Landore Resources Limited

ANNUAL REPORT AND ACCOUNTS
for the period ended 31 December 2005

Contents

Company information

Directors	William Humphries	*(Chairman)*
	Richard Prickett	*(Chief Executive Officer and Finance Director)*
	James Garber	*(Non-Executive Director)*
	Charles Wilkinson	*(Non-Executive Director)*
	Helen Green	*(Non-Executive Director)*

Company secretary
Rysaffe International Services Limited

Registered office
P O Box 141
La Tonnelle House
Les Banques
St Sampson
Guernsey GY1 3HS

Nominated adviser
Strand Partners Limited
26 Mount Row
London WC2R1JN

Broker
W H Ireland Limited
1 St James' Square
Manchester M2 6WH

Auditors
KPMG Channel Islands Limited
20 New Street
St Peter Port
Guernsey GY1 4AN

Registrars
Rysaffe International Services Limited
P O Box 141
La Tonnelle House
Les Banques
St Sampson
Guernsey GY1 3HS

Crest service provider
Computershare Investor Services (Channel Islands) Limited
P O Box 83
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW

Chairman's statement

The last year has seen many positive changes for the Company both on a corporate and operational front.

Corporate

In April 2005 the business moved its domicile from Canada to Guernsey by way of a Scheme of Arrangement. At the same time the Company listed on AIM (trading symbol LND.L) and raised £2 million, before expenses, at 7p per share. Given the fact that the senior management is better known in London and Europe this move has had a positive effect on the Company's profile and share performance.

The Company has adopted International Financial Reporting Standards (IFRS) in the preparation of its consolidated financial statements. This has resulted in a provision required against carried exploration costs by the impairment of goodwill. Consequently this year's profit and loss statement has been charged with a one-off provision of approximately £3.5 million resulting in a loss for the period of £4,865,860.

In addition to exploration expenses for the period amounting to £713,986, administrative expenses of £727,709 included a charge of £169,855 relating to share based option/payments as per IFRS.

In November 2005 the Company received further funds of approximately £775,000 as a result of the exercise of certain warrants at 10.9p per share. This has ensured that the Company is well funded for its 2006 activities.

Operations

Landore's exploration efforts this year have been directed mainly on Junior Lake and the adjacent optioned Lamaune Lake properties, located approximately 235 kilometres northeast of Thunder Bay.

An initial drilling programme carried out on both properties, to test targets identified by previous exploration works, was highly successful and led to the significant nickel discovery at Ketchikan Lake, now known as the VW Zone.

Follow up drilling in November both confirmed and extended this exciting discovery, intersecting wide sulphide mineralisation with assay results returning high grades of up to 1.37 per cent. nickel over 4 metres including 3.7 per cent. nickel over 0.7 metres.

A substantial drilling programme (plus 10,000 metres) is scheduled to commence in late April to further test the VW Zone and to test several other promising areas identified by earlier drilling.

Excellent results have also been received on Landore's West Graham property, from drilling carried out by our joint venture partner, First Nickel Inc. Drilling consistently intersected wide mineralisation with assay results of up to 0.90 per cent. nickel and 0.33 per cent. copper over 14.25 metres including 3.16 per cent. nickel over 0.5metres. First Nickel Inc. has scheduled 6,000 metres of additional drilling on West Graham this year.

Chairman's statement continued

Conclusion

The Company is now looking forward to the results of the 2006 drilling and exploration programmes, particularly on the Junior Lake and West Graham projects.

Finally, I would like to take this opportunity to thank all staff members and our team of advisers for their efforts in 2005 and to the shareholders for their support.

William Humphries
Chairman
7 April 2006

Operations report

Eastern Canada

Introduction

Landore Resources Limited through its 100 per cent. owned subsidiary, Landore Resources Canada Inc., is actively involved in mineral exploration in Eastern Canada.

Landore owns or has mineral rights to 10 properties owned 100 per cent. and option agreements on a further two properties.

The Company is concentrating the majority of its resources and efforts on the Junior Lake property and the Miminiska Lake property. In addition substantial exploration work is being carried out on the West Graham property by our joint venture partner.

Operations report continued

The Junior Lake project – Nickel

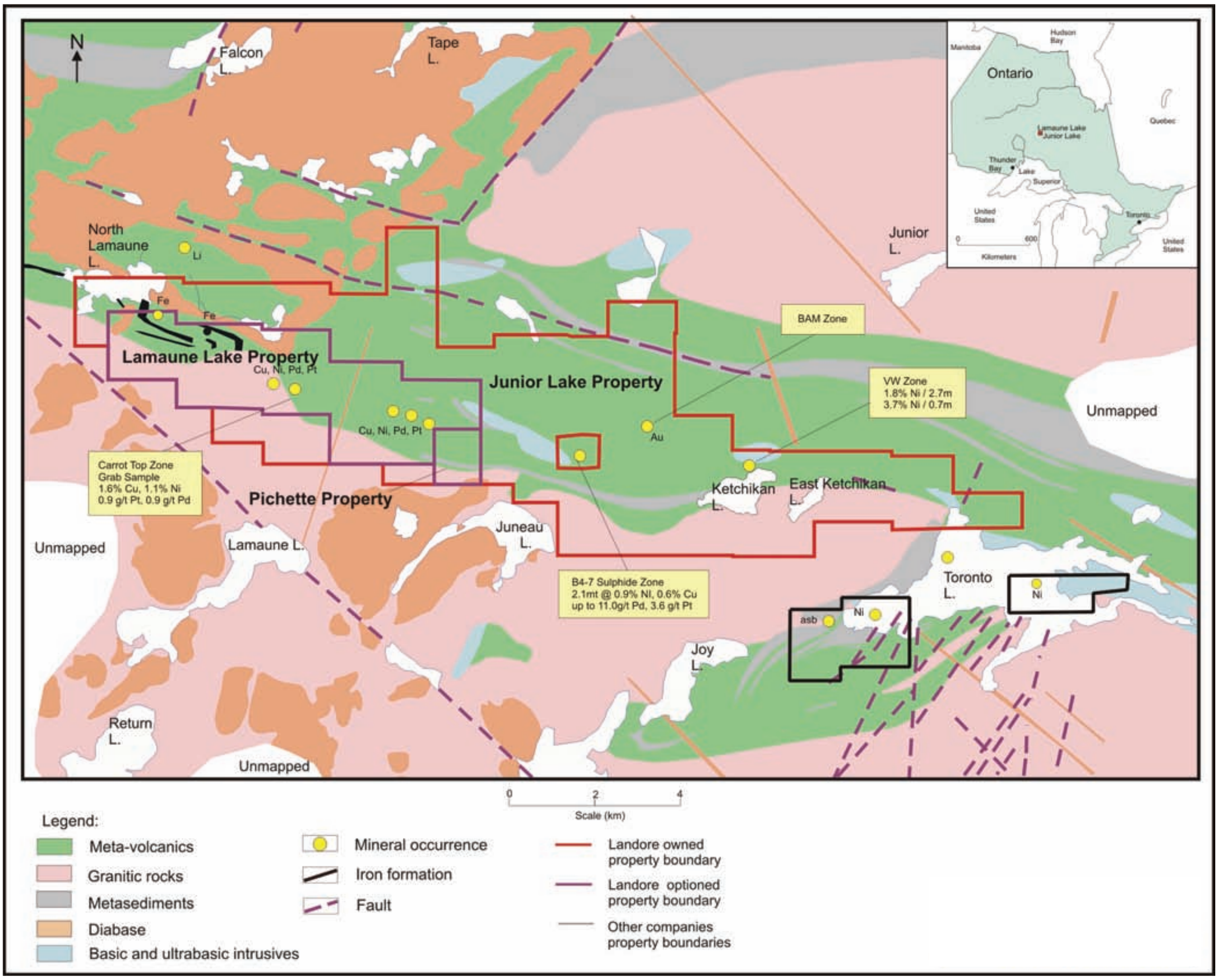
The Junior Lake – Lamaune Lake properties are located in the province of Ontario, approximately 235 kilometres north-northeast of Thunder Bay and are situated within the Caribou-O-Sullivan Greenstone Belt in the Wabigoon Subprovince.

The property consists of three blocks:

– Junior Lake – 34 unpatented and two leased, for a total of 5,397 hectares owned outright.

– Lamaune Lake – eight unpatented, for a total of 1,616 hectares, option to purchase.

– Pichette Claim – three unpatented, for a total of 96 hectares, option to purchase.

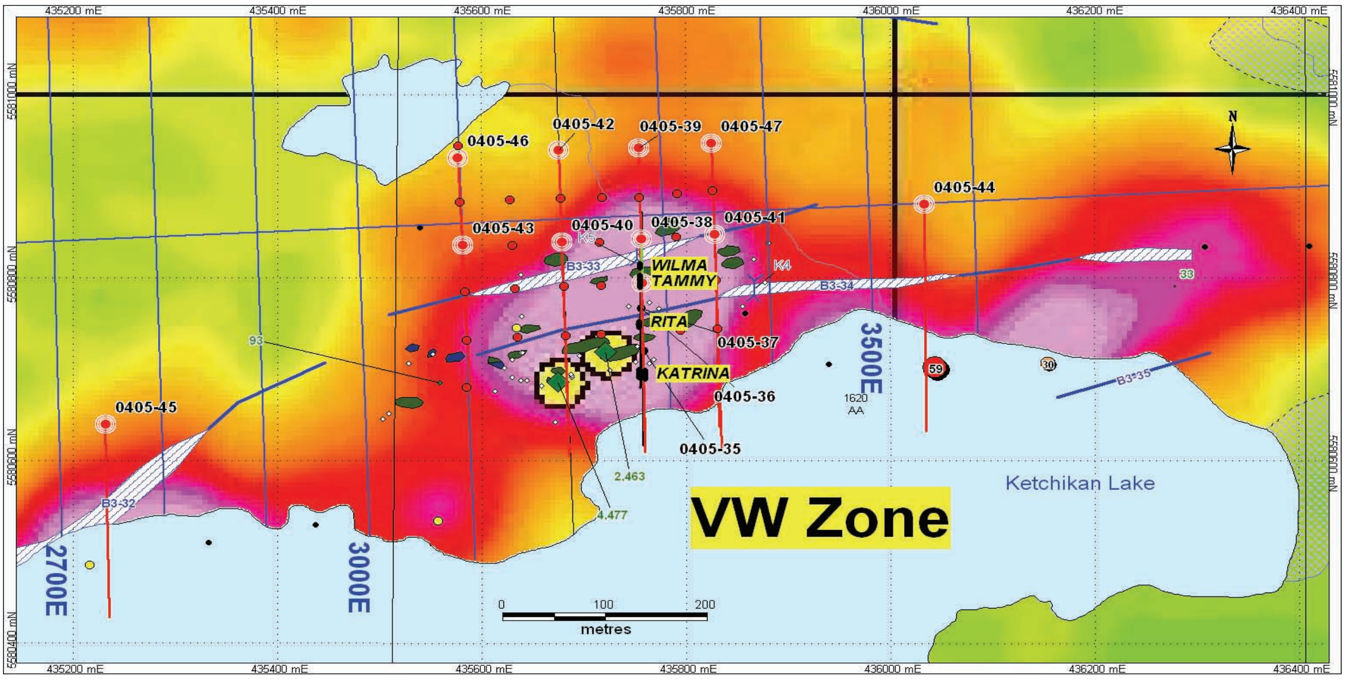


Junior Lake – Lamaune Lake

The Junior Lake property is host to a nickel-copper-platinum group elements (Ni-Cu-PGE) deposit ('B4-7' zone of 2.3 million tons at 0.87 per cent. Ni and 0.58 per cent. Cu), at least eight other Ni-Cu-PGE occurrences, a recently discovered gold occurrence ('BAM' zone), several copper-zinc occurrences and a chromium occurrence. These occurrences are hosted by several complex sequences of Archean-age supracrustal and intrusive rocks.

Exploration work over the last several years has indicated that the contiguous Junior Lake – Lamaune Lake properties have excellent potential to host a nickel-copper-platinum group elements (Ni-Cu-PGE) massive sulphide deposit of the Noril'sk-Talnakh/Voiseys Bay type and/or a nickel (Ni) dominant komatiite hosted massive sulphide deposit of the Kambalda-type as well as the potential to host shear zone related lode gold deposits.

In June 2005, an exploratory drilling campaign was completed on the Junior Lake – Lamaune Lake properties to test targets identified by the previous exploration works. Four areas drilled, returned significant results, the best being the VW Zone discovery at Ketchikan Lake, towards the southeastern end of the Junior Lake property. Wide mineralised horizons were intersected varying in apparent thickness from 4 to 21 metres with nickel values of up to 0.95 per cent.



Junior Lake VW Zone Drilling – EM Base

Operations report continued

Consultant's opinion

Following a property visit and review of drill core from the Ketchikan area, Geological Consultant Dr. J Mungall from Toronto University commented that further work should be directed on the Ketchikan occurrence ('VW' zone), indicating that the occurrence ***"has the appearance of a deformed, peripheral portion of a better mineralised komatiite-hosted system nearby."*** His recommendations include additional prospecting and sampling along the strike extension of the known occurrence and drilling the known structure where high conductance anomalies are evident.

In late 2005 additional drilling at Ketchikan Lake confirmed this significant nickel discovery, consistently intersecting wide sulphide mineralisation with high nickel values. Hole 0405-40, drilled 75 metres to the west of discovery hole 0405-36, intersected 0.44 per cent. nickel over 40.1 metres including three high grade intervals of 1.37 per cent. nickel over 4.0 metres, 0.86 per cent. nickel over 3.9 metres and 1.24 per cent. nickel over 2.6 metres.

Drilling results from Junior Lake property

Drill-hole No	From metres	Width metres	Nickel per cent.	Copper per cent.
0405-35	28.9	16.1	0.30	0.06
Includes		3.0	0.68	0.08
0406-36	36.0	7.5	0.21	0.05
And	90.0	18.0	0.22	0.02
0406-37	31.5	26.5	0.31	0.06
Includes		4.5	0.80	0.08
And	63.0	4.5	0.27	0.09
And	75.0	7.5	0.44	0.05
Includes		1.5	0.95	0.03
0405-38	216.2	2.5	0.40	0.04
Includes		0.4	1.01	0.16
0405-40	39.3	5.3	0.41	0.04
	83.5	14.0	0.37	0.05
Includes		4.3	0.62	0.02
	129.0	11.8	0.28	0.03
	171.0	8.0	0.31	0.06
Includes		1.5	0.70	0.03
	184.5	1.9	0.53	0.06
	225.5	40.1	0.44	0.06
Includes		4.0	1.37	0.16
which includes		0.7	3.70	0.10
Includes		3.9	0.86	0.16
Includes		2.6	1.24	0.18
0405-43	144.0	0.4	0.12	1.16
0405-46	277.8	0.2	0.09	1.18

(All holes were inclined at -45 degrees)

Operations report continued

Lamaune Lake property

Landore has given notice that it intends to increase its interest to 80 per cent. by expending a further C$500,000 on exploration over the next three years. Lamaune Lake abuts the Junior Lake property to the west and contains the highly prospective Carrot Top zone which returned grades of up to 0.45 per cent. nickel and up to 0.64 per cent. copper.

Further drilling

The two drilling campaigns completed in May/June and October/November 2005 on the Junior Lake and Lamaune Lake properties, successfully identified numerous nickel occurrences, including the significant discovery at the VW zone and the highly prospective New, PQ and Carrot Top zones.

A substantial drilling programme (plus 10,000 metres), is scheduled to commence in April 2006, to be carried out on the above targets.

Miminiska Lake project – Gold

The Miminiska Lake property is located 115 kilometres to the east of Pickle Lake, Ontario and 180 kilometres to the southeast of the Placer Dome Musselwhite Mine.

The property consists of three blocks:

– Miminiska Lake – 28 patents and two claims for a total of 800 hectares, owned outright.

– Wottam – 20 claims for a total of 4,160 hectares, contiguous and along strike from Miminiska, owned outright.

– Frond Lake, 24 patents for a total of 485 hectares, owned outright and purchased in December 2005.

The mineralisation is hosted in iron formation in a similar setting to the Musselwhite gold deposit which has so far produced 1.4 million ounces with reserves currently estimated at over 2 million ounces.

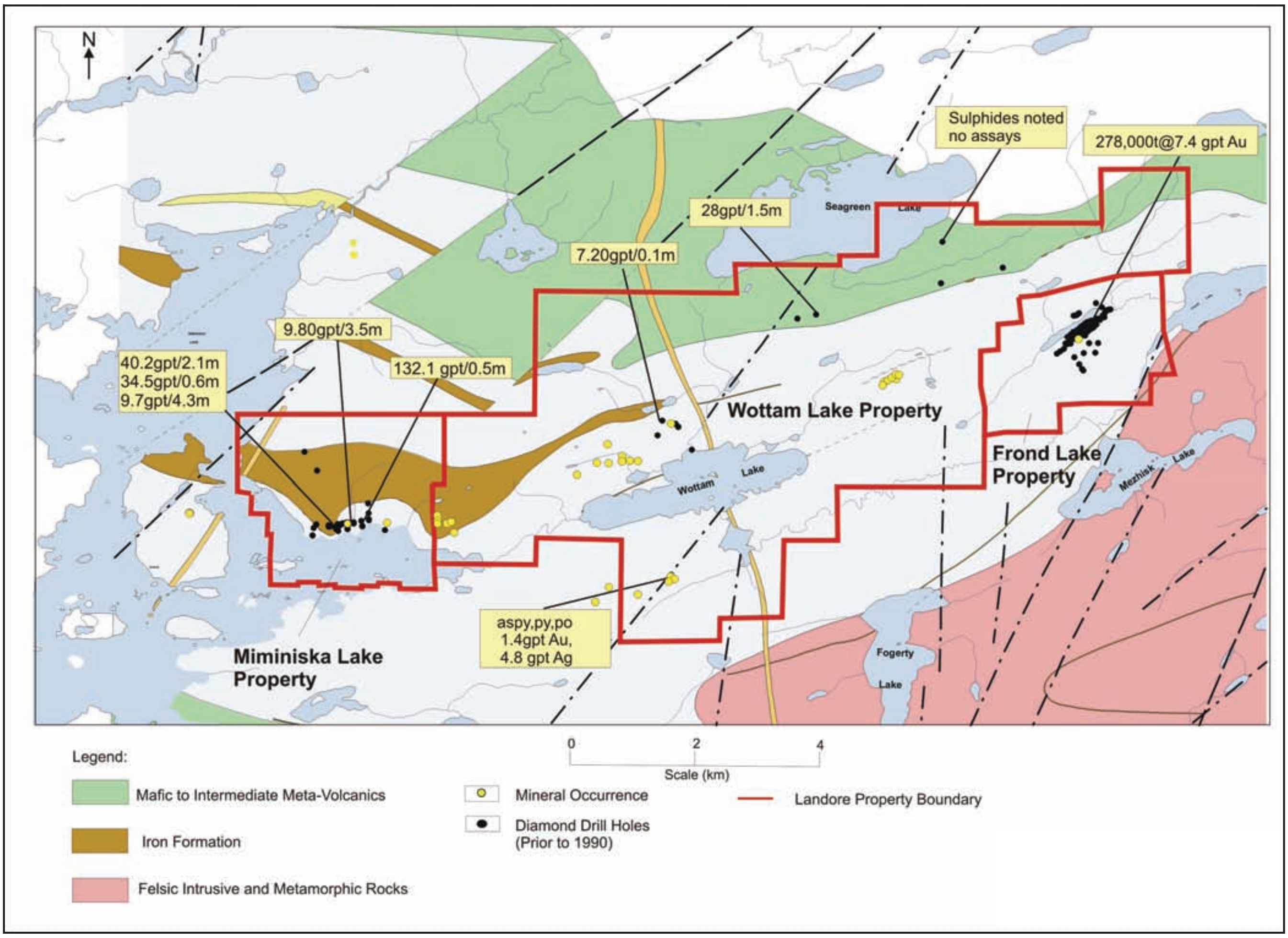
A drilling campaign, completed in the Miminiska property in February 2005, succeeded in providing the depth extension of the mineralised zones to a vertical depth of 250 metres with high grade gold being intersected in most holes.

Landore has completed four drilling campaigns over the past two years on the Miminiska gold occurance with 47 NQ diamond drill holes for 9,349 metres, focusing on two potential shoots within a known 800 metre strike length.

Significant Drill intersections include:

- 40.2g/t gold over 2.4 metres; 9.7g/t gold over 4.3 metres;
- 9.8g/t gold over 2.2 metres; 9.8g/t gold over 3.5 metres;
- 132.1g/t gold over 0.5 metres

A two thousand metres NQ diamond drill programme during late 2006 is planned on Frond to test the strike, down-dip and plunge extension of the historical resource reported by Tandem (278,000t @7.4 gpt Au).



Miminiska Lake – Wottam Lake – Frond Lake

West Graham/First Nickel option – Nickel

The West Graham property consists of one patented lot owned outright by Landore Resources Inc. of 130 hectares.

First Nickel Inc. entered into an option/joint venture with Landore Resources Canada Inc. to acquire a 70 per cent. interest in the West Graham property which is strategically located immediately to the south of the East Zone of the Lockerby Mine. The agreement provides for First Nickel to make cash payments to Landore of C$150,000 and carry out exploration and development expenditures of C$6 million over a four-year period. Should First Nickel fully exercise the option, Landore shall decide whether it wishes to participate to the extent of its 30 per cent. working interest in the development of the property, failing which, First Nickel shall have the right to increase its interest to 85 per cent. by completing a bankable feasibility study within two years thereafter.

Operations report continued

The West Graham property contains the historic Conwest Deposit, which represents the up-plunge extension of First Nickel's Lockerby East Deposit.

There is also felt to be significant potential for high grade footwall-type deposits in the shadow of the Lockerby East-Conwest system on the West Graham property given the identification of substantial amounts of Sudbury Breccia and anomalous platinum group metal values within the footwall stratigraphy.

A resource estimate completed by the Conwest Exploration Company Limited in the 1960's yielded 4.3 million tons at 0.52 per cent. nickel and 0.33 per cent. copper. This resource should be considered non-compliant with National Instrument 43-101.

First Nickel drilling results

Drill Hole	From (m)	To (m)	Drill width m (ft)	Ni per cent.	Cu per cent.
FNI2001	268.40	276.35	7.95 (26.1)	0.66	0.46
FNI2002	306.50	321.5	15.00 (49.2)	1.05	0.57
Incl.	310.15	320.00	9.85 (32.3)	1.22	0.62
and	331.50	32.55	1.05 (3.44)	1.23	0.58
FNI2003	356.45	371.53	15.08 (49.5)	1.07	0.38
Incl.	356.45	366.10	8.75 (28.7)	1.30	0.39
FNI2004	356.80	356.60	8.80 (28.9)	0.60	0.32
Incl.	362.4	363.8	1.40 (4.6)	1.00	0.22
FNI2005	186.40	192.60	6.20 (20.3)	0.54	0.32
FNI2006	144.40	188.00	42.70 (140.1)	0.63	0.36
Incl.	159.33	159.90	0.57 (1.87)	3.22	0.14
Incl.	166.40	167.60	2.26 (7.4)	1.30	0.36
FNI2007	107.30	121.55	14.25 (46.8)	0.90	0.33
Incl.	111.80	117.80	6.00 (19.7)	1.24	0.35
Incl.	116.00	116.50	0.5 (1.6)	3.16	0.20
And	133.10	134.60	1.50 (4.9)	1.11	0.31
FNI2008	88.50	130.70	40.80 (133.9)	0.55	0.30
Incl.	91.25	92.35	1.10 (3.6)	1.99	0.08
Incl.	98.80	99.85	1.05 (3.4)	2.08	0.88
FNI2009	101.50	131.25	29.75 (97.6)	0.60	0.29
Incl.	102.95	103.85	0.90 (2.95)	2.99	0.39

First Nickel Inc. will also be examining the possibility that this entire system could represent a bulk tonnage underground mining situation given the 5 per cent. to 9 per cent. nickel tenors (ie nickel in 100 per cent. sulphides), which are present in this material. These tenors are very high by Sudbury standards for contact-type ores.

An exploration programme is being developed to drill untested gradient IP anomalies along the contact to the northeast of the Conwest Deposit and to test the underlying footwall rocks that cover approximately 75 per cent. of the West Graham property. Six thousand metres of diamond drilling are scheduled for this property in 2006.

Operations report continued

Lessard Property – Copper Zinc

This property comprises 91 claims for a total area of 1,456 hectares and is situated in the Troilus greenstone belt, 100 kilometres north of Chibougamau, Quebec. The potential mineralisation is massive and disseminated sulphides associated with felsic volcanics.

During 2006 a programme of data compilation and reconnaissance exploration is planned.

Seeley Lake – Glass-grade Nepheline

This property comprised 18 leased claims for a total area of 289 hectares and is situated 256 kilometres east of Thunder Bay, Ontario.

During 2005 four diamond drill holes totalling 802 metres were completed.

Mount Fronsac – Lead – Zinc – Copper

This property, located about 65 kilometres southwest of Bathurst, New Brunswick, comprises 31 claims for a total area of 471 hectares. Exploration targets include lead, zinc and copper with associated gold and silver. This property is currently under option to Noranda Mining and Exploration Inc.

Brancote US Inc.

In addition Landore, through its wholly owned subsidiary Brancote US Inc., holds nine mineral properties in Nevada USA. These properties include grass roots exploration areas as well as defined drill targets. Four of these properties are optioned to third parties. Landore is actively seeking to option or sell outright the remaining five properties.

Board of Directors

William Humphries
(aged 65)
Chairman

William Humphries has over 30 years' experience in the mining and civil engineering industries. From 1996 to 1998 he was General Manager of Sardinia Gold Mining SpA and from January 1999 to July 2002 he was Managing Director of Brancote Holdings Plc until its merger with Meridian Gold Inc. He has been Managing Director of Patagonia Gold Plc since its inception in November 2000.

Richard Prickett
(aged 54)
Chief Executive Officer and Finance Director

Richard Prickett is a chartered accountant and has many years experience in corporate finance. He was Chairman of Brancote Holdings Plc from 1995 until its merger with Meridian Gold Inc in July 2002. He is a Non-Executive Director of Patagonia Gold Plc, The Capital Pub Company Plc, Asian Growth Properties Limited and Non-Executive Chairman of Sanatana Diamonds Inc.

James Garber
(aged 55)
Non-Executive Director and Exploration Manager of Landore Canada

James Garber is a qualified geologist and has been exploration manager of Landore Canada since January 2005. From August 2002 to January 2005 he was senior exploration geologist of Landore Canada. Prior to this, between January 2001 and June 2002, he was consultant geologist at Emerald Geological Services in Timmins, Ontario, and based between January 1999 and January 2001 he was senior geologist at Battle Mountain Gold, based in Timmins, Ontario.

Charles Wilkinson
(aged 62)
Non-Executive Director

Charles Wilkinson is a solicitor and a former partner of Lawrence Graham LLP. As a corporate finance partner he has *inter alia* substantial experience in the mining sector and advised a number of mining companies generally and in bringing them to the market. He is currently Chairman of both Asset Management Investment Company PLC and European Utilities Trust PLC as well as being a director of other companies.

Helen Green
(aged 43)
Non-Executive Director

Helen Green is a chartered accountant and a partner in Saffery Champness, a UK top 20 firm of chartered accountants. She joined the firm in 1984, qualified as a chartered accountant in 1988, and became a partner in the London office in 1997. Since November 2000 she has been based in the Guernsey office where she is the client liaison director responsible for trust and company administration. She is currently a Non-Executive Director of Puma Brandenburg Limited as well as a number of private companies.

Directors' report

The Directors submit their report and the audited consolidated financial statements of Landore Resources Limited and its subsidiaries for the period ended 31 December 2005.

Principal activity

The Group's principal activity is mineral exploration including the identification, acquisition and development of technically and economically sound mineral projects either alone or with joint venture partners.

Review of the period

A detailed review of the Group's activities, the development of its business and an indication of likely future developments may be found in the Chairman's statement on page 3.

Results and dividends

The loss of the Group for the period, after taxation was £4,865,860. The Directors do not recommend payment of a dividend.

Exploration costs

The Group continues to devote considerable resources to exploration costs.

Directors

The Directors who have held office since 16 February 2005 are as follows:

Executive

William Humphries *(Chairman)*
Richard Prickett *(Chief Executive Officer and Finance Director)*

Non-Executive Directors

James Garber *(Appointed 18 March 2005)*
Charles Wilkinson *(Appointed 18 March 2005)*
Helen Green *(Appointed 18 March 2005)*

The Directors in office at 31 December 2005 had the following beneficial interest in the shares of the Company:

	Ordinary shares of 1 pence each		Options to acquire shares	
	31 December 2005	16 February 2005	31 December 2005	16 February 2005
Executive Directors:				
William Humphries	8,792,064	—	2,800,000	—
Richard Prickett	4,851,274	—	2,100,000	—
Non-Executive Directors:				
James Garber	—	—	1,000,000	—
Charles Wilkinson	645,714	—	500,000	—
Helen Green	—	—	—	—

Directors' report continued

Share options

Name	Date granted	Number	Price	Expiry date
William Humphries	6 April 2005	100,000	£0.131	8 May 2007
William Humphries	6 April 2005	700,000	£0.063	15 June 2009
William Humphries	6 April 2005	2,000,000	£0.070	6 April 2010
Richard Prickett	6 April 2005	100,000	£0.063	15 June 2009
Richard Prickett	6 April 2005	2,000,000	£0.070	6 April 2010
Charles Wilkinson	6 April 2005	500,000	£0.070	6 April 2010
James Garber	6 April 2005	200,000	£0.063	15 June 2009
James Garber	6 April 2005	300,000	£0.087	27 May 2008
James Garber	6 April 2005	500,000	£0.070	6 April 2010

Non Executive Directors

Details in respect of the experience of the Executive and Non-Executive Directors are given on page 13.

Related party transactions

Details regarding transactions with related parties and details of Directors' interests in contracts are given in note 19 to the financial statements.

Details of shares issued in the period are given in note 13 to the financial statements.

Substantial shareholdings

Apart from the interests of the Directors referred to above, the Company has received the following notifications of holdings of more than 3 per cent. of the share capital of the Company as at the date of this report:

Shareholder name	Ordinary shares of 1 pence each
Chase Nominees Limited	3,855,000
DSL Client Nominees Limited	6,383,869
Forest Nominees Limited	6,403,216
ISI Nominees Limited	4,665,000
Pershing Keen Nominees Limited	4,214,286
R C Greig Nominees Limited	4,420,612
Taheh Holdings Limited	3,000,000
Willbro Nominees Limited	4,150,478

Payment policy

The Group applies a policy of agreeing payment terms with each of their main suppliers and the Group aims to abide by these terms, subject to satisfactory performance by suppliers.

Auditors

The Directors review the terms of reference for the auditors and obtain written confirmation that the firm has complied with its ethical guidance on ensuring its independence. KPMG Channel Islands Limited provides audit services to the Group. The level of fees charged is reviewed by the Board to ensure they remain competitive and to ensure no conflicts of interest arise.

A resolution to re-appoint KPMG Channel Islands Limited will be put to the members at the Annual General Meeting.

By Order of the Board

Director of Rysaffe International Services Limited
as Secretary to Landore Resources Limited

7 April 2006

Corporate Governance report

Financial aspects of corporate governance

The Group has adopted a framework for corporate governance which it believes is suitable for a group of its size and which aims to ensure it complies with the Principles of Good Governance and Code of Best Practice, ("the Combined Code") prepared by the Committee on Corporate Governance, published in June 1998.

The Board

The Board meets throughout the period and all major decisions are taken by the full Board. The Group's day to day operations are managed by the Executive Directors. All Directors have access to the Company Secretary and any Director needing independent professional advice in the furtherance of his duties may obtain this advice at the expense of the Group.

Corporate Governance Committees

During the year, the Board established two Committees comprising Non-Executive Directors and Executive Directors. The composition of the Committees are as follows:

Audit

Charles Wilkinson *(Chairman)*
William Humphries
Helen Green

Remuneration

William Humphries *(Chairman)*
Charles Wilkinson

The Audit Committee

The Audit Committee aims to meet at least twice a year to review the published financial information, the effectiveness of external audit and internal financial controls.

The terms of reference of the Audit Committee are to assist all the Directors in discharging their individual and collective legal responsibilities for ensuring that:

- The Group's financial and accounting systems provide accurate and up-to-date information on its current financial positions;
- The Group's published financial statements represent a true and fair reflection of this position, and
- The external audit is conducted in a thorough, efficient and effective manner.

The external auditors attend the Audit Committee meeting and as such it provides them with a direct line of communication to the Directors.

Corporate Governance report continued

Remuneration Committee

The terms of reference of the Remuneration Committee are:

- recommend to the Board a framework for rewarding senior management, including Executive Directors, bearing in mind the need to attract and retain individuals of the highest calibre and with the appropriate experience to make a significant contribution to the Group; and
- ensure that the elements of the remuneration package are competitive and help in underpinning the performance-driven culture of the Group;

The Remuneration Committee did not meet during the period.

Internal control

The Directors acknowledge their responsibility for the Group's system of internal control, which is designed to ensure adherence to the Group's policies whilst safeguarding the assets of the Group, in addition to ensuring the completeness and accuracy of the accounting records. Responsibility for implementing a system of internal financial control is delegated to the Finance Director. The essential elements of the Group's internal financial control procedures involve:

- *Strategic business planning*

  Detailed financial projections for the current financial year are prepared and subject to formal review at quarterly Board meetings.

- *Performance review*

  The Directors aim to monitor the Group's performance through the preparation of quarterly management accounts and regular reviews of expenditure and projections.

Going concern

The Directors confirm that it is suitable for the financial statements to be drawn up on the going concern basis.

A full explanation of the Directors' reasoning behind this assumption is given on page 25.

Statement of Directors' responsibilities

The Directors are responsible for the preparation of the Directors' report and the financial statements for each financial period which give a true and fair view of the state of affairs of the Company and Group and of the profit and loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether applicable accounting policies have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law 1994. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

KPMG Channel Islands Limited

To the members

We have audited the Group and parent company financial statements (the "financial statements") of Landore Resources Limited for the period ended 31 December 2005 which comprise consolidated income statement, the consolidated and Company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Group's members, as a body, in accordance with section 64 of The Companies (Guernsey) Law, 1994. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable Guernsey Law and International Financial Reporting Standards (IFRS) as set out in the statement of Directors' responsibilities on page 18.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

Independent auditors' report continued

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRS, of the state of the Group's and the parent company's affairs as at 31 December 2005 and of the Group's loss for the period then ended; and
- have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

KPMG Channel Islands Limited
Chartered Accountants

7 April 2006

Consolidated income statement

for the period 16 February 2005 to 31 December 2005

	Notes	Period ended 31 December 2005 £
Exploration costs	6	(713,986)
Administrative expenses	3,4,9	(727,709)
Impairment of goodwill	8	(3,486,377)
Operating loss		(4,928,072)
Interest receivable	2	62,212
Loss before income tax		(4,865,860)
Income tax expense	5	—
Loss for the period	1	(4,865,860)
Attributable to:		
Equity holders of the Group		(4,865,860)
Earnings per share for loss attributable to the equity holders of the Group during the period (expressed in £ per thousand shares)		
– basic	7	(0.066)
– diluted	7	(0.066)

The Group's operating loss relates to continuing operations.

The notes on pages 25 to 39 form part of these consolidated financial statements.

Consolidated balance sheet

at 31 December 2005

	Notes	Group At 31 December 2005 £	Company At 31 December 2005 £
Assets			
Non current assets			
Goodwill	8	—	—
Property, plant and equipment	9	63,573	—
Investments	10	—	94,889
		63,573	94,889
Current assets			
Trade and other receivables	11	24,653	273,502
Cash and cash equivalents		1,848,807	1,839,644
		1,873,460	2,113,146
Total assets		1,937,033	2,208,035
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	930,033	930,033
Share premium	16	5,410,126	5,410,126
Share options	14	247,531	247,531
Warrants	15	43,571	43,571
Retained earnings	16	(4,861,337)	(4,479,531)
Cumulative translation adjustment		22,622	—
Total equity		1,792,546	2,151,730
Liabilities			
Current liabilities			
Trade payables	12	144,487	56,305
Total liabilities		144,487	56,305
Total equity and liabilities		1,937,033	2,208,035

These financial statements were approved by the Board of Directors on 7 April 2006.

William Humphries
Director

Richard Prickett
Director

The notes on pages 25 to 39 form part of these consolidated financial statements.

Consolidated statement of changes in equity

31 December 2005

	Period ended 31 December 2005 £
Loss for the financial year	(4,865,860)
Lapse of warrants credited to reserves	4,523
Translation adjustment on consolidation	22,622
Net loss recognised directly in equity	(4,838,715)
Issue of ordinary share capital	930,033
Share premium arising on issue of ordinary share capital	5,875,204
Issue costs	(465,078)
Issue of warrants	43,571
Issue of share options	247,531
Net increase in shareholders' funds	1,792,546
Opening shareholders' funds	—
Closing shareholders' funds	1,792,546

The notes on pages 25 to 39 form part of these consolidated financial statements.

Consolidated cash flow statement

For the period ended 31 December 2005

	Notes	31 December 2005 £
Cash flows from operating activities		
Operating loss		(4,865,860)
Depreciation of tangible fixed assets		36,696
Impairment of goodwill		3,486,377
Share based payment		169,855
Decrease in debtors		566
Increase in creditors		18,437
Net cash outflow from operating activities		(1,153,929)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired		693,642
Purchase of property, plant and equipment	9	(50,078)
		643,564
Cash flows from financing activates		
Issue of ordinary share capital	13	2,803,084
Issue costs		(447,829)
		2,355,255
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of period		—
Exchange gains/(losses) on cash and cash equivalents		3,917
Cash and cash equivalents at end of period		1,848,807

The notes on pages 25 to 39 form part of these consolidated financial statements.

Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with those International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective or issued and early adopted as at the time of preparing these financial statements (February 2006).

The financial statements have been prepared on the historical cost basis. The Group has adopted UK Sterling as its functional currency. The principal accounting policies adopted are set out below.

The Directors consider the going concern basis of preparation to be appropriate as the Group has sufficient cash reserves to permit it to continue trading for a period of at least twelve months following the date of approval of these accounts.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2005. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Management review for impairment at each reporting date.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Accounting policies continued

Deferred exploration expenditure

When the Group has incurred expenditure on mining properties that have not reached the stage of commercial production the costs of acquiring the rights to such properties, and related exploration and development costs, are deferred where the expected recovery of costs is considered probable by the successful exploitation or sale of the asset. Full provision is made in respect of deferred costs on properties in the case that insufficient exploration has taken place to ascertain future recoverability. Where mining properties are abandoned, the deferred expenditure is written off in full.

Foreign currencies

Transactions in currencies other than UK sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Profit/loss from operations

Loss from operations is stated before investment income and finance costs.

Property, plant and equipment

Property, plant and equipment are stated at cost less provision for depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of each asset less its estimated residual value evenly over its estimated useful life, as follows:

Computer hardware	—	30 per cent. on cost
Computer software	—	100 per cent. on cost
Office equipment	—	20 per cent. on cost
Automotive equipment	—	30 per cent. on cost
Machinery and equipment	—	20 per cent. on cost

Non-current investments

Non-current investments relate to the Company's investments in subsidiaries and are stated at cost less provision for any diminution in value.

Accounting policies continued

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Share-based payments

The Group has applied the requirements of IFRS 2 share-based payments.

The Group issues equity-settled payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is recognised immediately in the income statement.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Accounting policies continued

Cash and cash equivalents	The fair value of cash and cash equivalents is considered to be their carrying amount due to their short term maturity.
Financial liability and equity instruments	Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.
Bank borrowings	Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.
Trade payables	Trade payables are not interest bearing and are stated at their nominal value.
Equity instruments	Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Notes to the financial statements

for the period ended 31 December 2005

1. Loss from operations

	2005 £
Loss from operation is stated after charging:	
Impairment of goodwill	3,486,377
Depreciation of property, plant and equipment	36,696
Auditors' remuneration – audit services	27,500

2. Interest receivable

	2005 £
Interest on bank account	62,212

3. Employees

	2005 Number
The average monthly number of persons (including Directors) employed by the Group during the period was:	
Management and administration and operations	9

	£
Staff costs (for the above persons):	
Wages and salaries	240,074
Social security costs	11,610
	251,684

4. Directors' remuneration

	Remuneration £	Fees £	Total 2005 £
Executive Directors:			
William Humphries	—	50,000	50,000
Richard Prickett	—	50,000	50,000
	—	100,000	100,000
Non Executive Directors:			
Helen Green	—	7,500	7,500
James Garber	72,500	—	72,500
Charles Wilkinson	—	11,250	11,250
Total	72,500	118,750	191,250

Notes to the financial statements continued

for the period ended 31 December 2005

4. Directors' remuneration (continued)

During the period the Company issued the following share options to directors:

Name	Date	Number	Price	Expiry date
William Humphries	6 April 2005	100,000	£0.131	8 May 2007
William Humphries	6 April 2005	700,000	£0.063	15 June 2009
William Humphries	6 April 2005	2,000,000	£0.070	6 April 2010
Richard Prickett	6 April 2005	100,000	£0.063	15 June 2009
Richard Prickett	6 April 2005	2,000,000	£0.070	6 April 2010
Charles Wilkinson	6 April 2005	500,000	£0.070	6 April 2010
James Garber	6 April 2005	200,000	£0.063	15 June 2009
James Garber	6 April 2005	300,000	£0.087	27 May 2008
James Garber	6 April 2005	500,000	£0.070	6 April 2010

5. Taxation

Landore Resources Limited is a Guernsey registered company and is eligible for exemption from income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinances 1989 and 1992 as amended. An annual fee of £600 is paid in this respect.

The Company's subsidiary, Landore Resources Canada Inc., is subject to Canadian Federal tax. No tax has been provided in the accounts due to losses incurred by that company to date.

6. Mineral properties

	5 April 2005 £	Expenditure in the period £	Accumulated expenditure at 31 December 2005 £
Miminiska Lake	1,117,599	9,615	1,127,214
Junior Lake	544,684	395,495	940,179
Frond Lake	33,917	23,874	57,791
Wottam	60,128	1,430	61,558
Lamaune Lake	68,953	202,409	271,362
Seeley Lake	—	80,431	80,431
Other	11,260	732	11,992
	1,836,541	713,986	2,550,527

Mineral properties at 5 April 2005 represent accumulated costs to date incurred by Landore Resources Canada Inc., a subsidiary of Landore Resources Limited. On acquisition of Landore Resources Canada Inc., on 5 April 2005 the fair value of those costs incurred to date was considered to be £nil (see note 8). All subsequent expenditure has been charged to the income statement in accordance with the Group accounting policy.

6.1 *Miminiska Lake*

Miminiska Lake, wholly owned by the Company, is a gold exploration project located approximately 115 kilometres east of Pickle Lake in Northern Ontario, Canada. The property consists of 28 patented and 2 staked claims.

Notes to the financial statements continued

for the period ended 31 December 2005

6. Mineral properties (continued)

6.2 *Junior Lake*

Junior Lake is a nickel, copper, platinum group metals and gold exploration project located approximately 250 kilometres north of Thunder Bay in Northern Ontario, Canada. The property consists of two leased claims wholly owned by the Company. A portion of the project is subject to a 2 per cent. net smelter return ("NSR").

6.3 *Frond Lake*

Frond Lake is a gold property located about 125 kilometres east of Pickle Lake, Ontario. The property is comprised of 24 patented claims contiguous to the east of the Wottam property. On December 22, 2005, the Company purchased the property outright subject to underlying 2 per cent. NSR agreements.

6.4 *Wottam*

The Wottam property is a gold exploration project located 125 kilometres east of Pickle Lake in Northern Ontario, Canada. The property is wholly owned by the Company and includes claims contiguous to the east of the Miminiska Lake property.

6.5 *Lamaune Lake*

Effective 5 September 2002, the Company entered into an Option Agreement with Michael Stares, Stephen Stares, James Dawson and Stares Contracting Corp relating to eight mining claims located near Lamaune Lake, Ontario. The Lamaune Lake property is contiguous with the Auden and Junior Lake property claims held by the Company. The Company has the ability to earn up to an 80 per cent. interest in the Lamaune Lake property subject to the conditions set forth in the Option Agreement.

6.6 *Seeley Lake*

Seeley Lake is an industrial minerals nepheline-syenite property, located 250 kilometres to the east of Thunder Bay, Ontario, on the north of Lake Superior. The property is comprised of 18 leased claims wholly owned by the Company.

7. Loss per share

The calculation of the basic loss per share is based on the loss for the financial period divided by the weighted average number of shares being 73,657,371 in issue during the period.

Diluted loss per share

The fully diluted loss per share is based on the loss for the financial period divided by the weighted average number of shares and potential shares being 73,785,547 in issue during the period:

	2005 No. of shares
Ordinary shares	73,657,371
Effect of options and warrants issued at fair value	128,176
	73,785,547

Notes to the financial statements continued

for the period ended 31 December 2005

8. Goodwill – Group

	Goodwill on acquisition £	Total £
Cost		
At 16 February 2005	—	—
Acquisitions	3,486,377	3,486,377
At 31 December 2005	3,486,377	3,486,377
Provision for impairment		
At 16 February 2005	—	—
Charge for the year	3,486,377	3,486,377
At 31 December 2005	3,486,377	3,486,377
Net book value		
At 31 December 2005	—	—

The goodwill arose on the acquisition of Landore Resources Canada Inc. as set out below.

Fair value of subsidiary company acquired

	Net assets acquired £	Fair value adjustments £	Fair value of net assets acquired £
Cash and cash equivalents	693,642	—	693,642
Receivables	22,316	—	22,316
Mineral properties	1,836,541	(1,836,541)	—
Property, plant and equipment	21,809	—	21,809
	2,574,308	(1,836,541)	737,767
Liabilities	(112,953)	—	(112,953)
Net assets	2,461,355	(1,836,541)	624,814
Consideration paid:			
Securities issued on a one for one exchange of existing securities of Landore Resources Canada Inc.			4,111,191
Goodwill on acquisition			3,486,377

Notes to the financial statements continued

for the period ended 31 December 2005

8. Goodwill – Group (continued)

The fair value of the assets acquired of Landore Resources Canada Inc. is considered to be equal to their book value with the exception of the mineral properties which have been fully written down in accordance with the Group's accounting policy.

The Directors consider the goodwill to be fully impaired as this predominantly relates to mineral property exploration expenditure which is not carried forward as an asset in the Group's accounts in accordance with the accounting policies.

The securities issued on a one for one exchange of existing securities of Landore Resources Canada Inc. and their respective fair values were:

	£
57,309,877 ordinary shares of 1 pence each issued at a premium of 6 pence per share	4,011,691
13,100,000 warrants issued on 6 April 2005	77,677
4,520,400 share options issued on 6 April 2005	21,823
	4,111,191

9. Property, plant and equipment

	Plant and equipment £
Cost	
At 16 February 2005	—
Assets acquired on acquisition of subsidiary	21,809
Additions	50,078
Foreign exchange movements	9,824
At 31 December 2005	81,711
Amortisation	
At 16 February 2005	—
Charge for the period	13,956
Foreign exchange movements	4,182
At 31 December 2005	18,138
Net book value	
At 31 December 2005	63,573

Notes to the financial statements continued

for the period ended 31 December 2005

10. Non current asset investments – Company

	Investment in subsidiaries £
Cost	
At 16 February 2005	—
Additions	4,111,191
At 31 December 2005	4,111,191
Provision for diminution in value	
At 16 February 2005	—
Charge for the period	4,016,302
At 31 December 2005	4,016,302
Net book value	
At 31 December 2005	94,889
At 16 February 2005	—

At 31 December 2005 the Company held the entire issued share capital of the following subsidiary undertakings:

	Nature of business
Landore Resources Canada Inc.	Exploration of precious metals
Brancote US Inc.*	Exploration of precious metals
Landore Resources (UK) Limited	Administration (dormant)

*The entire share capital of Brancote US Inc. is held by Landore Resources Canada Inc.

11. Trade and other receivables

	Group 2005 £	Company 2005 £
Due within one year:		
Trade receivables	24,653	2,500
Amounts due from subsidiary undertakings	—	271,002
	24,653	273,502

12. Payables: Amounts falling due within one year

	Group 2005 £	Company 2005 £
Trade payables	144,487	56,305
	144,487	56,305

Notes to the financial statements continued

for the period ended 31 December 2005

13. Share capital

	Company 2005 £
Authorised:	
250,000,000 ordinary shares of 1 pence each	2,500,000
Issued:	
93,003,310 ordinary shares of 1 pence each	930,033

	Ordinary shares 2005 £	Company 2005 £
Issued:		
At 16 February 2005	—	—
2 ordinary shares of 1 pence each	—	—
Issue of 93,003,308 ordinary shares of 1 pence each	930,033	930,033
At 31 December 2005	930,033	930,033

The Company made allotments of ordinary 1p shares with an aggregate nominal value of £930,033 during the period as follows:

	Number of shares	Nominal value £	Share premium £
16 February 2005	2	—	—
06 April 2005	85,881,308	858,813	5,152,878
22 November 2005	7,122,000	71,220	722,326
	93,003,310	930,033	5,875,204

14. Share options

Grant date	Expiry date	Exercise price £	Number of options	Lapsed in period	No of options at 31 December 2005	Fair value £
14 September 2000*	14 September 2005	0.135	1,120,400	(1,120,400)	—	—
08 May 2002*	08 May 2007	0.131	750,000	—	750,000	6,329
27 May 2003*	27 May 2008	0.087	300,000	—	300,000	6,591
12 December 2003*	12 December 2008	0.131	600,000	—	600,000	9,678
15 June 2004*	15 June 2009	0.063	1,650,000	—	1,650,000	55,078
06 April 2005	06 April 2010	0.07	5,000,000	—	5,000,000	169,855
			9,420,400	(1,120,400)	8,300,000	247,531

The Company issued the above share options on 6 April 2005.

Notes to the financial statements continued

for the period ended 31 December 2005

14. Share options (continued)

The share options indicated with an asterisk were issued in exchange for existing options of Landore Resources Canada Inc. Prior to its acquisition by Landore Resources Ltd, Landore Resources Canada Inc. operated an employee stock option programme. Under the terms of the acquisition of Landore Resources Canada Inc., all existing share options of that company were exchanged on a one for one basis for new share options in Landore Resources Limited.

The estimated fair value of the above options was calculated by applying the Black-Scholes option pricing model.

The model inputs were:

Share price at grant date	7 pence
Expected volatility	50 per cent.
Risk-free interest rate	4.25 per cent.

No dividends have been assumed in the above calculations.

In respect of the fair value calculated for the options the following amounts have been included in these financial statements:

	£
Included in equity	247,531
Share based payment charged to the income statement	169,855
Capitalised as cost of investment	77,676

15. Warrants

On acquisition of Landore Resources Canada Inc. the Company acquired existing warrants of that company on a one for one basis as follows:

Grant date	Expiry date	Exercise price £	Number of warrants	Exercised or lapsed in period	No of options at 31 December 2005
08 August 2003*	08 August 2005	0.11	500,000	(500,000)	—
05 March 2004*	04 September 2005	0.22	2,500,000	(2,500,000)	—
15 November 2004*	15 September 2005	0.11	10,000,000	(10,000,000)	—
05 April 2005	05 May 2008	0.07	1,624,525	—	1,624,525
			14,624,525	(13,000,000)	1,624,525

7,122,000 of the above warrants were exercised in the period and the remainder have expired.

*These warrants were issued as a one for one exchange for existing warrants of Landore Resources Canada Inc. The grant date shown is the initial date of grant attaching to those options when issued by Landore Resources Canada Inc.

The estimated fair value of the above options was calculated by applying the Black-Scholes pricing model.

Notes to the financial statements continued

for the period ended 31 December 2005

15. Warrants (continued)

The model inputs were:

Share price at grant date	7 pence
Expected volatility	50 per cent.
Risk-free interest rate	4.25 per cent.

No dividends have been assumed in the above calculations.

Based on the calculated fair value of the warrants the following amounts have been recognised in the financial statements:

	£
Included in equity	43,571
Capitalised as cost of investment	21,822
Written off to the share premium account	43,571

16. Reserves

	Share premium £	Profit and loss £
Group		
At 16 February 2005	—	—
Premium on shares issued in the period	5,875,204	—
Costs of issue	(465,078)	—
Lapse of warrants credited to reserves	—	4,523
Loss for the period	—	(4,865,860)
At 31 December 2005	5,410,126	(4,861,337)
Company		
At 16 February 2005	—	—
Premium on shares issued in the period	5,875,204	—
Costs of issue	(465,078)	—
Lapse of warrants credited to reserves	—	4,523
Loss for the period	—	(4,484,054)
At 31 December 2005	5,410,126	(4,479,531)

Notes to the financial statements continued

for the period ended 31 December 2005

17. Reconciliation of net cashflow to movement in net funds

	2005 £
Increase in cash	1,848,807
Change in net funds resulting from cash flows	1,848,807
Closing net funds	1,848,807

18. Analysis of net funds

	At 16 February 2005 £	Cashflow £	At 31 December 2005 £
Cash at bank and in hand	—	1,848,807	1,848,807
Total	—	1,848,807	1,848,807

19. Related party transactions

During the year Mr E Badida, who was a director of Landore Resources Canada Inc., until 5 April 2005, was paid C$47,750 (£23,811) (2004: C$44,500 (£22,190)): in consulting fees.

Advances were received by Landore Resources Canada Inc. from Landore Resources Ltd, these were unsecured and non interest bearing.

Helen Green, a Director of the Company, is also a director of Saffery Champness Management International Limited ("SCMIL") and Rysaffe International Services Limited ("Rysaffe"). SCMIL were paid £58,000 in the period in respect of its role as administrators for the Company and Rysaffe was paid £7,500 in respect of its role as Company Secretary. £6,000 was owing to SCMIL at the period end.

In addition, Helen Green is a partner of Saffery Champness. That firm provided professional services to the Company amounting to £24,480 in the period. £15,000 was owing to Saffery Champness at the period end.

20. Financial instruments

The Group uses financial instruments, other than derivatives, comprising borrowings, cash, liquid resources and various items such as sundry debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk and currency risk. The Directors review and agree policies for managing these risks and these are summarised below.

Short-term debtors and creditors have been excluded from all the following disclosures.

20. Financial instruments (continued)

Liquidity risk

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. This is achieved by placing surplus funds on deposit.

Currency risk

The Group is exposed to transaction related foreign exchange risk. The majority of the Company's cash reserves are held in UK Sterling in Guernsey. Cash is converted into Canadian Dollars as required. Foreign exchange risk is not mitigated.

Borrowing facilities and interest rate risk

The Group finances its operations through the issue of equity share capital. There are no borrowings and therefore no exposure to interest rate fluctuations.

Fair values

The fair values of the Group's financial instruments are considered equal to the book value.

Notice of Annual General Meeting

Notice is hereby given that the First Annual General Meeting of Landore Resources Limited (the "Company") will be held at La Tonnelle House, Les Banques, St Sampson, Guernsey on Tuesday, 23 May 2006 at 11.00 am at which the following resolutions will be proposed, in the case of resolutions 1 to 8 as Ordinary Resolutions and in the case of resolution 9 as a Special Resolution:

Ordinary Business

1. to receive and adopt the statement of accounts and the balance sheet of the Company with the report of the Directors and the auditors' report for the period ended 31 December 2005;
2. to re-elect Richard Prickett who retires in accordance with Article 17.5 of the Articles of Association of the Company (the "Articles");
3. to re-elect William Humphries who retires in accordance with Article 17.5 of the Articles;
4. to re-elect James Garber who retires in accordance with Article 17.5 of the Articles;
5. to re-elect Charles Wilkinson who retires in accordance with Article 17.5 of the Articles;
6. to re-elect Helen Green who retires in accordance with Article 17.5 of the Articles;
7. to re-appoint KPMG as auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration;

Special Business

8. that the Directors be and they are hereby generally and unconditionally authorised for the purposes of Article 3.1 of the Articles to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £286,271 provided that this authority shall expire five years from the date of this resolution and that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired and in this resolution the expression "relevant securities" and references to the allotment of relevant securities shall bear the same respective meanings as in the Articles;
9. that the Directors be and they are hereby empowered pursuant to Article 4.8 of the Articles to allot equity securities for cash pursuant to the authority conferred by the previous resolution as if Article 4.1 of the Articles did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

   (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

   (b) otherwise than pursuant to sub-paragraphs (a) above up to an aggregate nominal amount of £171,762.62;

Notice of Annual General Meeting continued

provided that this authority shall expire five years from the date of this resolution and that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired and in this resolution the expression "equity securities" and references to the allotment of equity securities shall bear the same respective meanings as in the Articles.

By Order of the Board

Director of Rysaffe International Services Limited
as Secretary to Landore Resources Limited

7 April 2006

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy (or more than one proxy) to attend and, on a poll, vote in his stead. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.
2. For the convenience of members who may be unable to attend the meeting, a Form of Proxy is attached which should be completed and returned to the registrar's agents, Computershare Investor Services (C.I.) Limited, PO Box 83, Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW not less than 48 hours before the time fixed for the meeting. The fact that members may have completed Forms of Proxy will not prevent them from attending and voting in person should they afterwards decide to do so.
3. Members who hold ordinary shares in uncertificated form must have been entered on the Company's Register of Members 48 hours prior to meeting in order to be entitled to attend and vote at the meeting. Such members may only vote at the Meeting in respect of ordinary shares in the Company held at that time.

For your notes

Produced by Portman Lodge Limited

Form of Proxy

for Annual General Meeting

I/We ____

of ____

____

being (a) member(s) of the above named Company hereby appoint

____

failing whom, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the First Annual General Meeting of the Shareholders of the Company to be held at La Tonnelle House, Les Banques, St Sampson, Guernsey GY1 3HS, on Tuesday, 23 May 2006 at 11.00 am and at any adjournment thereof and to vote thereat as indicated below.

Please indicate with an "X" in the appropriate space how you wish your votes to be cast:

Ordinary Business	For	Against
1. Ordinary Resolution to receive and adopt the 2005 accounts		
2. Ordinary Resolution to re-elect Richard Prickett		
3. Ordinary Resolution to re-elect William Humphries		
4. Ordinary Resolution to re-elect James Garber		
5. Ordinary Resolution to re-elect Charles Wilkinson		
6. Ordinary Resolution to re-elect Helen Green		
7. Ordinary Resolution to re-appoint KPMG Channel Islands Limited as Auditor and to authorise the Directors to determine the remuneration of the Auditor		
Special Business		
8. Ordinary Resolution to authorise the Directors to allot relevant securities		
9. Special Resolution to authorise the Directors to disapply pre-emption rights in relation to the allotment of equity securities		

Date ____

Signature(s) or common seal ____

Notes

1. A proxy need not be a member of the Company.
2. If you do not indicate how you wish your proxy to use your vote in a particular matter, the proxy will exercise his/her discretion as to how he/she votes and as to whether or not he/she abstains from voting.
3. In the case of a corporation this Form of Proxy must be executed under seal or under the hand of an officer or attorney duly authorised in writing.
4. Forms of Proxy, to be valid, must be signed and must be lodged, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, to the registrar's agents, Computershare Investor Services (C.I.) Limited, PO Box 83, Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW not less than 48 hours before the time appointed for holding the meeting.
5. In the case of joint holders, the signature of any one of them will suffice, but if a holder other than the first-named holder signs, it will help the Registrars if the name of the first-named holder is given.
6. Any alteration to this Form of Proxy must be initialled.
7. Completion and return of this Form of Proxy does not preclude a member subsequently attending and voting at the meeting.

Second fold

PLEASE
AFFIX
POSTAGE
STAMP

Computershare Investor Services (C.I.) Limited
PO Box 83
Ordnance House
31 Pier Road
St Helier
JERSEY
Channel Islands
JE4 8PW

First fold

Third fold and tuck in

www.landore.com