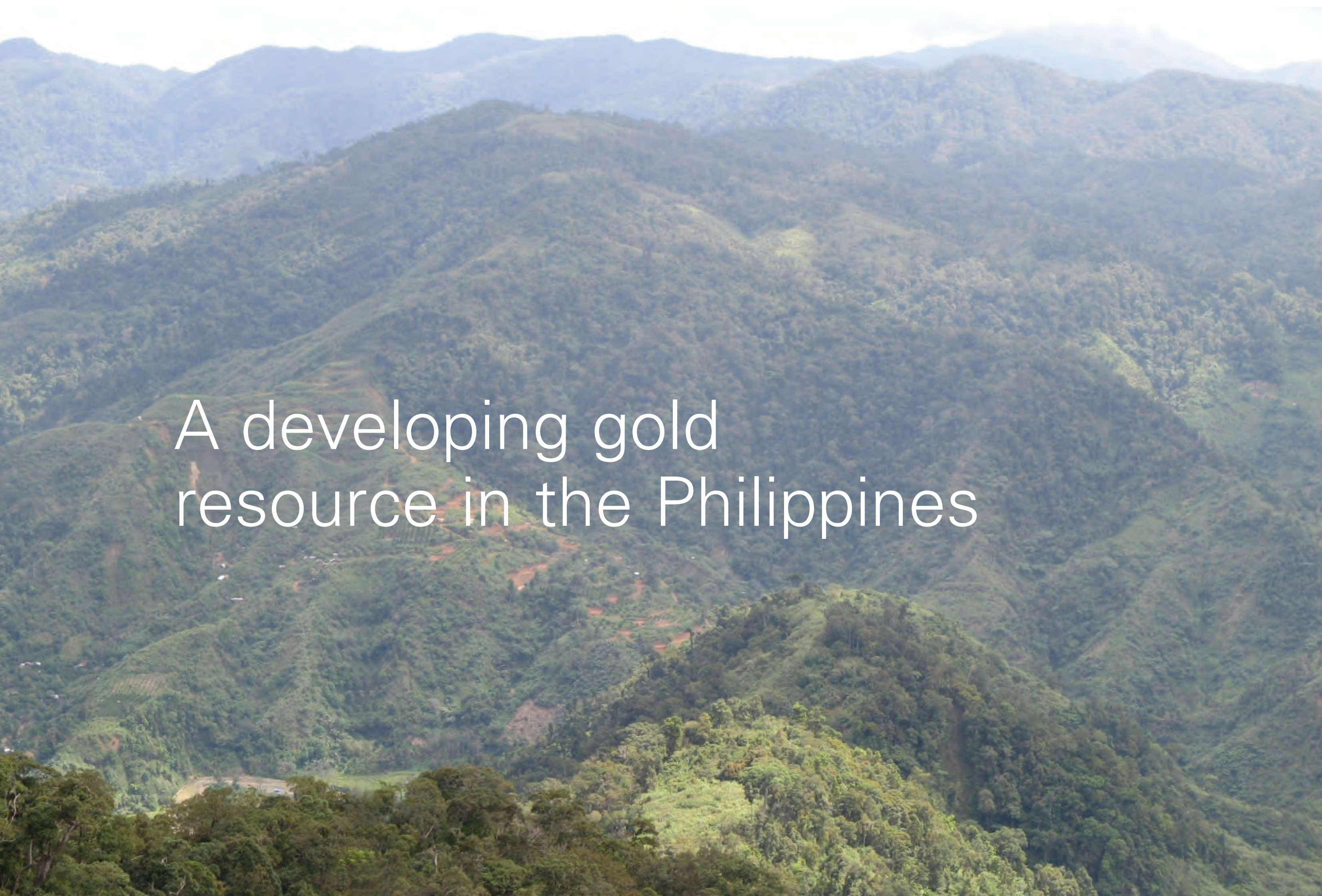
Group Report & Accounts

for the year ended 31 December 2009

metals exploration

TOWARDS PRODUCTION



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DIRECTORS AND ADVISERS

Directors	I R Holzberger *(Executive Chairman)* J P B Beardsworth *(Managing Director)* T J Dean *(Non-Executive Director)*
Company Secretary	J K Sembi
Registered office	200 Strand London WC2R 1DJ
Bankers	HSBC Bank Plc 69 Pall Mall London SW1Y 5EY
Auditors	Nexia Smith & Williamson Chartered Accountants 25 Moorgate London EC2R 6AY
Nominated Advisor	Westhouse Securities Limited One Angel Court London EC2R 7HJ
Broker	Renaissance Capital Limited One Angel Court Copthall Avenue London EC2R 7HJ
Solicitors	Kerman & Co LLP 200 Strand London WC2R 1DJ
Registrars	Capita Registrars Limited 34 Beckenham Road Beckenham Kent BR3 4TU
Company's registered number	5098945

CHAIRMAN'S STATEMENT

I am pleased to present this Annual Report for the financial year ended 31 December 2009.

The timing of this Report is auspicious, as shareholders will be aware that the Company has recently announced the significant milestone of completing a full feasibility study on the Runruno project. This is an important and material achievement – in the heady excitement of exploration it is often forgotten that very few discoveries actually make it into production, and yet the Company is now in possession of a study, validated by independent experts, into all the aspects required to build a mine. The study demonstrates the technical and commercial viability of a mine at Runruno producing approximately 100,000 ounces of gold per year and contains a level of detail sufficient to allow banks to make lending commitments.

We have also made notable progress with permitting, which has materially enhanced the legal security of the Company and its assets. In October last year we were able to announce that the Company had been granted a Financial or Technical Assistance Agreement ("FTAA") by the Philippine Government. The FTAA is effectively the mining permit which sets out the legal and regulatory framework under which we can operate. It secures our title to Runruno for 25 years, extendable for a further 25 years, and provides for a stable and transparent investment and fiscal regime. Only three other international mining companies have been granted an FTAA in the Philippines to date.

Earlier this year we received notice from the Department of the Environment and Natural Resources (''DENR") that we have been granted an Environmental Compliance Certificate (''ECC") for Runruno. The FTAA and ECC are the two key permits we need to allow us to move into development and production, and the seamless way that each progressed through its respective approvals process is a credit to the level of Government support and encouragement for mining in the Philippines.

We continue to work closely with the local communities amongst whom we operate and are involved in a variety of health, education, nutrition, skills development and infrastructure projects, as well as providing direct employment for a substantial number of the families in our immediate area.

In previous reports we have noted our pride and pleasure in our community efforts being recognised by the Mining Journal's "Outstanding Achievement Award", the Kabalikat "Skills Development Award", the Presidential "Mineral Industry Environment Award" and "Mining Forest Award".

To these we are pleased to add the Asia Mining "Community Development Initiative Award" which was presented to our Dr. Ernesto Mendoza at the Asia Mining Conference in Singapore last year by Mr. William Bulmer, Head of the Mining Division of the International Finance Corporation (''IFC") of the World Bank. The award was for a community development programme that provided training and employment for 640 school leavers in the province of Nueva Viscaya where Runruno is located. The Director General of the Philippine Technical Education and Skills Development Authority (''TESDA") said that "*the award is a concrete manifestation of best practice that should be emulated and replicated by all TESDA field offices throughout the Philippines*".

None of the progress made this year would have been possible had we not been adequately funded, and we acknowledge shareholders' continuing support. In particular we acknowledge the support and commitment shown by Christian Candy who, through Solomon Capital, invested £11.5m of his personal funds into the Company through the year, allowing us to reach the stage we are at today. Chris' enthusiasm for the Company is infectious, and it is largely through his continued support and commitment that we are able to approach future financing challenges with a degree of equanimity.

Chairman's Statement (continued)

Equally, none of the progress made this year would have been possible without the dedication and loyalty of our officers and employees who have worked so hard in pursuit of Company objectives. Recognition is due also to the contractors and external agencies that have contributed to the Feasibility Study, and extended themselves to meet the demanding targets set. I am most grateful to them all for their commitment.

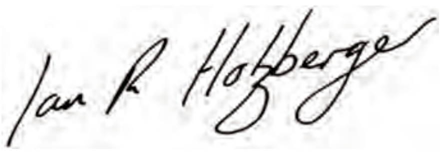
For all our undoubted successes in the year, it would be misleading to suggest that everything has been plain sailing. There is no disguising that the resource announcement in November 2009 was disappointing. In part this reflects the risks inherent in exploration, and perhaps also helps explain why the attrition rate between discovery and production is so high. It is a credit to the overall robustness of the orebody at Runruno that we have still been able to demonstrate a viable and economic development project which could produce around 100,000 ounces of gold per year.

As is to be expected in a company making the transition from exploration to development there have been arrivals and departures in personnel at all levels. At Board level Tim Wheeler (Finance Director), Gary Powell (Technical Director) and Jonathan Pearson (Non-Executive Director) have all moved on, and we are grateful for their various contributions while in post. Gary Powell, in particular, was a founding member of the Company and part of the team which first identified and established the potential at Runruno. We wish him, Tim and Jonathan, the very best in their future endeavours.

With the Company now in the post-feasibility stage one of our key priorities is to restructure the Board to reflect the new challenges ahead.

Looking forward, there are two key elements in our strategy. First, we will continue moving Runruno towards production. This will involve recruiting a team with appropriate skills and experience, and reviewing the various financing options available. Second, and with the resources now available to us with the completion of the Feasibility Study, we intend to demonstrate the additional potential within the unexplored area of the volcanogenic system at Runruno, all of which is within our permit area, and which we have all always believed to be the case. To that end a programme of step-out drilling is already underway.

I look forward to the coming year with considerable confidence and enthusiasm.



I R Holzberger
Executive Chairman

14 May 2010

MANAGING DIRECTOR'S REVIEW

The period from 1 January 2009 has been a largely positive one for the Group. Development on the Runruno project continued despite the turmoil within the global economy, reaching the significant milestone of the completion of the Definitive Feasibility Study on 4 May 2010. The Company has also secured the two major permits required for the operation of a mining project in the Philippines – the FTAA and the ECC. During the year we raised over £15m through two placings supported by our major shareholder Solomon Capital, as well as other existing shareholders.

In January 2009 Solomon Capital secured a 29.9% shareholding through their participation in a placing which raised £3.7m, and allowed the Company to commit to the Definitive Feasibility Study despite the prevailing economic conditions. Following regulatory approval relating to certain obligations of Solomon Capital Limited under Rule 9 of the City Code on Takeovers and Mergers, and shareholder approval at an EGM in July 2009, Solomon Capital was able to increase its shareholding to 44.1% through participation in a further two stage placing completed in September 2009. The debt facility arranged in January 2009 with Shelfco 725 (a sister company of Solomon Capital) was terminated in May 2009 following the arrangement of this fundraising.

With the completion of the Definitive Feasibility Study we look forward to continuing to create value for shareholders by advancing the Runruno project through development and continuing with the step out drilling.

Runruno Resource Development & Resource Estimate

In July 2009 Mining Associates Pty Ltd was commissioned by the Company to prepare an independent technical report on the Runruno project in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") and the Canadian NI 43-101 standards.

In their report Mining Associates ("MA") noted that *"sample protocol, including sample methods, preparation, analysis and data verification have been conducted in accordance with JORC Code requirements with appropriate quality assurance/quality control procedures in place since the inception of (the Company's) work in 2005. MA is impressed with the high level of professionalism with which the field programmes are organized and executed, being to international best practice standards"*.

In the report Mining Associates made a number of technical recommendations which the Company has implemented relating to the possible under-reporting of molybdenum assays by the laboratories, more detailed interpretation of the underlying geology, mineralisation, alteration and major structures, and geostatistical analysis of sample data.

As a result of these recommendations in September 2009 the Company contracted Mining Associates to generate a full resource estimate from all the drilling completed by the Company to date, including the 32,000 metres drilled prior to the commencement of the 65,000 metre programme for 2009, using geostatistical methods.

In November 2009 the Company released a new resource statement for the Runruno project. This reinterpretation resulted in an overall decrease in the amount of contained gold from 2.0Moz to 1.5Moz while the number of Measured ounces within the resource more than doubled to 560,000oz of gold. At this time the combined Measured and Indicated resource contained 850,000oz of gold, comprising 57% of the total resource.

Managing Director's Review (continued)

Runruno Resource Estimate – November 2009

Resource Category	Million tonnes	Gold (Au) g/t	Gold (Au) Oz (thousand)	Molybdenum (Mo)[1] ppm	Molybdenum (Mo)[1] Lb (Million)
Measured	9.1	1.92	560	650	13.0
Indicated	5.0	1.81	290	425	4.7
Inferred	10.4	1.94	650	335	7.7
Total	**24.5**	**1.91**	**1,500**	**470**	**25.4**

Runruno Resource & Reserve Estimate – May 2010

For the first time the Company has been able to announce a Proven and Probable mining reserve. It was prepared by Mining Associates from the current mineral resource estimate summarised below. This resource estimate was updated in April 2010 to include all drill holes completed and assays returned by the end of February 2010, comprising 741 drill holes for a total of 104,718 metres. The combined Measured and Indicated resource containing 900,000oz gold now comprises 63% of the total resource.

In addition to the 2P reserves the Company has included a further 5.5 Mt @ 1.81 g/t Au; 0.034% Mo of inferred mineral resource in the mine schedule after applying the same mining parameters inclusive of dilution and mine recovery used in estimating the mining reserve.

Reserve Category	Ore Mt	Gold g/t	Gold M Oz	Molybdenum ppm	Molybdenum M lbs
Proven	8.7	1.94	0.54	657	12.6
Probable	3.9	1.89	0.24	406	3.5
2P Reserves	12.6	1.93	0.78	579	16.1
Additional Inferred Resource in-pit	5.5	1.81	0.32	338	4.1

Resource Category	Ore Mt	Gold g/t	Gold M Oz	Molybdenum ppm	Molybdenum M lbs
Measured	9.9	1.89	0.60	626	13.7
Indicated	5.4	1.74	0.30	387	4.6
Inferred	10.0	1.59	0.51	327	7.2
Total	**25.4**	**1.74**	**1.42**	**457**	**25.6**

Resource Potential

The Company has always believed that there is significant potential to expand the resource at Runruno. Similarities with the Cripple Creek gold mine complex in Colorado were explored in detail by Dr. Eric Jensen Ph.D during a site visit in early 2008 and reinforced by Mining Associates in their report of 24 July 2009 that "*recent and historical exploration has demonstrated that the mineralized systems within the tenement are prospective for the discovery of additional gold mineralization of a similar nature to that at the current Runruno deposit at other locations within the overall system*", and noted that they "fully agree" with the similar conclusions of Dr. Jensen.

In December 2009 the results from three diamond drill-holes drilled 700 metres south east of the most southerly known mineralisation were released. These holes were drilled from a common collar and intersected a broad, flat westerly dipping zone of alteration hosting anomalous gold and high grade molybdenum mineralisation in discrete lenses.

1 A consistent laboratory bias which under reports molybdenum assay standards by about 20% is recognised by FCF Minerals Corp.

Managing Director's Review (continued)

Selected intersections from holes TUD 001, 002 and 003

Hole ID	Northing *(m)	Easting *(m)	RL *(m)	Dip	Bearing*	(m)	From (m)	To (m)	Interval Au g/t	Mo ppm
TUD001	-100	1,150	530	-60˚	270˚	122.8	123.8	1	0.63	6,070
						157	160	3	0.46	338
						170.8	172.4	1.6	0.83	2,238
						175	181	6.3	0.5	1,285
TUD002	-100	1,150	530	-90˚	0˚	145	153	8	0.23	1,478
						168	175	7	0.18	1,093
TUD003	-100	1,150	530	-60˚	090˚	6.5	7.3	0.8	0.24	1,824
						102	105	3	0.01	670
						153	159	6	0.23	271

The style of mineralisation appears to be directly analogous to the main Runruno deposit. The mineralisation shows a further similarity in that it is closely related to a north striking fault structure running parallel to the Mallilibeg fault which is believed to be a significant controlling feature for the Runruno deposit. The fault structure has now been traced in excess of 2,000 metres north of the holes, parallel to the Mallilibeg fault, leading to the possibility that Runruno style mineralisation might be repeated along this newly discovered fault.

Feasibility Study

Following the positive conclusion of the Scoping Study completed in November 2008 the Company moved directly into a Definitive Feasibility Study. This reported on 4 May 2010 and confirmed the viability of a project producing an average of 96,700oz of gold per annum over a mine life of 10.4 years, with an average forecast operating cost of $477/oz gold before any molybdenum credits. The capital cost is forecast to be US$149.3m, giving payback within 3.5 years at US$1,000/oz gold and producing an ungeared, post-tax project IRR of 20% at $1,000/oz gold.

The Feasibility Study was project managed by the Company, with all material components undertaken by independent external consultants including Mining Associates (resource and mining), Goldfields and SGS (metallurgical and testwork), Lycopodium (process engineering), Leighton (constructability and capital cost review), GHD (tailings storage facility, detailed pit design, mine schedule), Aboitiz (power supply), AECOM (roads, environment and permitting) and SGV (taxation).

The study was based on a mineable reserve prepared by Mining Associates with an open pit mining operation and biological leaching using the proven BIOX® process combined with conventional carbon in leach treatment to recover gold to doré bullion and molybdenum to a saleable molybdenum product.

Managing Director's Review (continued)

Key Project Fundamentals

A summary of the key project fundamentals is presented below:

Description	*Item*
Capital Cost	US$149.3m
Average Mining Rate	12.2 Mtpa
Average Operational Strip Ratio	5.9:1
Design Milling Rate	1.75 Mtpa
Average Gold Grade	1.89 g/t
Gold Recovery	91.9%
Average Gold Production	96,700 ozs/yr
LOM Gold Production	1,006,000 ozs
Average Operating Cost	US$46.2m/yr
LOM Operating Cost	US$477/oz Gold

Project Economics

The Company's technical and financial model has been sent to an external consultant for audit. The Company's internal IRR and NPV results (ungeared, after tax) are as follows:

Discount Rate	*US$900 Gold*	*US$1,000 Gold*	*US$1,100 Gold*
0%	US$155m	US$210m	US$256m
5%	US$80m	US$120m	US$154m
10%	US$34m	US$64m	US$89m
IRR	**16%**	**20%**	**24%**

These results will be developed further as financing options are explored, with the value to shareholders being potentially enhanced by the effects of gearing. The average effective life of mine tax rate under the FTAA is approximately 33%.

Further details on the results of the Feasibility Study are presented in the announcement dated 4 May 2010, available on the Company website; www.metalsexploration.com.

Permitting

Financial or Technical Assistance Agreement

Until October 2009 the Runruno project was held under an Exploration Permit ("EP"). In early 2008 application was made to convert the EP into a Financial or Technical Assistance Agreement. Under the 1995 Philippine Mining Act the FTAA system provides a stable investment regime for the future development of the Runruno project. Since then the application passed through various stages including evaluation by the local Mines and Geosciences Bureau ("MGB") office, endorsement by the MGB Director and review by the Department of the Environment & Natural Resources.

In October 2009 the FTAA was signed by Executive Secretary Eduardo Ermita on the authority of the President.

Under the FTAA, FCF Minerals Corporation ("FCF") is granted the exclusive right for 25 years, renewable for a further period of up to 25 years, to explore, mine, process and export minerals and by-products from the project area. In exchange for this right, FCF is required to commit a minimum investment of US$50m in project development, much of which will be spent on local infrastructure benefiting local communities. In addition, the FTAA grants other rights over the area, such as access, water use, occupation of the land as well as use of other natural materials within the contract area such as timber and limestone.

Managing Director's Review (continued)

The FTAA sets out the rights and obligations of both parties with regard to reporting, expenditure requirements, project development phases and operation, work programmes, environmental and reclamation procedures, community development, repatriation of profits, termination, and other provisions normal for an agreement of this type.

It also defines the fiscal regime whereby FCF benefits from a tax holiday for up to 5 years after commencement of production until it has recovered its pre-operating expenses and investment. Thereafter the Government will receive a "Government Share" consisting of all direct taxes, withholding taxes, royalties, fees, and related payments (the FTAA lists 15 qualifying tax categories). If the resulting Government Share falls short of 50% of "Net Mining Revenue", calculated after deduction of all mining, processing, administrative, environmental, community, royalty, sustaining capital and interest expenses, then the Government Share shall be increased until it represents 50% of Net Mining Revenue (the "Additional Government Share").

In the event of a dispute that cannot be settled amicably between the Parties acting in good faith, both Parties have agreed to submit to binding arbitration in Singapore at the Singapore International Arbitration Centre ("SIAC") under the United Nations Commission for International Trade Law ("UNCITRAL") Arbitration Rules, or The Convention on the Settlement of Investment Disputes Between States and Nationals of Other States (the "Convention") and the Rules of Procedure for the Institution of Conciliation and Arbitration Proceedings issued by the International Centre for the Settlement of Investment Disputes ("ICSID") plus the Rules of Procedure for Arbitration Proceedings issued by ICSID.

Environmental Compliance Certificate

In March 2010 the Company announced the award of the Environmental Compliance Certificate for the Runruno project. The ECC is a document issued jointly by the DENR and the Environmental Management Bureau ("EMB") after a positive review of an ECC application, certifying that the proposed project will not cause significant negative environmental impact.

The ECC also certifies that the project has complied with all the requirements of the Philippine Environmental Impact Statement ("EIS") System and that the Company has committed to implement its approved Environmental Management Plan. The EIS System is concerned primarily with assessing the direct and indirect impacts of a project on the biophysical and human environment and ensuring that these impacts are addressed by appropriate environmental protection and enhancement measures. Under the ECC the Company has committed to undertake the measures presented in the Environmental Impact Statement to protect and mitigate against any adverse impacts on the health and welfare of community and on the environment.

The ECC and EIS process was conducted with the full participation and involvement of the local community – under the regulations for the Philippine EIS System, project sponsors are encouraged to "*initiate public consultations early in order to ensure that environmentally relevant concerns of stakeholders are taken into consideration in the study and the formulation of the management plan*". Consequently, in March 2009 a public scoping meeting was held where information about the project was presented to various stakeholders, and any concerns were noted. An explanation of the process was also covered, and the active involvement of the local community was encouraged throughout the process.

The social acceptability of a project is a result of "*meaningful public participation*", which is defined as an "*open, transparent, gender-sensitive, and community-based process aimed at ensuring the social acceptability of a project or undertaking, involving the broadest range of* *stakeholders*". The recommendation that the ECC be issued was only received after a thorough review by the Environmental Impact Assessment Review Committee. This was followed by an endorsement by the EMB Director for final review and approval by the DENR Secretary.

Securing the FTAA and ECC are both very significant milestones for the Company. This progress demonstrates continued support from the Philippine Government for the project and confirms that the permitting and regulatory process in the Philippines is effective, and that the Company is able to operate effectively within it.

Environment & Community Relations

The Company follows the World Bank Guidelines and the Equator Principles in all aspects of its environmental and community related work.

The Group supports and makes donations to the Runruno Livelihood Foundation, a non-profit organisation with a well staffed community relations group which works closely with the local communities and to instigate sustainable health, life and business development programmes to the benefit of these communities. The proposed development at Runruno is supported by all impacted local communities.

FCF was awarded the Kabalikat Award (Industry Category) for Region 2, by the Technical Education and Skills Development Authority, for its outstanding role played in technical educational and skills development.

The Kabalikat Award is TESDA's annual institutional award recognising the promotion and enhancement of technical education and skills development. The award is conferred to outstanding local government units, institutions and companies for their contribution in the promotion and development of the country's middle level manpower in terms of skills, abilities, work attitude, values and best practices.

FCF was awarded the Presidential Mineral Industry Environment Award Platinum Award in the "Exploration" category in recognition of its exemplary performance in environmental management. The purpose of the award is to recognise outstanding levels of dedication, initiative and innovation in the pursuit of excellence in environmental management.

FCF was also the runner up at the Philippine annual Mine Safety and Environment Conference in this year's nationwide "Best Mining Forest Contest" for its Mining Forest Programme.

In March, FCF was awarded the Best Community Development Initiative Award at the Asia Mining Congress in Singapore. The award was presented by William Bulmer, Head of the Mining Division for the International Finance Corporation of the World Bank Group, to Dr. Ernesto Mendoza, Senior Vice President of FCF. To date the FCF community development program has provided training to and assisted in the employment of 640 Out-of-School-Youths ("OSY") from the province of Nueva Viscaya in the northern Philippines where the Company's Runruno project is located. The OSY Skills Development and Job Placement Program started with a pilot project in the village of Runruno, jointly implemented by FCF and TESDA, the Philippine government agency responsible for developing local manpower in the country.

Other Projects

In June 2008 the Company was awarded Exploration Permits covering the Dupax and Sulong prospects. The permits are located approximately 200km north of Manila in Nueva Viscaya province on Luzon Island and within 50km of Runruno.

Managing Director's Review (continued)

Dupax

The Dupax project is covered by EXP-000016II encompassing two blocks totalling 8,856 hectares in area; Dupax (5,042 hectares) and Solano (3,814 hectares). The Dupax block contains a previously identified and partially mined open pit zinc-copper-gold massive sulphide deposit. Surface sampling by the Company has returned grades up to 45.7% zinc, 3.89% copper, and approximately 4 g/t gold from outcrop.

Previous work focused on defining a lens of high grade, direct shipping massive sulphide zinc-copper ore which was partially mined out by open pit methods during the 1960s and 1970s. Production records are not available. The deposit occurs as a massive sulphide body in agglomerate and disseminated sulphide in silicified sediments, predominantly underlain by marine clastics intercalated with pillow basalts and pyroclastics. This package is intruded by dykes and sills of intermediate to basic composition.

Sulong

The Sulong project is covered by EXP-000017II, encompassing an area of 6,963 hectares to the east of Solano in Nueva Viscaya province. Since the 1970s the area has been mined for manganese, which is interpreted as being the near surface oxidised portion of an extensive vein-fault system.

During the late 1990s, placer Pacific Exploration Phils. Inc. carried out stream sediment geochemistry and rock sampling of the Sulong area. Sampling of outcrops within the permit area returned assay grades of 0.64g/t gold. The area is considered prospective for gold associated with a large gold-bearing vein-fault system and porphyry copper and gold mineralisation.

Other Exploration Permit Applications

The Company has also lodged Exploration Permit Applications ("EPAs") covering the Capaz, Puray and Worldwide projects:

Capaz:

The Capaz EPA covers some 3,564 hectares in area and is situated approximately 20km southwest of Tarlac City, Tarlac Province, approximately 100km northwest of Manila.

The Capaz EPA area had been investigated by several explorers since 1987 when an alluvial panning "gold rush" saw approximately 2,000 hand panners working in the area recovering alluvial nuggets and gold dust. It has been estimated that approximately 30kg of gold were realised from this small scale hand mining.

In 1987, West Gold Exploration Inc conducted a geochemical sampling programme over the area consisting of pan concentrate sampling of the various drainages in the area. A large area of anomalous gold values was delineated on the property.

Puray:

The Puray project lies 20km to the northeast of Manila and centres around the location and extraction of gold, silver, copper and zinc. The region is rich in these minerals due to huge sulphide deposits left by ancient volcanic activity. The region has been explored and mined since the 1930s, however the work was limited in its scope until the 1970s, when more modern mining techniques began to be applied. The property is currently under application for an exploration permit.

Managing Director's Review (continued)

Worldwide

The Worldwide project is located in the district of Northern Luzon, Philippines, adjoining the historic Santa Nino copper-gold producer. The permit application covers an area of approximately 5,845 hectares and is located about 10 kilometres to the northeast of Baguio City. The property is underlain by quartz diorite and andesite rock types and was previously the subject of extensive exploration for copper-gold-molybdenum porphyry mineralization during the 1970s.

Waigeo Island, Indonesia

In August 2007 the Company acquired rights to various nickel laterite properties on Waigeo Island, Indonesia. Historical drilling in the 1970s had identified nickel laterite deposits of some 35Mt at grade of 1.5% Ni, 0.13% Co and 37% Fe within the area (non-JORC compliant).

Financing

In January 2009 the Company raised £3.7m through a placing of new ordinary shares at a price of 7 pence per share. The Company also agreed terms with Shelfco 725 Limited, a sister company of Solomon Capital, for an £8m loan facility available for drawdown in tranches conditional on development milestones being met.

In May 2009, the Company announced the raising of £12m through a two stage placing to new and existing shareholders, at a price of 11.5 pence per share. As part of this process major shareholder Solomon Capital increased its interest in the Company from 29.9% to 44.1% following regulatory and shareholder approval.

Management

The Company made a number of management appointments last year in order to complete the Feasibility Study at Runruno and further appointments can be expected as we recruit staff for development and construction. Meanwhile I extend my thanks to all staff and contractors for their efforts this year.

J P B Beardsworth
Managing Director

14 May 2010

Glossary of Terms

Inferred Mineral Resource is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Indicated Mineral Resource is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Measured Mineral Resource is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

CORPORATE GOVERNANCE STATEMENT

In February 2007, the Quoted Companies Alliance published updated Corporate Governance Guidelines for AIM Companies. The Company's Board of Directors have complied with these guidelines during the year, except where stated below.

Directors

The Board of Directors is responsible for the overall control of the Company and Group.

During the year ended 31 December 2009, the Board mainly consisted of six members, four executive and two non-executive. The executive Directors during the year were I R Holzberger, J P B Beardsworth, G R Powell and T G Wheeler. The non-executive Directors were J M K Pearson and T J Dean.

The appointment of T J Dean on 12 January 2009 increased the number of non-executive Directors to two however, on 18 March 2010, the resignation of J M K Pearson temporarily decreased the number to one. Independent non-executive Directors are currently being sought and will be appointed as soon as appropriate candidates have been found.

G R Powell and T G Wheeler resigned as executive Directors on 14 November 2009 and 8 January 2010 respectively leaving I R Holzberger, the Chairman of the Board and J P B Beardsworth, the Managing Director, as the remaining two executive Directors. A Finance Director is currently being sought and will be appointed as soon as an appropriate candidate has been found.

The Board meets regularly, usually on a monthly basis, to discuss a range of significant matters specifically reserved for its decision including strategy, fund-raising and financial performance. The executive Directors also give an appraisal of the current status and short term plans for operational activities. The latest management and financial information is circulated to the Directors in advance of meetings.

All Directors are subject to the re-election provisions of the Articles of Association, which requires one third of the Board to retire by rotation at every annual general meeting and Directors to offer himself for re-election at least once every three years.

The Directors have delegated some of their responsibilities to various Committees, which operate within specific terms of reference. In the event of a proposal to appoint a new Director, this would be discussed at a Board meeting, with each Director being given the opportunity to meet the candidate prior to any formal decision being taken. Due to the small size of the Group, no Nomination Committee has been established.

Audit and Remuneration Committees

During the year ended 31 December 2009, the Audit Committee mainly consisted of two Directors, J M K Pearson and T J Dean. It currently has one member, T J Dean, pending the appointment of at least one independent non-executive Director. T J Dean has relevant financial experience. The Audit Committee is responsible for the relationship with the Company's external auditors, the in-depth review of the Group's financial statements and the review of the Group's internal financial controls. The Committee meets at least twice a year, prior to the issue of the annual and interim financial statements and should it be necessary, will convene at other times.

During the year ended 31 December 2009, the Remuneration Committee mainly consisted of three Directors, I R Holzberger, J M K Pearson and T J Dean. It currently has two members, I R Holzberger and T J Dean, pending the appointment of at least one independent non-executive Director. The Remuneration Committee is responsible for remuneration policy and setting remuneration for Directors. Directors' remuneration consists of a package of basic

Corporate Governance Statement (continued)

salary and share options and warrants linked to corporate and individual performance achievements. The Committee meets when necessary.

Communication with shareholders

The annual general meeting, annual report and accounts and the interim financial statements at each half-year are the primary vehicles for communication with shareholders. The Company also issues announcements to the public on significant transactions and events within the Group, through the Regulatory News Service.

Under Aim Rule 26, AIM companies must maintain a website on which certain information is to be made available to the public free of charge. This information is currently available on the Company's website; www.metalsexploration.com.

Shareholders who have any queries relating to their shareholdings or to the general affairs of the Company, are invited to contact the Company by post or email.

Internal controls

The Group operates an appropriate system of internal financial, operational and compliance controls, which are designed to ensure that the possibilities of misstatement or loss are kept to a minimum. The Board receives regular management and financial reports to enable it to assess potential risks and take any necessary action.

Going concern

Based on the Group's cash flow projections, the Directors are satisfied that the business is a going concern. The Board has a reasonable expectation that the Group have adequate cash resources to continue in existence for the next twelve months and therefore the accounts are prepared on a going concern basis.

Approved by the Board of Directors and signed on behalf of the Board

Ian R Holzberger

I R Holzberger
Executive Chairman

14 May 2010

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Group is to identify, acquire and develop mining companies, businesses or projects with particular emphasis on precious and base metals mining opportunities in the Western Pacific Rim region.

Since the Company's admission to AIM in October 2004, the Group has focused efforts on the acquisition and development of exploration properties in South East Asia.

RESULTS AND DIVIDENDS

The consolidated results for the year are shown on page 23. The Directors do not recommend the payment of a dividend (3 month period ended 31 December 2008: nil).

BUSINESS REVIEW

A review of the business of the Group is set out in the Chairman's Statement and Managing Director's Review on pages 3 to 13.

RISKS AND UNCERTAINTIES

The principal risks and uncertainties relative to the Group and companies in the exploration and mining industry, along with the measures taken by the Group, are detailed below.

Requirement for Additional Funding

The Group requires additional funds from time to time for the purpose of business development. Such funds may not be available to the Company or may not be available to the Company on terms satisfactory to the Company or its shareholders. If sufficient funds are not available, the Group may be required to limit or postpone its operations.

In January 2009, the Company raised approximately £3.7m, before share issue expenses. In May 2009, a further £12m was raised before share issue expenses of which, £6.3m was subject to regulatory and shareholder approval. These funds have financed the Company's Bankable Feasibility Study into the Runruno project to completion. Regular reviews of the Group's actual and forecasted cash positions are conducted to identify in advance, when further funding will be required.

Resources Risk

The figures for potential resources are estimates and no assurance can be given that the anticipated tonnage and grades will be achieved. The exploration of mineral rights is speculative in nature. Therefore, the Group may not define resources that can be economically exploited.

However, drilling, surveying and analysis is performed by qualified personnel. Drill samples are sent to certified independent laboratories for analysis and resource assessments are concluded externally. The Directors are committed to complying with and reporting under the JORC Code by competent persons as defined by the JORC Code.

Volatility of Commodity Prices

The profitability of the Group's development projects ultimately depends on commodity prices being sufficient to ensure that revenues received from commodity sales exceeds

Directors' Report (continued)

exploration, mine build and operating costs. A significant reduction in global demand for the minerals to be sold by the Group, leading to a fall in prices, could lead to a delay in exploration and production or even abandonment of the Group's projects should they prove uneconomical to develop.

The Group regularly tracks relevant commodity prices and models financial profitability of its projects in order to assess the future financial viability of its active projects.

Political and Country Risk

The Group's main operations are based in the Philippines. The Philippines is an emerging market country. Recent history has seen increasing political stability, and the current regime is supportive of the need for foreign owned mining companies to help the country to exploit its natural mineral resources. There is, however, a risk that a change of regime might result in a different attitude to the mining industry.

To mitigate this risk, the Group applied for and was granted a Financial and Technical Assistance Agreement, which is a form of agreement that provides substantial protection for foreign owned mining companies from political risk in the Philippines including independent arbitration in Singapore.

Development Projects

Development projects have no operating history on which to base estimates of future operating costs. There is therefore a risk that project development and operating costs will be higher than expected. Expected costs are derived from a number of sources, including geological data obtained from drilling and other sampling techniques, analysis of climatic conditions and available infrastructure. As the Group undertakes more detailed studies of the likely costs of the project, the cost estimates become more reliable.

In February 2009, the Group initiated work on its Bankable Feasibility Study into the Runruno project, the results of which, were announced in May 2010.

KEY PERFORMANCE INDICATORS

The Directors monitor the performance of the Group through the following key performance indicators:

- Progression of Bankable Feasibility Study according to pre-determined milestones. The Company announced results of its Bankable Feasibility Study in May 2010.
- Daily share price movements and market capitalisation. The Company's recent share price movement has been consistent with other AIM companies in the mining sector.
- Resource measurement in compliance with JORC standards. The Group's latest resource update in May 2010 was JORC compliant.
- Project value based on dollar values of resource. Dollar values of resource have not fallen to levels at which the economic viability of the Group's projects is threatened.
- Peer group comparisons of dollar per ounce values, resource composition and rebased share price movements. The Group's performance has been consistent with other AIM companies in the mining sector.
- Cash flow forecast versus actual expenditure. The Group's actual expenditure has been consistent with forecast.

Directors' Report (continued)

DIRECTORS

The Directors of the Company during the year were:

I R Holzberger	*(Executive Chairman)*	
J P B Beardsworth	*(Managing Director)*	
G R Powell	*(Executive Director)*	Resigned 14 November 2009
T G Wheeler	*(Finance Director)*	Resigned 8 January 2010
J M K Pearson	*(Non-Executive Director)*	Resigned 18 March 2010
T J Dean	*(Non-Executive Director)*	Appointed 12 January 2009

EVENTS AFTER THE BALANCE SHEET DATE

Details of events after the balance sheet date of the Group are given in note 26 to the financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations to the Runruno Livelihood Foundation in the Philippines totalling £68,607 (3 month period ended 31 December 2008: £39,377).

SUPPLIER PAYMENT POLICY

The Group's policy is to make payments to suppliers in accordance with those terms and conditions agreed between the Group and its suppliers. At the year-end, the Group's trade creditors represented 17 days of annual purchases (3 month period ended 31 December 2008: 41 days).

FINANCIAL RISK MANAGEMENT

Details of the Group's policies with respect to financial risk management are given in note 27 to the financial statements.

CORPORATE RESPONSIBILITY AND ENVIRONMENTAL POLICY

The Group's policy is to conduct operations in a safe and environmentally responsible manner to industry best practice standards, to respect the indigenous culture of the exploration provinces, to promote social and economic development for the traditional custodians and to offer employment opportunities to those who live in the exploration project areas.

DISCLOSURE OF INFORMATION TO THE AUDITORS

The Directors at the date of approval of this Annual Report individually confirm that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

A resolution to reappoint Nexia Smith & Williamson will be proposed at the forthcoming annual general meeting.

Directors' Report (continued)

Company's registered number 5098945

Approved by the Board of Directors and signed on behalf of the Board

J K Sembi
Company Secretary

14 May 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METALS EXPLORATION PLC

We have audited the financial statements of Metals Exploration plc for the year ended 31 December 2009 which comprise the Group Statement of Total Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 company and the company'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

As explained more fully in the Statement of Directors' Responsibilities set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditors' Report (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Michael Bishop
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

14 May 2010

The maintenance and integrity of the Metals Exploration plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME for the year ended 31 DECEMBER 2009

	Notes	*Year ended 31 December 2009* £	*3 month period ended 31 December 2008* £
Continuing Operations			
Revenue		–	–
Cost of sales		–	–
Gross loss		–	–
Administrative expenses		(4,319,534)	(500,892)
Analysed as follows:			
Foreign exchange (losses)/gains		(96,760)	173,973
Other administrative expenses		(4,222,774)	(674,865)
Total administrative expenses		(4,319,534)	(500,892)
Operating loss	3	(4,319,534)	(500,892)
Finance income and similar items	7	215,257	24,450
Finance costs	7	(191,932)	(45,546)
Loss before taxation		(4,296,209)	(521,988)
Taxation	8	–	–
Loss for the period		(4,296,209)	(521,988)
Other comprehensive income:			
Exchange differences on translating foreign operations		487,479	2,605,857
Total comprehensive (loss)/income for the period		(3,808,730)	2,083,869
Loss for the period attributable to:			
Equity holders of the parent		(4,049,549)	(490,594)
Minority interest		(246,660)	(31,394)
		(4,296,209)	(521,988)
Total comprehensive (loss)/income attributable to:			
Equity holders of the parent		(3,639,617)	1,669,405
Minority interest		(169,113)	414,464
		(3,808,730)	2,083,869
Loss per share:			
Basic and diluted	9	(1.87)p	(0.44)p

The Company has taken advantage of the exemption provided under section 408 of Companies Act 2006 not to publish its individual income statement. The loss for the year ended 31 December 2009 dealt with in the financial statements of the Company was £2,060,106 (3 month period ended 31 December 2008: £204,073). The Company made no gains or losses which would be reported in other comprehensive income in the year ended 31 December 2009 (3 month period ended 31 December 2008: nil) and therefore the Company has not published its individual statement of total comprehensive income.

CONSOLIDATED BALANCE SHEET as at 31 DECEMBER 2009

	Notes	*As at 31 December 2009* £	*As at 31 December 2008* £
Non-current assets			
Property, plant and equipment	11	1,211,672	1,341,807
Goodwill	10	1,010,816	1,010,816
Other intangible assets	12	18,798,427	11,608,254
Investments designated at fair value through profit and loss	14	–	201,219
Trade and other receivables	15	541,007	356,230
		21,561,922	14,518,326
Current assets			
Investments designated at fair value through profit and loss	14	405,396	–
Trade and other receivables	16	2,142,112	340,328
Cash and cash equivalents	17	3,403,812	731,313
		5,951,320	1,071,641
Current liabilities			
Trade and other payables	18	(755,730)	(308,795)
		(755,730)	(308,795)
Non-current liabilities			
Long-term borrowings	19	(2,000,000)	(2,000,000)
		(2,000,000)	(2,000,000)
Net assets		24,757,512	13,281,172
Equity			
Share capital	20	2,697,163	1,122,838
Share premium account		28,783,007	15,503,969
Shares to be issued reserve		2,719,676	2,287,969
Translation reserve		3,157,958	2,748,026
Profit and loss account		(12,979,643)	(8,930,094)
Equity attributable to equity holders of the parent		24,378,161	12,732,708
Minority interest		379,351	548,464
		24,757,512	13,281,172

The financial statements were approved by the Board of Directors on 14 May 2010 and were signed on its behalf by:

J Beardsworth

J P B Beardsworth
Managing Director

14 May 2010

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 DECEMBER 2009

	Share capital	*Share premium account*	*Shares to be issued reserve*	*Translation reserve*	*Minority interest*	*Profit and loss account*	*Total equity*
	£	*£*	*£*	*£*	*£*	*£*	*£*
Balance as at 1 October 2008	1,122,838	15,503,969	2,275,025	588,027	134,000	(8,439,500)	11,184,359
Exchange differences on translating foreign operations	–	–	–	2,159,999	445,858	–	2,605,857
Loss for the period	–	–	–	–	(31,394)	(490,594)	(521,988)
Total comprehensive income/(loss) for the period	–	–	–	2,159,999	414,464	(490,594)	2,083,869
Movement in share based payments	–	–	12,944	–	–	–	12,944
Balance as at 31 December 2008	1,122,838	15,503,969	2,287,969	2,748,026	548,464	(8,930,094)	13,281,172
Exchange differences on translating foreign operations	–	–	–	409,932	77,547	–	487,479
Loss for the year	–	–	–	–	(246,660)	(4,049,549)	(4,296,209)
Total comprehensive income/(loss) for the year	–	–	–	409,932	(169,113)	(4,049,549)	(3,803,730)
Movement in share based payments	–	–	431,707	–	–	–	431,707
Issue of equity share capital	1,574,325	14,132,105	–	–	–	–	15,706,430
Share issue expenses	–	(853,067)	–	–	–	–	(853,067)
Balance as at 31 December 2009	2,697,163	28,783,007	2,719,676	3,157,958	379,351	(12,979,643)	24,757,512

Equity is the aggregate of the following:

- Share capital; being the nominal value of shares issued
- Share premium account; being the excess received over the nominal value of shares issued less direct issue costs
- Shares to be issued reserve; being the credit side of the entry relating to the expense recognised in the income statement for share based remuneration
- Translation reserve; being the foreign exchange differences on the translation of foreign subsidiaries
- Minority interest; being the net assets attributable to minority shareholders
- Profit and loss account; being the cumulative loss attributable to equity shareholders

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 DECEMBER 2009

	Notes	*Year ended 31 December 2009* £	*3 month period ended 31 December 2008* £
Net cash used in operating activities	22	(4,281,893)	(825,447)
Investing activities			
Purchase of intangible assets		(7,594,968)	(506,778)
Purchase of property, plant and equipment		(278,234)	(228,686)
Proceeds from sale of property, plant and equipment		30,571	–
Net cash used in investing activities		(7,842,631)	(735,464)
Financing activities			
Proceeds from issue of share capital		14,853,363	–
Net cash from financing activities		14,853,363	–
Net increase/(decrease) in cash and cash equivalents		2,728,841	(1,560,911)
Cash and cash equivalents at beginning of period		731,313	1,955,210
Foreign exchange differences		(56,342)	337,014
Cash and cash equivalents at end of period		3,403,812	731,313

COMPANY BALANCE SHEET as at 31 DECEMBER 2009

	Notes	*As at 31 December 2009* £	*As at 31 December 2008* £
Non-current assets			
Property, plant and equipment	11	2,130	366
Other intangible assets	12	80,307	85,074
Investments in subsidiaries	13	2,132,250	2,251,679
Investments designated at fair value through profit and loss	14	–	201,219
Trade and other receivables	15	22,184,687	11,231,755
		24,399,374	13,770,093
Current assets			
Investments designated at fair value through profit and loss	14	405,396	–
Trade and other receivables	16	84,969	217,819
Cash and cash equivalents	17	2,954,352	560,350
		3,444,717	778,169
Current liabilities			
Trade and other payables	18	(208,068)	(137,203)
		(208,068)	(137,203)
Non-current liabilities			
Long-term borrowings	19	(2,000,000)	(2,000,000)
		(2,000,000)	(2,000,000)
Net assets		25,636,023	12,411,059
Equity			
Share capital	20	2,697,163	1,122,838
Share premium account		28,783,007	15,503,969
Shares to be issued reserve		2,719,676	2,287,969
Profit and loss account		(8,563,823)	(6,503,717)
		25,636,023	12,411,059

The financial statements were approved by the Board of Directors on 14 May 2010 and were signed on its behalf by:

J P B Beardsworth
Managing Director

14 May 2010

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 DECEMBER 2009

	Share capital £	*Share premium account* £	*Shares to be issued reserve* £	*Profit and loss account* £	*Total equity* £
Balance as at 1 October 2008	1,122,838	15,503,969	2,275,025	(6,299,644)	12,602,188
Loss for the period	–	–	–	(204,073)	(204,073)
Total comprehensive income/(loss) for the period	–	–	–	(204,073)	(204,073)
Movement in share based payments	–	–	12,944	–	12,944
Balance at 31 December 2008	1,122,838	15,503,969	2,287,969	(6,503,717)	12,411,059
Loss for the year	–	–	–	(2,060,106)	(2,060,106)
Total comprehensive income/(loss) for the year	–	–	–	(2,060,106)	(2,060,106)
Movement in share based payments	–	–	431,707	–	431,707
Issue of equity share capital	1,574,325	14,132,105	–	–	15,706,430
Share issue expenses	–	(853,067)	–	–	(853,067)
Balance at 31 December 2009	2,697,163	28,783,007	2,719,676	(8,563,823)	25,636,023

Equity is the aggregate of the following:

- Share capital; being the nominal value of shares issued
- Share premium account; being the excess received over the nominal value of shares issued less direct issue costs
- Shares to be issued reserve; being the expense recognised in the income statement for share based remuneration
- Profit and loss account; being the cumulative loss attributable to equity shareholders

COMPANY CASH FLOW STATEMENT for the year ended 31 DECEMBER 2009

	Notes	Year ended 31 December 2009 £	3 month period ended 31 December 2008 £
Net cash used in operating activities	22	(12,365,313)	(1,439,743)
Investing activities			
Purchase of intangible assets		(39,085)	(43,852)
Purchase of property, plant and equipment		(3,066)	–
Net cash used in investing activities		(42,151)	(43,852)
Financing activities			
Proceeds from issue of share capital		14,853,363	–
Net cash from financing activities		14,853,363	–
Net increase/(decrease) in cash and cash equivalents		2,445,899	(1,483,595)
Cash and cash equivalents at beginning of period		560,350	1,737,379
Foreign exchange differences		(51,897)	306,566
Cash and cash equivalents at end of period		2,954,352	560,350

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period covered by these financial statements.

Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

New standards and interpretations

At the date of authorisation of these financial statements, the IASB and IFRIC have issued standards, interpretations and amendments which are applicable to the Group. Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of, these consolidated financial statements; the following may have a material impact going forward.

New/Revised International Financial Reporting Standards	*Effective Date: Annual periods beginning on or after:*	*EU adopted*	*Impact on Metals Exploration*
IFRS 2 Share-based Payments – Group cash-settled share-based payment transactions	1 January 2010	Yes	Future issues of share options and warrants only
IFRS 3 Business Combinations – Comprehensive revision on applying the acquisition method	1 July 2009	Yes	Future business combinations only
IFRS 9 Financial instruments – Classification and measurement of financial assets	1 January 2013	No	Classification of financial assets
IAS 38 Intangible Assets – April 2009 Annual Improvements to IFRSs amendment: Measuring the fair value of an intangible asset acquired in a business combination	1 July 2009	No	Future business combinations only

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2009. A subsidiary is an entity controlled, directly or indirectly, by the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiary companies have been included in the Group's financial statements from the date of acquisition when control was passed to the Group using the purchase method of accounting. The Group financial statements include the results of the Company and its subsidiaries as if they were a single reporting entity. On consolidation, intra-Group transactions and balances are eliminated.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

1 Accounting policies (continued)

Minority interest representing the net assets held by the Group but attributable to minority shareholders are presented separately in the statement of total comprehensive income and within equity in the consolidated balance sheet.

Business combinations and goodwill

On acquisition, the assets, liabilities and contingent liabilities of the Company's subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Goodwill arising on consolidation is recognised as an asset in the consolidated balance sheet and tested annually for impairment and any impairment is accounted for as a reduction in the value of the asset.

Foreign currency

The individual financial statements of the Company and its subsidiaries are presented in their functional currencies which are the currencies of the primary economic environments in which the entities operate. The Group financial statements are presented in Pounds Sterling which is the presentation currency for the Group and Company financial statements.

Transactions in currencies different to the entity's functional currency 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. Exchange gains and losses on the settlement of monetary items are recognised in the statement of total comprehensive income.

On consolidation, the assets and liabilities of foreign subsidiaries are translated to Pounds Sterling at the rates prevailing at the balance sheet date. Income and expenses are translated at the average exchange rates for the period. Exchange differences are recognised within equity in the consolidated balance sheet.

Taxation

Current tax is based on the 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 years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised 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 are 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.

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 realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income in which case, the deferred tax is also dealt with in other comprehensive income.

1 Accounting policies (continued)

Deferred tax assets and liabilities are offset, when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority, on either the same taxable Group Company or different Group entities, which intend to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Share based payments

The Company enters into equity-settled share based payment transactions with its employees including Directors and some associates in which the counterparty provides services to the Company in exchange for remuneration in the form of certain equity instruments of the Company. The equity instruments comprise warrants and share options.

The services received by the Company in a share based payment transaction are measured by reference to the fair value of the equity instruments at the date of grant and are recognised as an expense in the income statement with a corresponding increase in equity.

The Company estimates the fair value of the equity instruments at the grant date using the Black Scholes model in which the terms and conditions upon which those equity instruments were granted are taken into account.

For equity instruments granted that do not vest until the counterparty completes a specified period of service, the expense is recognised as the services are being rendered by the counterparty during the vesting period. The expense recognised is based on the best available estimate of the number of equity instruments expected to vest and on the vesting date, the expense is revised to reflect the actual number of equity instruments that vested.

For equity instruments granted that vest immediately and the counterparty is unconditionally entitled to the equity instruments, the expense is recognised in full on the grant date.

Where an equity-settled share based payment is forfeited, the cumulative charge expensed up to the date of forfeiture is credited to the income statement.

Exploration costs

Costs relating to the exploration of precious and base metal properties are capitalised as intangible assets in the balance sheet once the Group has obtained the legal right to explore an area.

Capitalised exploration costs will be amortised once technical feasibility and commercial viability of extracting a mineral resource are demonstrable. The capitalised exploration costs are tested for impairment annually.

Intangible assets

Intangible assets acquired separately are initially recognised at cost. Intangible assets acquired as part of a business combination are measured at their fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Computer software is amortised over its expected useful life of 3 years using the straight-line method. Licences acquired to support mining operations will be amortised over the expected useful life of the mining operation when development is complete and mining commences. Intangible assets are tested annually for impairment.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

1. Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are initially recognised at cost plus directly attributable costs and are subsequently carried at cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated over their expected useful lives, using the straight-line method.

The classes of depreciable assets, their expected useful lives and their depreciation methods are:

Buildings	10 years	Straight-line
Drilling equipment	5 years	Straight-line
Motor vehicles	5 years	Straight-line
Leasehold improvements	5 years	Straight-line
Fixtures, fittings and equipment	3 years	Straight-line

Land is not a depreciable asset.

Investments

Investments in subsidiaries are recognised at cost less any impairment losses.

Financial instruments

Financial instruments are recognised as assets, liabilities or within equity in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets of the Group comprise cash and cash equivalents, other receivables and an investment in shares in a quoted company. The Group's financial liabilities comprise trade and other payables and long-term borrowings.

Cash and cash equivalents include cash in hand and short-term bank deposits with a maturity of one week or less. Other receivables are measured at fair value.

The investment in shares in a quoted company is classified as held-for-trading and is initially measured at fair value, which equates to cost excluding transaction costs. At subsequent balance sheet dates, assets held-for-trading are re-measured to fair value and any gains or losses arising from changes in fair value are recognised in the statement of total comprehensive income.

Trade and other payables and long-term borrowings are initially measured at fair value and subsequently measured at amortised cost. Fair value usually equates to the proceeds received. Finance costs are accrued for in the statement of total comprehensive income to the extent that they are unpaid.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Intangible assets

In determining whether the carrying values of goodwill and other intangible assets are recoverable, their carrying values are compared to the estimated current value of the Group's projects mainly based on current resource estimates and commodity prices.

Share based payments

In determining the fair value of equity-settled share based payment transactions, the Group estimates the number of equity instruments expected to vest. The fair value is determined by the Black Scholes model which is dependent on further estimates.

3. **Operating loss** for the year is stated after charging:

	Year ended 31 December 2009	*3 month period ended 31 December 2008*
	£	*£*
Depreciation of property, plant and equipment	345,028	80,358
Amortisation	62,534	36,824
Foreign exchange losses/(gains)	96,760	(173,973)
Staff costs (see note 6)	2,467,225	327,030
Share based payments	431,707	12,944
Operating leases	59,173	57,177
Auditors remuneration (see note 4)	45,000	25,000

The Company has taken advantage of the exemption provided under section 408 of Companies Act 2006 not to publish its individual income statement. The loss dealt with in the financial statements of the Company was £2,060,106 (3 month period ended 31 December 2008: £204,073).

4. Auditors remuneration

	Year ended 31 December 2009	*3 month period ended 31 December 2008*
	£	*£*
Fees payable to the Group and Company's auditor for the audit of the Group and Company's accounts	30,000	15,000
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation	15,000	10,000
	45,000	25,000

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

5. Segmental analysis

The Group operates in the economic environments of the UK, Philippines and Indonesia. These are the geographical segments for which the Group reports its segmental information.

Year ended 31 December 2009

	United Kingdom	*Philippines*	*Indonesia*	*Eliminations*	*Total*
	£	*£*	*£*	*£*	*£*
Segment results					
Group operating loss	(2,521,861)	(1,883,201)	(40,924)	126,452	(4,319,534)
Finance income and similar items	636,950	939	270	(422,902)	215,257
Finance costs	(190,842)	(1,090)	–	–	(191,932)
Loss before tax	(2,075,753)	(1,883,352)	(40,654)	(296,450)	(4,296,209)
Segment assets					
Total assets	27,844,091	22,758,511	247,575	(23,336,935)	27,513,242
Total liabilities	(2,208,068)	(22,306,181)	(644,916)	22,403,435	(2,755,730)
Net assets	25,636,023	452,330	(397,341)	(933,500)	24,757,512
Other information					
Amortisation of intangible assets	(43,852)	(18,682)	–	–	(62,534)
Depreciation of property, plant and equipment	(1,302)	(328,811)	(14,915)	–	(345,028)
Additions to non-current assets	42,151	7,831,051	–	–	7,873,202

5. Segmental analysis (continued)

3 month period ended 31 December 2008

	United Kingdom £	*Philippines* £	*Indonesia* £	*Eliminations* £	*Total* £
Segment results					
Group operating loss	(182,816)	(307,945)	(13,378)	3,247	(500,892)
Finance income and similar items	24,123	321	6	–	24,450
Finance costs	(45,380)	(166)	–	–	(45,546)
Loss before tax	(204,073)	(307,790)	(13,372)	3,247	(521,988)
Segment assets					
Total assets	14,548,262	13,291,836	254,576	(12,504,707)	15,589,967
Total liabilities	(2,137,204)	(11,403,347)	(635,901)	11,867,657	(2,308,795)
Net assets	12,411,058	1,888,489	(381,325)	(637,050)	13,281,172
Other information					
Amortisation of intangible assets	(31,843)	(4,981)	–	–	(36,824)
Depreciation of property, plant and equipment	(461)	(74,665)	(5,232)	–	(80,358)
Additions to non-current assets	43,852	691,612	–	–	735,464

The results of each segment have been prepared using accounting policies consistent with those of the Group as a whole.

6. Staff numbers and costs

The average number of persons, including Directors, was:

	Year ended 31 December 2009 Number	*3 month period ended 31 December 2008 Number*
Administration	30	22
Exploration	625	221
	655	243

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

6. Staff numbers and costs (continued)

Staff costs of the above persons were:

	Year ended 31 December 2009	*3 month period ended 31 December 2008*
	£	*£*
Wages and salaries	1,894,069	310,245
Social security costs	95,687	14,848
Pension costs	19,512	1,937
Termination benefits	26,250	–
	2,035,518	327,030
Share based payments	431,707	12,944
	2,467,225	339,974

Directors' emoluments were:

	Year ended 31 December 2009	*3 month period ended 31 December 2008*
	£	*£*
Wages and salaries	659,385	129,990
Termination benefits	26,250	–
	685,635	129,990

Emoluments of the highest paid Director, included above were:

	Year ended 31 December 2009	*3 month period ended 31 December 2008*
	£	*£*
Aggregate emoluments	247,674	45,240

Further details relating to key management are given in note 25 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

7. Finance costs and income

	Year ended 31 December 2009	*3 month period ended 31 December 2008*
	£	*£*
Loan interest payable	(190,810)	(45,546)
Bank interest payable	(1,122)	–
Finance costs	(191,932)	(45,546)
Revaluation of investment designated at fair value through profit/(loss)	204,177	17,755
Other interest receivable	7,403	–
Bank interest receivable	3,677	6,695
Finance income and similar items	215,257	24,450

8. Taxation

	Year ended 31 December 2009	*3 month period ended 31 December 2008*
	£	*£*
Loss before tax	(4,296,209)	(521,988)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28%	(1,202,939)	(146,157)
Effects of:		
Expenses not taxable for tax purposes	–	–
Expenses not deductible for tax purposes	847,909	96,245
Short term timing differences	(3,031)	542
Depreciation in excess of capital allowances	223	92
Losses carried forward	357,838	49,278
Total tax expense for the period	–	–

A deferred tax asset of £1,262,739 (3 month period ended 31 December 2008: £904,901) due to on-going tax losses of the Company, has not been recognised due to uncertainty over its future reversal.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

9. Loss per share

	Year ended 31 December 2009 £	*3 month period ended 31 December 2008 £*
Loss		
Net loss attributable to equity shareholders for the purpose of basic and diluted loss per share	(4,049,549)	(490,594)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	216,822,635	112,283,795
Basic and diluted loss per share	(1.87)p	(0.44)p

The loss per share was calculated on the basis of net loss attributable to equity shareholders divided by the weighted average number of ordinary shares. The basic and diluted loss per share is the same, as the exercise of share options and warrants would reduce the loss per share and therefore, are anti-dilutive.

Weighted average number of potential ordinary shares that are not currently dilutive	26,123,946	26,996,154

10. Goodwill

	£
Cost and net book value	
As at 31 December 2008 and 31 December 2009	1,010,816

Goodwill has arisen from the acquisition of a 70% share in FCF Minerals Corporation in February 2005 and a further 15% in August 2007.

Under IAS 36 Impairment of Assets, a cash generating unit to which goodwill has been allocated should be tested annually for impairment. The Company assesses the recoverable amount of the cash generating unit based on the value in use of the Runruno project using cash flow projections over the expected life of the mine of 10.4 years and a discount rate of 10%. The cash flow projections are based on the current resource estimate of 1.42 million ounces of gold and 25.6 million pounds of molybdenum and, include estimated capital expenditure of US$149.3m and annual operating costs of US$46.2m using externally sourced price forecasts for gold and molybdenum. The estimated value in use exceeded the aggregate of the carrying values of the Group's intangible assets, including goodwill, therefore no impairment was made.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

11. Property, plant and equipment – Group

	Leasehold improvements £	*Motor vehicles* £	*Fixtures, fittings & equipment* £	*Land & buildings* £	*Drilling equipment* £	*Total* £
Cost						
As at 1 October 2008	109,514	160,731	225,945	124,757	508,044	1,128,991
Additions	19,151	174	7,490	8,112	193,759	228,686
Foreign exchange differences	20,919	34,073	52,478	30,976	126,144	264,590
As at 31 December 2008	149,584	194,978	285,913	163,845	827,947	1,622,267
Additions	43,058	46,557	110,889	–	77,730	278,234
Disposals	–	(41,688)	–	–	–	(41,688)
Foreign exchange differences	1,003	(845)	(6,499)	(5,218)	(26,367)	(37,926)
As at 31 December 2009	193,645	199,002	390,303	158,627	879,310	1,820,887
Depreciation						
As at 1 October 2008	(23,288)	(44,613)	(78,457)	(2,322)	(14,736)	(163,416)
Charge for the period	(7,611)	(10,438)	(22,957)	(1,114)	(38,238)	(80,358)
Foreign exchange differences	(4,665)	(9,813)	(17,973)	(576)	(3,659)	(36,686)
As at 31 December 2008	(35,564)	(64,864)	(119,387)	(4,012)	(56,633)	(280,460)
Charge for the period	(34,504)	(38,855)	(97,404)	(4,598)	(169,667)	(345,028)
Disposals	–	11,117	–	–	–	11,117
Foreign exchange differences	(183)	635	2,772	128	1,804	5,156
As at 31 December 2009	(70,251)	(91,967)	(214,019)	(8,482)	(224,496)	(609,215)
Net book value						
As at 31 December 2009	123,394	107,035	176,284	150,145	654,814	1,211,672
As at 31 December 2008	114,020	130,114	166,526	159,833	771,314	1,341,807
As at 1 October 2008	86,226	116,118	147,488	122,435	493,308	965,575

11. Property, plant and equipment – Company

	Fixtures, fittings & equipment £
Cost	
As at 1 October 2008	3,688
Additions	–
As at 31 December 2008	3,688
Additions	3,066
As at 31 December 2009	6,754
Depreciation	
As at 1 October 2008	(2,861)
Charge for the period	(461)
As at 31 December 2008	(3,322)
Charge for the period	(1,302)
As at 31 December 2009	(4,624)
Net book value	
As at 31 December 2009	2,130
As at 31 December 2008	366
As at 1 October 2008	827

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

12. Other intangible assets – Group

	Cost of Exploration £	*Licences* £	*Software* £	*Total* £
Cost				
As at 1 October 2008	5,219,509	3,746,674	46,048	9,012,231
Additions	462,926	43,852	–	506,778
Foreign exchange differences	1,269,088	903,848	11,434	2,184,370
As at 31 December 2008	6,951,523	4,694,374	57,482	11,703,379
Additions	7,481,784	93,398	19,786	7,594,968
Foreign exchange differences	(196,668)	(144,714)	(1,831)	(343,213)
As at 31 December 2009	14,236,639	4,643,058	75,437	18,955,134
Amortisation				
As at 1 October 2008	–	(33,371)	(19,971)	(53,342)
Charge for the period	–	(31,843)	(4,981)	(36,824)
Foreign exchange differences	–	–	(4,959)	(4,959)
As at 31 December 2008	–	(65,214)	(29,911)	(95,125)
Charge for the period	–	(43,852)	(18,682)	(62,534)
Foreign exchange differences	–	–	952	952
As at 31 December 2009	–	(109,066)	(47,641)	(156,707)
Net book value				
As at 31 December 2009	14,236,639	4,533,990	27,796	18,798,427
As at 31 December 2008	6,951,523	4,629,160	27,571	11,608,254
As at 1 October 2008	5,219,509	3,713,303	26,077	8,958,889

12. Other intangible assets – Company

	Licences £
Cost	
As at 1 October 2008	106,436
Additions	43,852
As at 31 December 2008	150,288
Additions	39,085
As at 31 December 2009	189,373
Amortisation	
As at 1 October 2008	(33,371)
Charge for the period	(31,843)
As at 31 December 2008	(65,214)
Charge for the period	(43,852)
As at 31 December 2009	(109,066)
Net book value	
As at 31 December 2009	80,307
As at 31 December 2008	85,074
As at 1 October 2008	73,065

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

13. Investments in subsidiaries

	£
Cost	
As at 1 October 2008	2,584,576
Additions	–
As at 31 December 2008	2,584,576
Additions	–
As at 31 December 2009	2,584,576
Impairment	
As at 1 October 2008	(332,897)
Charge for the period	–
As at 31 December 2008	(332,897)
Charge for the period	(119,429)
As at 31 December 2009	(452,326)
Net book value	
As at 31 December 2009	2,132,250
As at 31 December 2008	2,251,679
As at 1 October 2008	2,251,679

The investments in subsidiaries are as follows:

Company	*Country of registration*	*Percentage holding*	*Nature of business*
FCF Minerals Corporation	Philippines	85%	Holder of mining rights
PT Cupati	Indonesia	96%	Holder of mining rights
MTL Philippines	Philippines	100%	Regional head office
Cupati Holdings	Philippines	40%	Warehouse facility
Woggle Corporation	Philippines	40%	Holder of quarrying rights

FCF Minerals Corporation, PT Cupati and MTL Philippines are direct subsidiaries of the Company. The Company's investments in Cupati Holdings and Woggle Corporation are held through MTL Philippines. Cupati Holdings and Woggle Corporation have been treated as subsidiaries of the Company and their results for the year ended 31 December 2009 have been consolidated, due to the Company having effective control over the activities of the companies.

During the year, the Company established a Regional Office Headquarters in the Philippines. It is an overseas branch of the Company and therefore, its results are reported together with the Company's.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

14. Investment designated at fair value through profit and loss

	£
Carrying value	
As at 1 October 2008	183,464
Revaluation to fair value	17,755
As at 31 December 2008	201,219
Revaluation to fair value	204,177
As at 31 December 2009	405,396

The investment is carried at fair value representing the market value of the shares acquired. Movements are recognised in profit or loss in the statement of total comprehensive income.

15. Trade and other receivables due in more than one year – Group

	As at 31 December 2009 £	*As at 31 December 2008* £
Other receivables	541,007	356,230

15. Trade and other receivables due in more than one year – Company

	As at 31 December 2009 £	*As at 31 December 2008* £
Amounts due from group undertakings	22,184,687	11,231,755

16. Trade and other receivables due in less than one year – Group

	As at 31 December 2009 £	*As at 31 December 2008* £
Other receivables	2,001,055	257,378
Prepayments	141,057	82,950
	2,142,112	340,328

16. Trade and other receivables due in less than one year – Company

	As at 31 December 2009 £	*As at 31 December 2008* £
Other receivables	4,226	165,928
Prepayments	80,743	51,891
	84,969	217,819

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

17. Cash and cash equivalents – Group

	As at 31 December 2009 £	*As at 31 December 2008 £*
Cash at bank and in hand	3,403,812	731,313

17. Cash and cash equivalents – Company

	As at 31 December 2009 £	*As at 31 December 2008 £*
Cash at bank and in hand	2,954,352	560,350

18. Trade and other payables – Group

	As at 31 December 2009 £	*As at 31 December 2008 £*
Trade payables	534,498	213,370
Other payables	3,266	–
Other tax and social security payable	45,892	8,285
Accruals	172,074	87,140
	755,730	308,795

18. Trade and other payables – Company

	As at 31 December 2009 £	*As at 31 December 2008 £*
Trade payables	34,240	41,797
Other tax and social security payable	31,757	8,285
Accruals	142,071	87,121
	208,068	137,203

19. Long-term borrowings – Group and Company

	As at 31 December 2009 £	*As at 31 December 2008 £*
Convertible loan	2,000,000	2,000,000

The convertible loan is due to be redeemed at par on 1 August 2011. Interest on the loan is payable at 9% per annum. The loan will be convertible at the option of the holder at any time prior to the date of redemption into 3,846,154 ordinary shares at 1p each, representing a conversion price of 52p.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

20. Called up share capital

	As at 31 December 2009	*As at 31 December 2008*
	£	*£*
Authorised		
750,000,000 ordinary shares of 1p each (as at 31 December 2008: 250,000,000)	7,500,000	2,500,000
Allotted, called up and fully paid		
269,716,344 ordinary shares of 1p each (as at 31 December 2008: 112,283,795)	2,697,163	1,122,838

On 12 January 2009, the Company issued 52,834,721 ordinary shares of 1p each at a price of 7p per share, realising £3,698,430 before share issue expenses.

On 9 March 2009, the Company issued 200,000 ordinary shares of 1p each at par. Pursuant to a Memorandum of Agreement with Filminera Resources Corporation, no consideration was received for these shares.

On 7 May 2009, the Company issued 49,703,866 ordinary shares of 1p each at a price of 11.5p per share, realising £5,715,944 before share issue expenses.

On 5 June 2009, the Company issued 50,000 ordinary shares of 1p each at a price of 12p per share, realising £6,000 following the exercise of share options by a member of staff.

On 3 August 2009, the Company issued 54,643,962 ordinary shares of 1p each at a price of 11.5p per share, realising £6,284,056 before share issue expenses.

21. Share based payments

Share options

The Group operates a share option scheme named the Unapproved Share Option Scheme 2007 (“Share Option Scheme”) adopted on 29 March 2007.

Under the Group’s Share Option Scheme, options are generally exercisable after 3 years from the issue date at a price equal to the quoted market price of the Company’s shares on the date of grant. Options are forfeited if the employee leaves the Group before the options vest.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

21. Share based payments (continued)

Details of the share options outstanding are as follows:

	Year ended 31 December 2009		*3 month period ended 31 December 2008*	
	Number of share options	*Weighted average exercise price p*	*Number of share options*	*Weighted average exercise price p*
Outstanding at the beginning of the period	4,390,000	12	5,150,000	28
Exercised during the period	(50,000)	12	–	–
Forfeited during the period	(475,000)	39	(760,000)	18
Outstanding at the end of the period	3,865,000	29	4,390,000	30
Exercisable at the end of the period	1,865,000	32	575,000	12

The options outstanding as at 31 December 2009 had a range of exercise prices from 12p to 40p (3 month period ended 31 December 2008: 12p to 40p) and a weighted average remaining contractual life to expiry of 8 years (3 month period ended 31 December 2008: 9 years). During the year, an expense of £235,793 was recognised in the statement of total comprehensive income (3 month period ended 31 December 2008: income £67,792). The value of the options are measured by the use of the Black Scholes model.

Warrants

The Group also operates a warrant scheme. Under the Group's warrant scheme, warrants are generally exercisable up to 7 years from the issue date.

Details of the warrants outstanding are as follows:

	Year ended 31 December 2009		*3 month period ended 31 December 2008*	
	Number of warrants	*Weighted average exercise price p*	*Number of warrants*	*Weighted average exercise price p*
Outstanding at the beginning of the period	18,000,000	20	18,000,000	20
Granted during the period	250,000	20	–	–
Outstanding at the end of the period	18,250,000	20	18,000,000	20
Exercisable at the end of the period	16,510,000	16	14,740,000	16

The warrants outstanding as at 31 December 2009 had a range of exercise prices from 3.25p to 52.5p (3 month period ended 31 December 2008: 3.25p to 52.5p) and a weighted average remaining contractual life to expiry of 5 years (3 month period ended 31 December 2008: 6 years). During the year, an expense of £195,914 was recognised in the statement of total comprehensive income (3 month period ended 31 December 2008: £80,736).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

21. Share based payments (continued)

The value of the warrants are measured by the use of the Black Scholes model. The inputs into the Black Scholes model were as follows:

	Year ended 31 December 2009	*3 month period ended 31 December 2008*
Weighted average share price	10p	–
Weighted average exercise price	20p	–
Expected volatility	91.7%	–
Expected life	4.4 years	–
Risk free rate	2.77%	–
Expected dividend yield	Nil	–
Number granted	250,000	–
Share price at date of grant	10p	–
Fair value at date of grant	5.55p	–
Earliest vesting date	23 January 2009	–
Exit date	30 June 2013	–

22. Net cash used in operating activities – Group

	Year ended 31 December 2009 £	*3 month period ended 31 December 2008 £*
Loss after taxation	(4,296,209)	(521,988)
Depreciation	345,028	80,358
Amortisation	62,534	36,824
Revaluation of investment designated at fair value through profit or loss	(204,177)	(17,755)
Share based payment expense	431,707	12,944
Net interest payable	180,853	38,851
Increase in receivables	(1,986,561)	(153,602)
Increase/(decrease) in payables	446,934	(123,755)
Foreign exchange differences	918,850	(138,473)
Cash used in operations	(4,101,041)	(786,596)
Interest received	11,080	6,695
Interest paid	(191,932)	(45,546)
Net cash used in operating activities	(4,281,893)	(825,447)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

22. Net cash used in operating activities – Company

	Year ended 31 December 2009	*3 month period ended 31 December 2008*
	£	*£*
Loss after taxation	(2,060,106)	(204,073)
Depreciation	1,302	461
Amortisation	43,852	31,843
Impairment	119,429	–
Revaluation of investment designated at fair value through profit or loss	(204,177)	(17,755)
Share based payment expense	431,707	12,944
Net interest payable	180,971	39,012
Increase in receivables	(10,820,082)	(915,097)
Increase/(decrease) in payables	70,864	(41,500)
Foreign exchange differences	51,898	(306,566)
Cash used in operations	(12,184,342)	(1,400,731)
Interest received	9,871	6,368
Interest paid	(190,842)	(45,380)
Net cash used in operating activities	(12,365,313)	(1,439,743)

23. Operating lease commitments

	As at 31 December 2009	*As at 31 December 2008*
	£	*£*
The Group had total commitments under non-cancellable operating leases as follows:		
1 year or less	22,521	44,204
1 – 2 years	–	21,175
	22,521	65,379

24. Pension commitments

	Year ended 31 December 2009	*3 month period ended 31 December 2008*
	£	*£*
Defined contribution scheme costs	8,775	1,937
	8,775	1,937

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

25. Related party transactions

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's key management are the Directors of the Company. Information regarding their compensation is given below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	Year ended 31 December 2009	*3 month period ended 31 December 2008*
	£	*£*
Wages and salaries	659,385	129,990
Social security costs	18,468	4,800
Pension costs	–	–
Termination benefits	26,250	–
Share based payments	355,694	121,008
	1,059,797	255,798

The Company paid Directors' fees for the services of I R Holzberger to the Holzberger Family Trust, T G Wheeler to Wheeler and Dunne LLP, J M K Pearson to Pearson Consulting Limited and T J Dean to Solomon Capital Limited.

Shares held by Directors:

Shareholder	*As at 31 December 2009*	*As at 31 December 2008*
I R Holzberger	305,000	105,000
J P B Beardsworth	750,000	400,000
G R Powell	1,050,000	1,050,000
T G Wheeler	1,000,000	–
J M K Pearson	255,000	55,000
T J Dean	–	–

25. Related party transactions (continued)

Warrants held by Directors:

Warrant holder	*Grant date*	*Number of warrants*	*Exercise price*	*Earliest vesting date or rate per month*	*Expiry date*
G R Powell	3 November 2005	1,000,000	12p	3 November 2005	2 November 2012
	3 November 2005	500,000	40p	3 November 2005	2 November 2012
J P B Beardsworth	30 April 2007	1,000,000	26.25p	29 April 2008	29 April 2014
	30 April 2007	1,000,000	39.375p	29 April 2009	29 April 2014
	30 April 2007	500,000	52.5p	29 April 2010	29 April 2014
I R Holzberger	8 July 2008	1,000,000	20p	8 July 2008	30 June 2013
	8 July 2008	1,000,000	40p	On completion of Runruno feasibility study	30 June 2013
T G Wheeler	8 July 2008	1,000,000	20p	40,000 per month to 31 July 2010	30 June 2013
J M K Pearson	23 January 2009	250,000	20p	23 January 2009	30 June 2013

Share options held by Directors:

Option holder	*Grant date*	*Number of options*	*Exercise price*	*Earliest vesting date*	*Expiry date*
J P B Beardsworth	30 April 2007	2,000,000	26.25p	29 April 2010	2 April 2017

During the year, the Company paid £12,911,493 to its subsidiaries to fund operations and purchase property, plant and equipment (3 month period ended 31 December 2008: £691,612). At the year end, the Company was owed £22,184,687 by its subsidiaries (as at 31 December 2008: £11,231,755).

During the year, the Company recognised a provision of £7,023 in respect of a doubtful receivable balance owed by subsidiary company, PT Cupati (3 month period ended 31 December 2008: £3,247).

26. Post balance sheet events

On 2 February 2010, the Company sold its entire holding in a quoted company designated at fair value through profit or loss in the financial statements, realising £443,863 before transaction costs.

On 15 March 2010, the Company issued 950,000 share options to certain staff to subscribe for ordinary shares of 1p each at a price of 15p per share which, are exercisable from 15 March 2011.

On 18 March 2010, the Company issued 6,000,000 share options to I R Holzberger and 5,000,000 share options to J P B Beardsworth, to subscribe for ordinary shares of 1p each at a price of 25p per share which, are exercisable from 18 March 2012.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

27. Financial instruments

The Group's financial instruments comprise cash and cash equivalents, an investment in a quoted company, a long-term borrowing and items such as trade payables and other receivables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The carrying values of the Group's financial assets at the year end are as follows:

Group	*Cash and cash equivalents*	*Investment in quoted company*	*Other receivables*	*Total*
	£	£	£	£
As at 31 December 2009	3,403,812	405,396	2,542,062	6,351,270
As at 31 December 2008	731,313	201,219	613,608	1,546,140

Cash and cash equivalents and other receivables are measured at amortised cost. The investment in quoted company is measured at fair value. Under IFRS 7 Financial Instruments: Disclosures, this is classified under the fair value hierarchy as level 1.

The Company's financial assets comprise cash and cash equivalents of £2,954,352 (as at 31 December 2008: £560,350), an investment in a quoted company of £405,396 (as at 31 December 2008: £201,219) and other receivables of £22,188,913 (as at 31 December 2008: £11,397,683).

The carrying values of the Group's financial liabilities at the year end which are measured at amortised cost are as follows:

Group	*Trade payables*	*Accruals*	*Long-term borrowings*	*Total*
	£	£	£	£
As at 31 December 2009	534,498	172,074	2,000,000	2,706,572
As at 31 December 2008	213,370	87,140	2,000,000	2,300,510

The Company's financial liabilities comprise trade payables of £34,240 (as at 31 December 2008: £41,797), accruals of £142,071 (as at 31 December 2008: £87,121) and long term borrowings of £2,000,000 (as at 31 December 2008: £2,000,000).

The Group's operations expose it to a variety of financial risks including liquidity risk, credit risk, equity price risk, foreign currency exchange rate risk and interest rate risk. The policies set by the Board of Directors are implemented by the Group's finance departments.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

27. Financial instruments (continued)

Liquidity risk

The Group actively monitors its cash resources to ensure it has sufficient available funds for operations and planned expansions and fund raising activity is timed to meet cash requirements.

The contractual maturities of the financial liabilities at the year end which are measured at amortised cost are as follows:

Group	*Trade payables*	*Accruals*	*Long-term borrowings*	*Total*
	£	£	£	£
As at 31 December 2009				
1 month or less	534,498	172,074	–	706,572
2 – 6 months	–	–	90,000	90,000
6 – 12 months	–	–	90,000	90,000
1 – 2 years	–	–	2,105,000	2,105,000
Total contractual cash flows	534,498	172,074	2,285,000	2,991,572
As at 31 December 2008				
1 month or less	207,336	87,140	–	294,476
2 – 6 months	4,310	–	90,000	94,310
6 – 12 months	1,724	–	90,000	91,724
1 – 2 years	–	–	180,000	180,000
2 – 5 years	–	–	2,105,000	2,105,000
Total contractual cash flows	213,370	87,140	2,465,000	2,765,510

Company	*Trade payables*	*Accruals*	*Long-term borrowings*	*Total*
	£	£	£	£
As at 31 December 2009				
1 month or less	34,240	142,071	–	176,311
2 – 6 months	–	–	90,000	90,000
6 – 12 months	–	–	90,000	90,000
1 – 2 years	–	–	2,105,000	2,105,000
2 – 5 years	–	–	–	–
Total contractual cash flows	34,240	142,071	2,285,000	2,461,311
As at 31 December 2008				
1 month or less	41,797	87,121	–	128,918
2 – 6 months	–	–	90,000	90,000
6 – 12 months	–	–	90,000	90,000
1 – 2 years	–	–	180,000	180,000
2 – 5 years	–	–	2,105,000	2,105,000
Total contractual cash flows	41,797	87,121	2,465,000	2,593,918

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

27. Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Group or Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Group and Company are exposed to credit risk attributable to its cash balances however, this risk is limited because the counterparties are large international banks.

The Group is exposed to credit risk for other receivables due from third parties. The Company is exposed to credit risk to the extent that amounts owed by its subsidiaries may not be recoverable in the future. As at 31 December 2009, none of the other receivables were found to be impaired (3 month period ended 31 December 2008: nil). No unimpaired other receivables are past due as at 31 December 2009 (3 month period ended 31 December 2008: nil).

The maximum exposure to credit risk at the year end is as follows:

Group	*Cash and cash equivalents*	*Investment in quoted company*	*Other receivables*	*Total*
	£	*£*	*£*	*£*
As at 31 December 2009	3,403,812	405,396	2,542,062	6,351,270
As at 31 December 2008	731,313	201,219	613,608	1,546,140

Company	*Cash and cash equivalents*	*Investment in quoted company*	*Other receivables*	*Total*
	£	*£*	*£*	*£*
As at 31 December 2009	2,954,352	405,396	22,188,913	27,507,222
As at 31 December 2008	560,350	201,219	11,397,683	12,159,252

Market risk and sensitivity analysis

Equity price risk

The Group and Company are exposed to equity price risk due to an investment in a quoted company designated at fair value through profit and loss. The impact on the reported loss for the year is a net profit on the investment of £204,177 (3 month period ended 31 December 2008: profit £17,755).

At the year end, a 5% movement in the equity price would result in an increase/a reduction in the loss for the year and equity of £20,270 (3 month period ended 31 December 2008: £10,061).

Foreign currency exchange rate risk

The Group and Company are exposed to foreign currency exchange rate risk due to funds raised in Pounds Sterling but trade payables being predominantly settled in US Dollars and Philippine Pesos. The Group monitors exchange rates actively and converts funds raised to other currencies when deemed appropriate in order to meet expected future foreign currency commitments.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2009 (continued)

27. Financial instruments (continued)

The Group is also exposed to translation risk due to the accounts of the Group's subsidiaries being in different currencies to the Company's. On consolidation, the subsidiary accounts' are translated to Pounds Sterling. The impact on the reported net assets at the year end is a separate reserve of £3,157,958 (3 month period ended 31 December 2008: £2,748,026).

Based on the Company's US Dollar cash balance at the year end, a 5% movement in the exchange rate would result in an increase/a reduction in the loss for the year of £126,561 (3 month period ended 31 December 2008: £29,717).

Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise cash and cash equivalents which earn interest at a variable rate. The Company's Pound Sterling cash balance earned interest at an average annual rate in the year of 0.3% (3 month period ended 31 December 2008: 2.7%). The impact on the reported loss for the year is net interest income on cash of £3,677 (3 month period ended 31 December 2008: £6,695).

Interest bearing liabilities comprise a convertible loan at a fixed rate to ensure certainty of future interest cash flows. The impact on the reported loss for the year is a net interest expense on the loan of £179,507 (3 month period ended 31 December 2008: £45,546).

Based on the Company's Pound Sterling cash balance at the year end placed on deposit for one week, a 0.5% movement in the average annual interest rate would result in an increase/a reduction in the loss for the year and equity of £23 (3 month period ended 31 December 2008: £13).

28. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital.

The Group defines capital as being share capital plus reserves. The Board of Directors monitors the level of capital as compared to the Group's long term debt commitments.

The Group is not subject to any externally imposed capital requirements.

29. Ultimate controlling party

At the year end, Metals Exploration Plc had no ultimate controlling party.

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