



MERCATOR GOLD PLC

INTERIM REPORT

For the six months ended 31 December 2005

CHAIRMAN'S STATEMENT

I am pleased to present your Company's Interim Report for the six months to 31 December 2005. This report covers the first six months of what has been a very exciting period for the Company. We have built on our solid foundation of exploration results at Meekatharra and negotiated successfully the acquisition of St Barbara's (SBM) entire gold exploration and mining assets at Meekatharra. This acquisition included:

- the 55 per cent interest in the Annean Joint Venture held by SBM
- the three million tonne per annum Yaloginda mill and gold processing facility, together with the associated infrastructure
- approximately 120 granted exploration tenements and 44 tenement applications along with associated intellectual property relating to these tenements and mining rights.

This acquisition consolidates and enlarges the Company's holdings over the Meekatharra Belt, more than doubling the Company's gold resource base and adding significant additional exploration ground to the Yaloginda project area. The Company now has a total tenement holding of 1932 km² with defined gold resources totalling 1.94 Moz.

The acquisition has provided the foundation for the company to raise a total of £10 million during December 2005 and January 2006 as well as a capital reconstruction facilitating a ten for one share consolidation.

This acquisition and its associated fund-raising were approved by shareholders at an extraordinary general meeting on 18 January 2006 and consequently the related balance sheet and ten for one share consolidation entries are not reflected in the financial results reported to 31 December 2005. The Company incurred a loss of £763,425 for the six month period to 31 December 2005, largely attributed to ongoing exploration work at Meekatharra and the costs associated with the recent acquisition and capital raising, all of which have been expensed in the period under review.

The Company was recently pleased to announce the commencement of the 2006 drilling programme with a 16,000 metre campaign at Bluebird. This programme targets gold mineralisation with the potential to be mined in the near term and constitutes part of the Company's primary objective for the year, namely, the definition of sufficient mineable ounces to support the commencement of production at Meekatharra on a profitable and sustainable basis.

The Company's second strategic objective for 2006 is the expansion of the resource base which presently stands at approximately two million ounces of gold. The Maid Marion project, at Meekatharra North, is an advanced exploration target and has the potential to add substantially to the Company's resource base. Therefore, following the completion of the drilling at Bluebird, the Company will carry out a 10,000 metre reverse circulation drilling programme at this site.

Concurrent with the reverse circulation programmes at Bluebird and Meekatharra North the Company will commence diamond drilling in mid-March at the recently acquired Paddys Flat Project. This project presently contains gold resources in excess of 1.1 million ounces of gold. Resources at the Mickey Doolan and the Prohibition prospects contain ounces we consider likely to be mineable in the short term and accordingly a number of diamond drill holes are planned to recover sufficient core sample to enable metallurgical and engineering studies to be conducted.

Additional resource extensions and exploration drilling are planned for the Paddys Flat area following the completion of the reverse circulation programme at Bluebird and Meekatharra North.

The Company's medium term objective is to recommence production as soon as feasible. To this end a detailed analysis of the requirements for the plant and power station refurbishment at the Yaloginda mill site is under way. This is expected to be completed by April. Pit optimisations of the most advanced projects are being carried out utilising the wealth of legacy data inherited with the asset purchase. Metallurgical and mining programmes are also being designed to progress our knowledge and understanding of the prospects.

The vast data base acquired from Saint Barbara Limited, covering 20 years of exploration activity, is being rationalised and validated. The Company believes this data base is a truly outstanding asset from which the Company will draw exploration potential for many years to come.

The Company has an aggressive, committed and highly qualified team of geologists working to ensure the successful rejuvenation of the Meekatharra goldfield.

I look forward to reporting to you on your Company's progress on a regular basis throughout this exciting phase in our development.

Terrence Strapp
Chairman
3 March 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 December 2005

	6 months to 31 December 2005 (unaudited) £	22 March 2004 to 30 June 2005 (audited) £
Administrative expenses	(725,476)	(926,654)
Total administrative expenses and operating loss	(725,476)	(926,654)
Net Interest (payable)/receivable & similar items		
Net Interest receivable	5,503	29,718
Foreign exchange gain/(loss)	(43,452)	29,617
Loss on ordinary activities before taxation	(763,425)	(867,319)
Taxation	-	-
Loss on ordinary activities after taxation	(763,425)	(867,319)
Loss per share	(0.79)p	(2.03)p

All amounts relate to continuing activities

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the six months ended 31 December 2005

	6 months to 31 December 2005 (unaudited) £	22 March 2004 to 30 June 2005 (audited) £
Loss for the period	(763,425)	(867,319)
Exchange adjustments on foreign currency net investments	4,135	-
Total recognised gains and losses for the period	(759,290)	(867,319)

CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	31 December 2005 (unaudited) £	30 June 2005 (audited) £
Fixed assets		
Intangible	2,118,990	1,453,885
Tangible	59,541	65,934
Total fixed assets	2,178,531	1,519,819
Current assets		
Debtors	299,287	194,972
Cash at bank and in hand	1,059,011	954,467
Total current assets	1,358,298	1,149,439
Creditors – amounts falling due within one year	305,164	572,611
Net current assets	1,053,134	576,828
Total assets less current liabilities	3,231,665	2,096,647
Creditors – amounts falling due after more than one year (convertible loan stock)	944,308	-
Net assets	2,287,357	2,096,647
Capital and reserves		
Called-up share capital	996,198	871,198
Share premium account	3,317,599	2,492,599
Merger Reserve	(399,831)	(399,831)
Profit and loss account	(1,626,609)	(867,319)
Equity shareholders' funds	2,287,357	2,096,647

SHAREHOLDERS' FUNDS

For the six months ended 31 December 2005

	6 months to 31 December 2005 (unaudited) £	22 March 2004 to 30 June 2005 (audited) £
Loss for the period	(759,290)	(867,319)
Merger reserve arising on consolidation	-	(399,831)
New share capital issued	950,000	3,363,797
Net addition to shareholders' funds	190,710	2,096,647
Opening shareholders' funds	2,096,647	-
Closing shareholders' funds	2,287,357	2,096,647

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2005

	6 months to 31 December 2005 (unaudited) £	22 March 2004 to 30 June 2005 (audited) £
Net cash outflow from operating activities	(1,062,707)	(527,002)
Returns on investments and servicing of finance	5,503	29,718
Capital expenditure and financial investment	(684,800)	(1,541,832)
Net cash outflow before management of liquid resources and financing	(1,742,004)	(2,039,116)
Management of liquid resources	(153,000)	(647,000)
Financing:		
Issue of ordinary shares	950,000	2,963,966
Issue of convertible debentures	940,000	-
Increase/(decrease) in cash in the period	(5,004)	277,850
Reconciliation of net cash flow to movement in net funds		
Increase/(decrease) in cash in the period	(5,004)	277,850
Change in net funds resulting from cash flows	(5,004)	277,850
Exchange differences	(43,452)	29,617
Movement in short term funds	153,000	647,000
Movement in net funds for the period	104,544	954,467
Net funds at beginning of period	954,467	-
Net funds at end of period	1,059,011	954,467
Reconciliation of operating loss to operating cash flows		
Operating loss	(725,476)	(926,654)
Depreciation and amortisation charges	21,048	22,013
(Increase)/decrease in debtors	(104,315)	(194,972)
Increase/(decrease) in creditors	(253,964)	572,611
Net cash outflow from operating activities	(1,062,707)	(527,002)

Notes

- 1 No dividend is proposed in respect of the period.
- 2 The results for the period are derived from continuing activities.
- 3 The calculations of loss per share have been based on the retained loss after taxation for the 6 month period and on a weighted average of 96,462,372 ordinary shares in issue during the period. (The loss per share for the prior period of 14 months was based on a weighted average of 42,807,238 ordinary shares in issue during that period).
- 4 The unaudited results have been prepared on a going concern basis and on the basis of the accounting policies adopted in the audited accounts for the period ended 30 June 2005.
- 5 The interim report is unaudited and does not constitute Statutory Accounts as defined in section 240 of the Companies Act 1985. A copy of the Group's 2005 Statutory Accounts has been filed with the Registrar of Companies. The auditors' opinion on these Statutory Accounts was unqualified and did not contain a statement under section 237 of the Companies Act 1985.
- 6 The Interim Report for the six months to 31 December 2005 was approved by the Directors on 3 March 2006.
- 7 The Interim Report will be posted to Shareholders and will be available, free of charge, for a period of at least one month, from Peek House, 3rd Floor, Eastcheap, London EC3M 1EB

COMPANY INFORMATION

Company Number 05079979

DIRECTORS

T J Strapp *Non-executive Chairman*
P A Harford *Managing Director*
M J de Villiers *Finance Director*
J R Vearncombe *Exploration Director*
D Geldard *Operations Director*
M Elias *Non-executive Director*
R N Allen *Non-executive Director*

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