

# METALS EXPLORATION PLC

(“Metals Ex” or “the Company”)

## Unaudited interim results for the six months to 31st March 2007

The Directors of Metals Exploration plc (AIM: MTL), the UK based precious and base metals exploration company with a focus on the Pacific Rim region, are pleased to announce its unaudited interim results for the 6 months ended 31 March 2007.

### Operational Highlights:

- October 2006 - £5m raised through an institutional placing of 20m new ordinary shares of 1 pence each at 25 pence per ordinary share.
- December 2006 – The Runruno asset revised to an Inferred Mineral Resource (as defined by the JORC<sup>1</sup> Code) of 28.3 million tonnes at an average grade of 2.23 grams per tonne gold and 0.06% molybdenum, containing a total of 2.03 million ounces of gold and 34.4 million pounds of molybdenum.
- January 2007 – Preliminary metallurgical test results demonstrated gold recoveries of 92% on a fresh composite sample from Runruno using a combination of gravity concentration followed by flotation.
- January 2007 – The Company withdrew from the Masapelid Joint Venture in order to focus on its projects in northern Luzon.
- March 2007 – Drill hole MXD055, drilled to test for vertical structures in the northern part of the Runruno deposit, produced a total combined intercept of 21.45 metres at 3.74 grams per tonne gold.
- March 2007 – Applications lodged for Exploration Permits over the Sulong, Dupax, and Capaz projects in northern Luzon. All three properties comprise gold and copper-zinc mineralization identified by previous explorers and offer the potential for the delineation of economically viable deposits of gold and/or base metals.
- May 2007 – Jonathan Pearson, an experienced international banker, was appointed as a non-executive director.

Commenting on the results, Jonathan Beardsworth, CEO of Metals Exploration plc said:

“This has been a period of steady achievement for the Company. We anticipate being in a position to update shareholders on the progress of drilling at Runruno in the next few weeks, and are confident of achieving our objective of providing a revised resource statement towards the end of the third quarter of 2007.

We were also pleased to note the statement by DENR (Department of Environment and Natural Resources) Secretary Angelo Reyes at the 7<sup>th</sup> Asia Pacific Mining Conference and Exhibition in Manila earlier this month in which he outlined plans to simplify and streamline procedures for mining applications, including “the delegation of the approval of new exploration permits to the Regional Directors of the MGB (Mines and GeoSciences Bureau)”. This statement suggests that we will soon be able to add further value to the Company by working up our five EP Applications at Sulong, Dupax, Capaz, Worldwide and Puray”.

J Beardsworth  
Chief Executive Officer

<sup>1</sup>JORC - Joint Ore Resources Committee

## **QUALIFIED PERSON**

Gary Powell (a Director of the Company) has been involved in the mining and exploration industry for more than 20 years. He has a Bachelor of Applied Science degree in geology and is a member of the Australasian Institute of Mining and Metallurgy and the Australasian Institute of Geoscientists. He has compiled, read and approved the technical disclosure in this regulatory announcement.

### **For more information:**

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**Consolidated Profit and Loss Account  
for the 6 months ended 31 March 2007 – Unaudited**

	Note	6 months ended 31 March 2007 (unaudited)	6 months ended 31 March 2006 (unaudited)	Year ended 30 September 2006 (audited- restated)
		£	£	£
Turnover		-	-	-
Administrative expenses		(659,591)	(226,319)	(2,588,059)
<b>OPERATING LOSS</b>		<b>(659,591)</b>	<b>(226,319)</b>	<b>(2,588,059)</b>
Interest Receivable		71,943	18,705	30,875
Interest Payable		(1,028)	(784)	(478)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(588,676)</b>	<b>(208,398)</b>	<b>(2,557,662)</b>
Tax on loss on ordinary activities		-	-	-
<b>LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION</b>		<b>(588,676)</b>	<b>(208,398)</b>	<b>(2,557,662)</b>
Minority Interest		110,752	-	(3,564)
<b>LOSS FOR THE YEAR</b>		<b>(477,924)</b>	<b>(208,398)</b>	<b>(2,561,226)</b>
Loss per ordinary share – basic and fully diluted	2	(0.65p)	(0.42p)	(5.02p)

**Consolidated Statement of Total Recognised Gains and Losses**

	6 months ended 31 March 2007 (unaudited)	Year ended 30 September 2006 (audited)
	£	£
<b>Loss for the period</b>	(477,924)	(1,121,650)
Prior year adjustment	(1,432,448)	-
Currency translation difference	(1,189)	-
<b>Total recognised losses for the period</b>	<b>(1,911,561)</b>	<b>(1,121,650)</b>

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## Consolidated Balance Sheet 31 March 2007 – Unaudited

		At 31 March 2007 <i>(unaudited)</i>	At 31 March 2006 <i>(unaudited)</i>	At 30 September 2006 <i>(audited- restated)</i>
	Note	£	£	£
<b>FIXED ASSETS</b>				
Intangible fixed assets	5	2,631,995	1,675,932	2,011,023
Tangible fixed assets		128,148	202,443	95,524
		<hr/>	<hr/>	<hr/>
		2,760,143	1,878,375	2,106,547
<b>CURRENT ASSETS</b>				
Debtors		193,873	19,596	107,776
Cash at bank and in hand		4,077,432	962,171	371,501
		<hr/>	<hr/>	<hr/>
		4,271,305	981,767	479,277
<b>CURRENT LIABILITIES</b>				
Creditors: amounts falling due within one year		(396,539)	(216,196)	(234,554)
		<hr/>	<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		3,874,766	765,571	244,723
		<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,634,909	2,643,946	2,351,270
		<hr/>	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>		6,634,909	2,643,946	2,351,270
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	7	776,856	510,064	556,953
Share premium		7,346,423	2,291,000	2,696,623
Shares to be issued		1,417,497	101,000	1,524,448
Profit and loss account		(3,320,877)	(385,312)	(2,731,012)
		<hr/>	<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS FUNDS</b>		6,219,899	2,516,752	2,047,012
Minority interests		415,010	127,194	304,258
		<hr/>	<hr/>	<hr/>
		6,634,909	2,643,946	2,351,270
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# Metals Exploration plc

## *Consolidated Cash Flow Statement for the 6 months ended 31 March 2007 – Unaudited*

		<b>6 months ended 31 March 2007 <i>(unaudited)</i></b>	<b>6 months ended 31 March 2006 <i>(unaudited)</i></b>	<b>Year ended 30 September 2006 <i>(audited- restated)</i></b>
	<b>Note</b>	<b>£</b>	<b>£</b>	<b>£</b>
Net cash outflow from operating activities	3	(457,570)	(211,536)	(2,298,411)
Returns on investment		70,915	17,921	30,397
Capital expenditure – Exploration and development costs and purchase of tangible fixed assets		(670,166)	(609,011)	(863,242)
Cash outflow before financing		(1,056,821)	(802,626)	(3,131,256)
Financing: Issue of shares		4,762,752	586,110	2,324,070
Increase/(Decrease) in cash		3,705,931	(216,516)	(807,186)

# Metals Exploration plc

*Notes to the Half Yearly Report  
for the Period ended to 31 March 2007 – Unaudited*

## 1. ACCOUNTING POLICIES

### **Accounting convention**

The financial statements have been prepared in accordance with applicable accounting standards generally accepted in the United Kingdom and with the policies which the company will adopt for its annual accounts and which are detailed below. The figures and the financial information for the year ended 30 September 2006 is derived from the statutory accounts for that period and have been delivered to the Registrar and included the auditors' report which was unqualified and did not contain a statement either under section 237(2) or 237(3) of the Companies Act 1985. The accounting policies are consistent with those applied in the preparation of the statutory accounts for year ended 30 September 2006.

### **Basis of Accounting**

The accounts have been prepared under the historical cost convention.

### **Prior year adjustment**

The year ended 30 September 2006 figures have been restated to comply with the provisions of FRS20. The directors have calculated the fair value of all share options and warrants which has resulted in the loss increasing by £1,432,448.

### **Basis of Consolidation**

The group accounts consolidate those of the company and its subsidiary undertakings using the acquisition method of accounting.

### **Exploration and development costs**

Costs relating to the acquisition, exploration and development of mineral properties are capitalised until such time as an economic reserve is defined and mining commences or the mining property is abandoned. Once mining commences the asset is amortised on a depletion percentage basis. Provision is made for impairments to the extent that the asset's carrying value exceeds its net recoverable amount.

### **Investments**

Investments are stated at cost less provision for any impairment.

### **Deferred tax**

Deferred tax is provided for on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date. A deferred tax asset is not recognized to the extent that the transfer of economic benefit in future is uncertain. Any assets and liabilities recognized have been discounted.

### **Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

### **Going concern**

The Company is in the early stages of development and has limited cash resources, its success will depend largely upon the outcome of future mining exploration and development programmes in the Far East and in particular the Philippines. The directors believe they have considered all relevant information and have concluded that it is appropriate to prepare these financial statements on the going concern basis. The financial statements do not include any adjustments that may be required if the funds are not available or if the trading plans were not materially achieved.

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## 2. LOSS PER ORDINARY SHARE

The basic loss per share has been calculated on the basis of loss after taxation of £477,924 (31 March 2006: £208,398) divided by the weighted average number of shares in the year of 73,453,674 (31 March 2006: 48,734,058).

The diluted loss per share calculation is identical to that used for basic earnings per share as the exercise of warrants and share options would have the effect of reducing the loss per ordinary share and therefore is not dilutive under the terms of the FRS22 "Earnings per share".

## 3. RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS

	£
Operating loss	(659,591)
Depreciation	16,569
(Increase) in debtors	(86,097)
Increase in creditors	161,985
Minority Interest	110,752
Foreign exchange	(1,188)
	<hr/>
Net cash outflow from operating activities	(457,570)
	<hr/> <hr/>

## 4. MOVEMENT IN CASH BALANCES

	£
Net cash balances as at 30 September 2006	371,501
Movement in 6 months ended 31 March 2007	3,705,931
	<hr/>
Net cash balances as at 31 March 2007	4,077,432
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## 5. EXPLORATION AND DEVELOPMENT COSTS – INTANGIBLE ASSETS

	£
Cost	
At 30 September 2006	2,011,023
Additions	620,972
	<hr/>
At 31 March 2007	2,631,995
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On 1 February 2005 Metals Exploration plc signed an agreement on the Runruno Project with Filminera Resources Corporation, Christian Mining Inc and FCF Mining Corporation. The agreement allows Metals Exploration plc to acquire an immediate 40% interest in FCF Mining Corp, which in turn owns the Exploration Permit (EP-11-000013) covering the Runruno project, subject to the payment schedule below. The agreement

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further provides for Metals Exploration plc to earn a further 30% interest in FCF Mining Corp, taking the Company's total interest in FCF Mining Corp under the agreement to 70%, by completion of a bankable feasibility study.

The following payment schedule has been agreed:

		Cash US\$	Shares in Metals Exploration plc
Feb 05	On completion	100,000	400,000
Feb 06	1 year after completion	30,000	400,000
Feb 07	2 years after completion	40,000	400,000
Feb 08	3 years after completion	40,000	400,000

In February 2007, the company issued 400,000 new 1p ordinary shares to satisfy a share issue obligation of the company pursuant to the above agreement with Christian Mining Inc and Filminera Resources Corporation.

On 23 November 2005, the company signed an option agreement with Christian Mining Inc to acquire an additional 15% shareholding in FCF Mining Corp, which if exercised would give the company an 85% interest. The Company shall pay an annual option fee of US\$65,000 until the option is either exercised or withdrawn, although the company has sole discretion to terminate the option. The exercise price of the option is US\$400,000 for each additional 1% shareholding, subject to a maximum fee of US\$6 million. The exercise period of the option is indefinite.

Exploration and development costs included in the balance sheet represent the completion payments on the above project together with the costs incurred on due diligence, concluding the contracts and subsequent exploration.

## 6. WARRANTS IN ISSUE

	Exercisable at £0.0325	Exercisable at £0.08	Exercisable at £0.12	Exercisable at £0.20	Exercisable at £0.40
At 30 September 2006	8,000,000	500,000	1,300,000	5,722,297	2,000,000
Issued in the period	-	-	-	-	-
Exercised in period	<u>(1,000,000)</u>	<u>-</u>	<u>(100,000)</u>	<u>(490,379)</u>	<u>-</u>
At 31 March 2007	<u>7,000,000</u>	<u>500,000</u>	<u>1,200,000</u>	<u>5,231,918</u>	<u>2,000,000</u>



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Warrants held by the directors as at 31 March 2007 were as follows:

	Exercise Price	Exercise period from issue	Number of shares
G Powell	12p	Up to 7 years	1,000,000
	40p	Up to 7 years	500,000
Reef Securities Ltd *	3.25p	Up to 7 years	1,000,000
	20p	Up to 7 years	1,000,000
	40p	Up to 7 years	500,000

\* Reef Securities Limited is a company controlled by SM Smith.

No directors exercised warrants in the period.

On 30 April 2007, the Company granted Jonathan Beardsworth 1,000,000 warrants at 26.25 pence exercisable one year from the grant date, 1,000,000 warrants at 39.375 pence exercisable two years from the grant date and 500,000 warrants at 52.5 pence exercisable three years from the grant date.

## 7. SHARES IN ISSUE

The company has the following ordinary shares of 1p each in issue:

Date of issue	Number	Nominal Value £
At 30 September 2006	55,695,248	556,953
18 October 2006	166,919	1,669
24 October 2006	20,000,000	200,000
6 November 2006	282,500	2,825
12 February 2006	50,000	500
5 February 2007	400,000	4,000
26 March 2007	1,090,960	10,909
At 31 March 2007	77,685,627	776,856

The directors held the following 1p ordinary shares at 31 March 2007:

GR Powell	-	1,000,000 Ordinary Shares of 1p each
Reef Securities Limited *	-	1,500,000 Ordinary Shares of 1p each

\* Reef Securities Limited is a company controlled by SM Smith.

On 2 April 2007, Jonathan Beardsworth held 250,000 ordinary shares of 1p each.

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At 31 March 2007, there were 1,200,000 (2006: 1,200,000) unapproved share options under the Unapproved Share Option Scheme.

At 31 March 2007 the company was committed to issue directors share options which were subsequently granted on 30 April 2007 to Jonathan Beardsworth of 2,000,000 share options at 26.25 pence per share exercisable three years from date of grant.

## 8. POST BALANCE SHEET EVENTS

### Warrants, Options and Shares

On 2 April 2007, the Company received notice the Jonathan Beardsworth had purchased a total of 250,000 ordinary shares of 1p each in the capital of the Company.

On 12 April 2007, 200,000 warrants were exercised at 12 pence per share.

On 30 April 2007, the Company granted Jonathan Beardsworth 1,000,000 warrants at 26.25 pence exercisable one year from the grant date, 1,000,000 warrants at 39.275 pence exercisable two years from the grant date and 500,000 warrants at 52.5 pence exercisable three years from the grant date.

On 30 April 2007, the company granted Jonathan Beardsworth 2,000,000 share options at 26.25 pence per share exercisable three years from date of grant.

On 21 May 2007, 31,250 warrants were exercised at 20 pence per share.

On 11 June 2007, 9,500 shares were issued and allotted following an exercise of 9,500 warrants at 20 pence per share.

On 20 June 2007, 220,960 shares were issued and allotted following an exercise of 220,960 warrants at 20 pence per share.

On 25 June 2007, 100,000 shares were issued and allotted following an exercise of 100,00 warrants at 20 pence per share.

### New Directorships

On 1 May 2007, the board was pleased to announce the appointment of Jonathan Pearson as non executive director.

## 9. THE INTERIM REPORT

The Interim Report was approved by the Directors' on 27 June 2007.

Copies of the Interim Report may be obtained on written request to the Company Secretary, Metals Exploration plc, 7 Savoy Court, Strand, London WC2R 0ER.