So, it is conceivable that the true scale of the resource at Mambare could be substantially larger.

Investments

Regency's shareholdings in Curzon Energy and Alba Mineral Resources are currently worth a combined total of £0.8 million. The holding in White Car (5.6%) has been valued at cost. Added up these investment interests are currently valued at a total of £1.2 million.

Sum-of-the-parts valuation

	Valuation £ million
Rosa Mine (based on 20% stake)	7.45
Mambare Nickel/Cobalt Project	20.23
Motzfeldt – Multi Element Project	1.40
Investments (Curzon Energy, Alba Minerals & Whitecar)	1.20
Cash (estimate)	0.80
Debt	nil
Total	**£31.08m**
Per share (787,885,972)	**3.94p**
On a fully diluted basis (1,288,738,362)	**2.41p**

Source: Align Research

Our sum-of-the-parts valuation comes out at £31.08 million. Based on the current number of shares in issue (787,885,972) this suggests a per share valuation of 3.94p and on a fully diluted basis (1,252,374,726), this valuation equates to 2.41p per share.

It should be pointed out that if Regency exercises its option to increase its stake in the Rosa Mine from 20% to 100% under the current terms and goes onto pursue a strategy of combining this project with the coal interests of Legacy Hill, our total valuation will be significantly increased. **We believe that such a move would allow the total valuation to rise to £41.93 million, which equates to 3.25p per share alone on a fully diluted basis, that is without factoring in any valuation of the assets that Legacy Hill might commit to the new business.**

Moving ahead, there appears to be impressive news flow developing which will allow investors to see value being added in the new battery metals division and within the hydrocarbon energy arm.

Mining is a highly a cyclical business and we have started to see goodly improvements in a variety of metals, especially those which are now being termed battery metals, including nickel and cobalt. As nickel sulphide deposits become worked out, nickel laterites represent the next phase of mines that are likely be brought into production. Nickel had been in a bear market for some time, but over the past three years the price has been steadily increasing and there is clear evidence of improving future demand.

Recently, cobalt prices have soared as battery manufacturers have tried to lock-in vital supplies to allow for expanding production. Regency has returned to focus on Mambare within the new battery metals division with the promise of a step up in operational activities. This is likely to be accompanied with a decent news flow as the real growth opportunities within this rapidly developing market are seized.

At the same time, Regency is set to enlarge its coal footprint within the hydrocarbon energy sector. This looks like a classic situation for the company, where the board has been able to inexpensively gain an interest in an underperforming asset that is now positioned in an improving market. The problems that persist within this business have simply served to play into Regency's hands and have put the company in a position where it can gain a 100% interest in a long-life project with attractive economics but importantly, where there is the potential for immediate cash flow.

We look forward to being given the chance to update our target price in the future and chart the improvements in fundamentals as the management begin to make the most of the company's strong strategic position. **Our coverage of Regency Mines is initiated with a target price of 2.41p and a Conviction Buy stance.**

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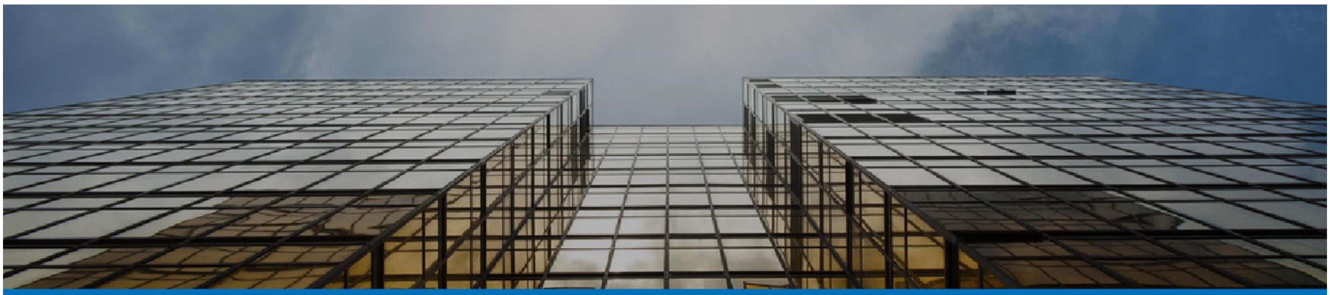

Align Research Limited
7 Moorhead Lane
Shipley
UK
BD18 4JH

Tel: 0203 609 0910
E: info@alignresearch.co.uk