

**Regency Gold Corp.**

**Annual Report**

**For the Year ended January 31, 2009**

**REGENCY GOLD CORP.**  
**Year ended January 31, 2009**  
**Management's Discussion and Analysis**

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The following discussion is management's assessment and analysis of the results of operations and financial conditions ("MD&A") of Regency Gold Corp. (formerly Silvio Ventures Inc.) (the "Company" or "Regency") and should be read in conjunction with the accompanying audited annual financial statements and related notes thereto for the year ended January 31, 2009 which are also available at the SEDAR website at [www.sedar.com](http://www.sedar.com).

The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with Canadian generally accepted accounting principles and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The effective date of this report is April 17, 2009.

### **Overview**

The Company was incorporated under the laws of the Province of British Columbia and continued under the Canada Business Corporation Act. On July 17, 2008 the Company changed its name to Regency Gold Corp. and commenced trading on the NEX board of the TSX Venture Exchange at the opening on July 17, 2008 under the symbol **RAU.H** and the common shares of Silvio Ventures Inc. (SIV.H) were delisted.

### **Nevada Projects:**

On March 4, 2008 Regency entered into an option agreement to acquire 100% of the Meridian Ridge and Bombardier exploration projects located in Nevada from Sirius Exploration, LLC ("Sirius") of Elko, Nevada. On July 2, 2008 the Company entered into a second agreement with Sirius to acquire the South Lida project also located in Nevada.

In addition we teamed up the principals of Sirius, Curt Everson and Eric Saderholm, who each have more than 25 years experience in this field to direct the exploration of the projects.

The Company conducted mapping, rock chip and soil sampling and geophysical surveys at the project and while the results were encouraging on a few of the targets and less encouraging on most of the targets the Company chose to maintain the Company's strong capital structure and solid balance sheet rather than continue to pursue early stage exploration efforts on these prospects. While we maintain that these mineral prospects have strong potential, in this adverse capital market environment it is best that the Company pursue other projects, either inside or outside the mineral exploration arena.

On August 15, 2008 the Company and Sirius agreed to terminate the two mineral property option agreements and as part of the termination and mutual release agreement, Regency relinquished its title and rights to all of its mineral claims in Nevada to Sirius in consideration of Sirius returning all 425,000 shares previously issued to it by Regency for return to treasury and cancellation.

The Company is currently investigating mineral properties for potential acquisition and subsequent exploration and development. The Company will seek to conduct a share offering to raise capital to fund these activities.

### **Results of Operations**

#### ***Results of Operations for the year ended January 31, 2009 and 2008***

The Company recorded a net loss of \$859,719 or \$0.08 per share for the year ended January 31, 2009 (2008 - \$236,204 / \$0.03).

#### **Operating Expenses**

Total expenses were \$419,947 for the year ended January 31, 2009 (2008 - \$246,700).

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Consulting fees and salary of \$114,765 (2008 - \$12,000) included the salary paid to the Company's President and Chief Executive Officer and fees paid to Golden Oak Corporate Services Ltd., a company wholly owned by the Chief Financial Officer, Corporate Secretary and Director in the year ended January 31, 2009.

Office costs were \$20,775 for the year ended January 31, 2009 (2008 - \$2,710). For a part of the year the Company maintained an office for the Company's President in Vancouver. To conserve cash he is now working from his home.

The Company recorded professional fees of \$45,255 (2008 - \$74,340) during the year ended January 31, 2009. The increase in the prior year was \$60,340 legal fees paid for a business transaction that ultimately failed to complete.

The Company recorded \$92,336 (2008 - \$nil) of property investigation costs. This category includes consulting fees, assays and travel costs to visit and evaluate prospective areas that did not result in the acquisition of a mineral property.

Shareholder relations costs of \$23,149 (2008 - \$2,242) are expected to grow as the Company repositions itself in the market place.

The Company recorded \$40,238 (2008 - \$13,358) in transfer agent and filings fees during the year ended January 31, 2009. This included the cost of the mailing of the annual general meeting material and the extra costs associated with the annual general meeting as well as the extra costs associated with the name change of the Company.

Travel expense of \$18,718 (2008 - \$13,065) was the cost of the President's travel to visit the site of the Nevada projects and travel to investigate other business opportunities. This category of cost is expected to increase in the future.

The Company recorded \$76,244 (2008 - \$128,299) as the fair value of stock options vested, net of forfeitures, in the year ended January 31, 2009. There were 400,000 stock options granted to Curt Everson and Eric Saderholm that were forfeited on November 15, 2008 being 90 days after termination of the agreement with Sirius.

**Other Item**

The Company earned \$14,738 (2008 - \$10,496) in interest income during the year ended January 31, 2009.

The Company wrote off \$454,150 (2008 - \$nil) of acquisition and exploration costs associated with acquiring and examining the Bombardier, Meridian and South Lida projects in Nevada before writing them off.

**Summary of Quarterly Results**

	<b>Jan 31</b>	<b>Oct 31</b>	<b>July 31</b>	<b>Apr 30</b>	<b>Jan 31</b>	<b>Oct 31</b>	<b>July 31</b>	<b>Apr 30</b>
	<b>2009</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenues	-	-	-	-	-	-	-	-
Net loss	(10,302)	(81,599)	(496,243)	(271,575)	(146,301)	(31,316)	(49,169)	(9,418)
Net loss per share								
- basic and diluted	(0.00)	(0.01)	(0.04)	(0.02)	(0.02)	(0.00)	(0.01)	(0.00)

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The Company is an exploration company. At this time any issues of seasonality or market fluctuations have no impact. The Company currently defers its mineral interest acquisition and exploration costs. The Company expenses its project investigation and general and administration costs and these amounts are included in the loss for each quarter. The Company's treasury determines the levels of exploration.

**Liquidity**

The Company began the 2009 fiscal year with cash of \$1,211,076. Cash expended on operations in the period, net of working capital changes was \$319,136. The Company incurred \$418,900 cash costs on acquisition and exploration on three mineral properties written off and \$2,754 to purchase computer equipment. The Company ended at January 31, 2009 with cash of \$470,286.

**Capital Resources**

The Company had no commitments for material capital expenditures as of January 31, 2009.

The Company had 300,000 stock options outstanding at April 17, 2009 which if exercised would raise additional capital.

There can be no assurance that additional financing will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs until the Company acquires an operating business or achieves positive cashflow. The Company currently has no commitments for any credit facilities such as revolving credit agreements or lines of credit that could provide additional working capital.

**Transactions with Related Parties**

Included in the determination of net loss for the year is \$48,000 of consulting fees paid to a company wholly owned by the Company's Chief Financial Officer and Corporate Secretary.

The above noted transactions have been in the normal course of business and, in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

**Fourth quarter**

The Company began the fourth quarter with \$499,565 cash. During the fourth quarter the Company expended \$29,279 in operating costs to end the quarter and the year with \$470,286 cash.

**Disclosure of Outstanding Share Data**

The following details the share capital structure as of the date of this MD&A.

	<b>Common Shares Issued and Outstanding</b>	<b>Common Share Purchase Warrants</b>	<b>Stock Options</b>
Balance, January 31, 2009 and April 17, 2009	11,056,438	-	300,000

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**Year ended January 31, 2009**  
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**Financial Instruments**

All financial instruments are recorded initially at estimated fair value on the balance sheet and classified into one of five categories: held for trading, held to maturity, available for sale, loans and receivables and other liabilities

*Financial Risk Management*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and accounts payable.

The Company has classified cash as held-for-trading and accounts payable as other liabilities, all of which are measured at amortized cost.

The fair values of cash and accounts payable approximate their book values because of the short-term nature of these instruments.

*Financial Instrument Risk Exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

*Credit Risk*

The Company's only exposure to credit risk is on its bank accounts. Bank accounts are with high credit quality financial institutions. The Company holds no investments and has no risk exposure to asset backed commercial paper or auction rate securities.

*Liquidity Risk*

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand.

*Market Risk*

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

*Exchange Risk*

As at January 31, 2009 all of the Company's cash was held in Canada in Canadian dollars and has minimal exposure to foreign exchange currency risk.

*Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

**Forward-Looking Statements**

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future exploration

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activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration successes, and continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual result or developments may differ materially from those projected in the forward-looking statements.

**Risks**

Should the Company stay in the mineral exploration business, mineral exploration is subject to a high degree of risk, which a combination of experience, knowledge, and careful evaluation may fail to overcome. Exploration activities seldom result in the discovery of a commercially viable mineral resource. Exploration activities are also expensive. The Company will therefore require additional financing to carry on its business and such financing may not be available when it is needed.

**Other Information**

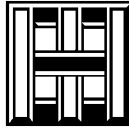
Additional information relating to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

**Regency Gold Corp.**

(formerly Silvio Ventures Inc.)

**Financial Statements**

**For the Years Ended January 31, 2009 and 2008**



MANNING ELLIOTT  
CHARTERED ACCOUNTANTS

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## AUDITORS' REPORT

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To the Shareholders of  
Regency Gold Corp.

We have audited the consolidated balance sheets of Regency Gold Corp. as at January 31, 2009 and 2008 and the consolidated statements of operations and deficit and consolidated cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2009 and 2008 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Manning Elliott LLP*

Chartered Accountants  
Vancouver, British Columbia  
April 16, 2009

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**Regency Gold Corp.**  
Consolidated Balance Sheets

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	January 31 2009	January 31 2008
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 470,286	\$ 1,211,076
Amounts receivable	2,520	8,035
Prepaid expenses	-	2,248
	<u>472,806</u>	<u>1,221,359</u>
Equipment (Note 4)	2,295	-
	<u>\$ 475,101</u>	<u>\$ 1,221,359</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 10,055	\$ 8,088
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 6)	70,600,552	73,102,552
Contributed Surplus (Note 6)	2,741,793	128,299
Deficit	<u>(72,877,299)</u>	<u>(72,017,580)</u>
	<u>465,046</u>	<u>1,213,271</u>
	<u>\$ 475,101</u>	<u>\$ 1,221,359</u>

Nature and continuance of operations (Note 1)

Approved by the Directors:

"William Radvak" Director

"Doris Meyer" Director

*The accompanying notes form an integral part of these consolidated financial statements*

**Regency Gold Corp.**  
**Consolidated Statements of Operations, Comprehensive Loss and Deficit**

Years ended January 31,	2009	2008
<b>Expenses</b>		
Amortization	\$ 459	\$ -
Consulting fees and salary (Note 7)	114,765	12,000
Foreign exchange gain	(14,948)	-
Interest and bank charges	2,956	506
Office	20,775	2,710
Professional fees	45,255	74,340
Property investigation costs	92,336	-
Shareholder relations	23,149	2,242
Stock-based compensation (Note 6 c)	76,244	128,299
Transfer agent and filing fees	40,238	13,538
Travel	18,718	13,065
	<u>419,947</u>	<u>246,700</u>
Other items		
Interest income	14,378	10,496
Write-down of mineral properties (Note 5)	(454,150)	-
	<u>(439,772)</u>	<u>10,496</u>
<b>Net loss and comprehensive loss for the year</b>	<b>(859,719)</b>	<b>(236,204)</b>
<b>Deficit, beginning of year</b>	<b>(72,017,580)</b>	<b>(71,781,376)</b>
<b>Deficit, end of year</b>	<b>\$ (72,877,299)</b>	<b>\$ (72,017,580)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.08)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of shares outstanding</b>	<b>11,180,208</b>	<b>8,334,365</b>

*The accompanying notes form an integral part of these consolidated financial statements*

**Regency Gold Corp.**  
**Consolidated Statements of Cash Flows**

Years ended January 31,	2009	2008
<b>Cash flows to operating activities</b>		
Net loss for the year	\$ (859,719)	\$ (236,204)
Items not involving cash		
Amortization	459	-
Stock-based compensation	76,244	128,299
Write-down of mineral properties	454,150	-
	<u>(328,866)</u>	<u>(107,905)</u>
Changes in non-cash working capital items:		
Amounts receivable	5,515	(4,929)
Prepaid expenses	2,248	(2,248)
Accounts payable and accrued liabilities	1,967	(14,767)
Accrued interest on loan	-	(5,498)
	<u>(319,136)</u>	<u>(135,347)</u>
<b>Cash flows to investing activities</b>		
Equipment	(2,754)	-
Mineral properties	(418,900)	-
	<u>(421,654)</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Common shares issued	-	1,375,000
Share issuance costs	-	(3,448)
Loan proceeds	-	7,500
Repayment of loans	-	(33,000)
	<u>-</u>	<u>1,346,052</u>
<b>Increase (decrease) in cash</b>	<b>(740,790)</b>	<b>1,210,705</b>
<b>Cash beginning of year</b>	<b>1,211,076</b>	<b>371</b>
<b>Cash, end of year</b>	<b>\$ 470,286</b>	<b>\$ 1,211,076</b>
<b>Supplementary cash flow:</b>		
Shares issued for mineral interests	\$ 35,250	\$ -
<b>Supplementary cash flow information</b>		
Interest paid	\$ -	\$ 5,889
Income tax paid	-	-

*The accompanying notes form an integral part of these consolidated financial statements*

## **1. Nature and continuance of operations**

Regency Gold Corp. (the "Company"), formerly Silvio Ventures Inc., was incorporated under the laws of the Province of British Columbia and continued under the Canada Business Corporation Act. The Company is currently listed on the NEX board of the TSX Venture Exchange.

These financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year.

The Company has no mineral properties and is investigating properties for potential acquisition and subsequent exploration and development.

The Company has not generated any revenue since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. As at January 31, 2009, the Company has working capital of \$462,751. Although cash could provide sufficient funds through the current fiscal year to maintain the Company, the capital expenditures required to acquire mineral properties, and subsequently explore or develop the mineral properties to achieve profitable operations may be substantial. The continuation of the Company as a going concern for a period longer than the current fiscal year is dependent upon the ability of the Company to obtain necessary equity financing to continue operations.

The Company is currently investigating mineral properties for potential acquisition and subsequent exploration and development. The Company will seek to conduct a share offering to raise capital to fund these activities.

## **2. Significant accounting policies**

### **a) Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Silvio USA, Inc. in Nevada as of its incorporation date on February 12, 2008. All significant inter-company transactions and balances have been eliminated upon consolidation. At January 31, 2009 Silvio USA, Inc. was dormant.

### **b) Mineral properties**

The Company defers its costs relating to the acquisition and exploration of mineral properties until the properties are placed into commercial production, sold, or abandoned. These costs will be amortized over the estimated useful life of the property following commencement of production, or written off as mineral properties are sold or abandoned. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties and related deferred exploration costs could be written-down to the estimated amount recoverable.

### **c) Equipment**

Equipment consists of computer equipment which is stated at cost less accumulated amortization. The equipment is amortized over three years using the straight line method. One-half of the annual rate is applied in the year of acquisition.

### **e) Earnings per share**

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. The treasury stock method is used for the calculation of diluted loss per share. Stock options and share purchase warrants are dilutive when the average market price of the common shares during the period exceeds the exercise price of the stock options and warrants. The Company recorded a loss in the year ended January 31, 2009 and January 31, 2008 and basic and diluted loss per share is the same since the exercise of warrants or stock options would reduce the loss per share.

## **2. Significant accounting policies (continued)**

### f) Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and the related notes to the financial statements. Significant financial statement items which involve the use of estimates include stock-based payments and future income tax valuation allowances. Actual results could differ from those estimates.

### g) Foreign currency translation

Transactions and balances in currencies other than the Canadian dollar are translated using the temporal method. Accordingly revenues, expenses and non-monetary balances are translated at the rates of exchange prevailing at the transaction dates, and monetary balances are translated at the rate prevailing at the balance sheet date with resulting exchange gains and losses being included in the determination of income.

### h) Stock based payments

Shares issued for consideration other than cash are fair valued at the date of issuance.

The Company accounts for share purchase warrants using the fair value method. Under this method, the value of warrants is measured at the issuance date using the Black-Scholes option pricing model and recorded as share capital when the warrants are exercised.

The Company accounts for stock options using the fair value method. Under this method, the value of stock options is measured at the grant date using the Black-Scholes option pricing model and recorded as share capital when the stock options are exercised. The fair value of the stock options is reported as stock-based compensation expense over the vesting period of the stock options.

On the exercise of share purchase warrants and stock options share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

### i) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

## **Newly adopted accounting policies**

On February 1, 2008, the Company adopted the following provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections. There was no material impact on the Company's financial condition or operating results as a result of the adoption of these new standards:

- a) Section 3862 – Financial Instruments – Disclosures, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories (see Note 3).
- b) Section 3863 – Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows (see Note 3).

## **2. Significant accounting policies (continued)**

- c) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity’s capital and how it is managed (see Note 8). Under this standard, the Company will be required to disclose the following:
- qualitative information about its objectives, policies and processes for managing capital;
  - summary quantitative data about what it manages as capital;
  - whether during the period it complied with any externally imposed capital requirement to which it is subject; and
  - when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.
- d) Section 1400 – General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose an entity’s ability to continue as a going concern (see Note 1).
- e) Section 1506 – Accounting Changes which requires that account policy changes are made only in the event that a change is made within a primary source of GAAP, or where a change is warranted to provide more relevant and reliable information. All accounting policy changes are to be applied retroactively, unless there is no specific transition provision or it is impracticable to do so. Any prior period errors identified also require retroactive application.
- f) Section 1582 – Business Combinations which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier adoption permitted.

### **New accounting pronouncements not yet adopted:**

International financial reporting standards (“IFRS”)

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company’s transition date of January 1, 2012 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2012. While the Company has begun assessing the adoption of IFRS for 2012, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## **3. Financial Instruments**

All financial instruments are recorded initially at estimated fair value on the balance sheet and classified into one of five categories: held for trading, held to maturity, available for sale, loans and receivables and other liabilities

### *Financial Risk Management*

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Company’s financial instruments consist of cash and accounts payable.

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**Years ended January 31, 2009 and 2008**

**3. Financial Instruments (continued)**

The Company has classified cash as held-for-trading and accounts payable as other liabilities, all of which are measured at amortized cost.

The fair values of cash and accounts payable approximate their book values because of the short-term nature of these instruments.

*Financial Instrument Risk Exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

*Credit Risk*

The Company's only exposure to credit risk is on its bank accounts. Bank accounts are with high credit quality financial institutions. The Company holds no investments and has no risk exposure to asset backed commercial paper or auction rate securities.

*Liquidity Risk*

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand.

*Market Risk*

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

*Exchange Risk*

As at January 31, 2009 all of the Company's cash was held in Canada in Canadian dollars and has minimal exposure to foreign exchange currency risk.

*Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

**4. Equipment**

	January 31, 2009			January 31, 2008	
	Cost	Accumulated amortization	Net book value	Net book value	
Computer equipment	\$ 2,754	\$ 459	\$ 2,295	\$	-
	<b>\$ 2,754</b>	<b>\$ 459</b>	<b>\$ 2,295</b>	<b>\$</b>	<b>-</b>

**Regency Gold Corp.**  
**Notes to the Consolidated Financial Statements**  
**Years ended January 31, 2009 and 2008**

**5. Mineral Properties**

	Acquisition costs	Exploration costs	For the year ended January 31, 2009	For the year ended January 31, 2008
<b>Bombardier Project</b>				
Acquisition	\$ 34,245	\$ -	\$ 34,245	\$ -
Assays	-	30,268	30,268	-
Field support	-	653	653	-
Geological consulting fees	-	28,922	28,922	-
Travel and accommodation	-	8,677	8,677	-
Change in year	34,245	68,520	102,765	-
Balance, beginning of year	-	-	-	-
Write-down of mineral properties	(34,245)	(68,520)	(102,765)	-
Balance, end of year	-	-	-	-
<b>Meridian Ridge Project</b>				
Acquisition	39,527	-	39,527	-
Assays	-	46,654	46,654	-
Field support	-	32	32	-
Geological consulting fees	-	40,088	40,088	-
Travel and accommodation	-	12,072	12,072	-
Change in year	39,527	98,846	138,373	-
Balance, beginning of year	-	-	-	-
Write-down of mineral properties	(39,527)	(98,846)	(138,373)	-
Balance, end of year	-	-	-	-
<b>South Lida Project</b>				
Acquisition	70,255	-	70,255	-
Assays	-	71,445	71,445	-
Field support	-	1,631	1,631	-
Geological consulting fees	-	54,728	54,728	-
Travel and accommodation	-	14,953	14,953	-
Change in year	70,255	142,757	213,012	-
Balance, beginning of year	-	-	-	-
Write-down of mineral properties	(70,255)	(142,757)	(213,012)	-
Balance, end of year	-	-	-	-
<b>Mineral Properties</b>				
Change in year	144,027	310,123	454,150	-
Balance, beginning of year	-	-	-	-
Write-down of mineral properties	(144,027)	(310,123)	(454,150)	-
Balance, end of year	\$ -	\$ -	\$ -	\$ -

**Nevada Projects**

On March 4, 2008 the Company entered into an option agreement to acquire 100% of the Meridian Ridge and Bombardier exploration projects located in Nevada from Sirius Exploration, LLC ("Sirius") of Elko, Nevada. Pursuant to the option agreement the Company paid US\$50,000 and issued the first tranche of 250,000 common shares at a fair value of \$117,500.

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**5. Mineral Properties (continued)**

On July 2, 2008 the Company entered into an option agreement to acquire 100% of the South Lida exploration project located in Nevada from Sirius. Pursuant to the option agreement the Company issued the first tranche of 175,000 common shares at a fair value of \$96,250.

On August 15, 2008 the Company and Sirius entered into a termination and mutual release agreement to terminate the two mineral property option agreements dated March 4, 2008 and July 2, 2008. On August 29, 2008 Sirius returned all 425,000 shares previously issued to it by the Company for return to treasury and cancellation in consideration of the Company transferring its title and rights to the Meridian Ridge, Bombardier and South Lida projects.

The Company has written off the exploration expenses on the Meridian Ridge, Bombardier and South Lida Projects and returned the 425,000 common shares to treasury for cancellation. At the time of cancellation the common shares were valued at \$178,500 and the difference of \$35,250 has been included in the mineral property acquisition costs and subsequently written off.

**6. Share Capital**

a) Authorized

Unlimited Class A common shares, without par value

b) Issued

	Shares	Share capital	Contributed Surplus
Balance, January 31, 2007	6,056,438	\$ 71,731,000	\$ -
Private placement	2,500,000	324,918	175,082
Share purchase warrants exercised	2,500,000	1,050,082	(175,082)
Fair value of stock options vested	-	-	128,299
Share issue costs	-	(3,448)	-
Balance, January 31, 2008	11,056,438	73,102,552	128,299
Shares issued for mineral property	425,000	213,750	-
Shares cancelled	(425,000)	(2,715,750)	2,537,250
Fair value of stock options vested	-	-	76,244
Balance, January 31, 2009	11,056,438	70,600,552	2,741,793

In February 2007, the Company issued 2,500,000 units at \$0.20 per unit for proceeds of \$500,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitled the holder to purchase one additional common share at \$0.35 per share until March 18, 2008. The proceeds of the financing of \$500,000 were allocated on a relative fair value basis as \$324,918 to common shares and \$175,082 as to warrants. By January 31, 2008 all of the warrants had been exercised. Share issuance costs were \$3,448.

As described in note 5, during the year ended January 31, 2009 the Company issued 425,000 shares at a value of \$213,750 pursuant to mineral property agreements. These shares have since been returned to treasury and cancelled as result of the mutual termination and release agreement signed between the Company and Sirius on August 15, 2008. The amount allocated to share capital for the cancelled shares is based on the average per share amount in such account at the transaction date with the difference allocated to contributed surplus.

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**6. Share Capital (continued)**

c) Stock Options

On October 30, 2007 the Board of Directors adopted a stock option incentive plan (the "Plan") subject to regulatory approval. Stock options may be granted to the Company's directors, senior officers, employees, consultants and consultant's companies. The stock option plan: (i) provides that the number of common shares reserved for issuance, within a one year period, to any one optionee, shall not exceed 5% of the outstanding common shares; (ii) provides the maximum number of common shares reserved for issuance pursuant to options granted may not exceed 10% of the issued common shares; and (iii) contains other provisions to ensure the stock option plan is compliant with stock exchange regulations. Vesting terms are at the discretion of the directors.

Expiry date	Exercise price	Balance, January 31, 2008	Granted	Forfeitures	Balance, January 31, 2009
October 31, 2012	\$0.55	250,000	-	-	250,000
March 6, 2013	\$0.55	-	400,000	(400,000)	-
March 12, 2013	\$0.57	-	50,000	-	50,000
		250,000	450,000	(400,000)	300,000

Weighted average exercise price	\$	0.55	\$	0.55	\$	0.55
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Expiry date	Exercise price	Balance, January 31, 2007	Granted	Forfeitures	Balance, January 31, 2008
October 31, 2012	\$0.55	-	250,000	-	250,000
March 6, 2013	\$0.55	-	-	-	-
March 12, 2013	\$0.57	-	-	-	-
		-	250,000	-	250,000

Weighted average exercise price	\$	-	\$	0.55	\$	-	\$	0.55
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All of the stock options were vested and exercisable at January 31, 2009

During the year ended January 31, 2009 the Company recorded \$76,244 in stock-based compensation for the vested portion of stock options granted. The fair value of the stock options granted was estimated on the date of grant using the Black-Scholes option pricing model using a risk free interest rate of 2.89% to 2.97%, an expected life of five years, volatility of 150% and no expected dividends resulting in a fair value of \$0.50 to \$0.52 per option.

During the year ended January 31, 2008 the Company recorded \$128,299 in stock-based compensation for the grant of stock options. The fair value of the stock options granted was estimated on the date of grant using the Black-Scholes option pricing model using a risk free interest rate of 4.12%, an expected life of five years, volatility of 150% and no expected dividends resulting in a fair value of \$0.51 per option.

## 7. Related Party Transactions

During the year ended January 31, 2009, \$48,000 (2008 – \$12,000) in consulting fees were paid to a company wholly owned by the Company's Chief Financial Officer and Corporate Secretary for corporate and financial reporting services.

All of the above noted transactions have been in the normal course of business and, in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

## 8. Management of Capital

The Company manages its common shares, stock options and warrants as capital (see Note 6). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account.

The Company does not expect its current capital resources will be sufficient to carry out its acquisition and exploration plans and operations through the 2009 operating period and will be attempting to raise additional capital through an equity transaction when market conditions permit and when the Company has identified a new project for acquisition.

## 9. Income taxes

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	<b>2009</b>	2008
Canadian statutory income tax rate	31%	27%
Income tax recovery at statutory rate	\$ (266,513)	\$ (63,775)
(Decrease) increase resulting from:		
Stock-based compensation	23,636	34,641
Share issuance costs	(214)	(186)
Non-capital losses expired	605,225	-
Change in tax rates	(35,927)	-
Valuation allowance	(326,207)	29,320
Income tax provision	\$ -	\$ -

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**Regency Gold Corp.**  
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**9. Income taxes (continued)**

	<b>2009</b>	<b>2008</b>
Future income tax assets		
Non-capital loss carry-forwards	\$ 160,316	\$ 604,395
Exploration and development deductions	118,079	-
Share issuance costs	538	745
	<u>278,933</u>	<u>605,140</u>
Valuation allowance	<u>(278,933)</u>	<u>(605,140)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has approximately \$616,177 (2008 - \$2,238,500) in non-capital losses expiring as follows:

	<b>\$</b>
2026	89,654
2027	87,913
2028	108,595
2029	330,015