28 March 2008

Metals Exploration PLC

Final Results
for the year ended 30 September 2007

Metals Exploration PLC (AIM: MTL) (‘Metals Ex’ or 'the Company'), the natural resources exploration and development company with assets in the Pacific Rim region, is pleased to report on its final results for the year ended 30 September 2007.

HIGHLIGHTS:

For the year ended 30 September 2007:

- **October 2006: Raised £5m pre-expenses through a placing at 25p per share**
- **May 2007: Appointed Jonathan Pearson as non-executive director.**
- **July 2007: Raised £6.3m pre-expenses through a placing at 40p per share and a convertible loan note issue**
- **August 2007: Acquired remaining rights to Runruno resulting in total rights of 100%.**
- **August 2007: Acquired rights to a nickel laterite deposit on Waigeo Island, Indonesia and set up a subsidiary company PT Cupati.**

Events post 30 September 2007:

- **January 2008: Launch of scoping study on Runruno and appointment of Ian Holzberger as project director.**
- **March 2008: Runruno resource upgraded to 2.1Moz of gold of which 775,000oz is in the indicated category.**

Jonathan Beardsworth, CEO, commented:

“Metals Ex has made considerable progress towards development throughout the year. We now have a greater understanding of the resource at Runruno and with 775,000oz of gold in the indicated category. We look forward to even greater success in 2008 as the Company completes the Scoping Study at Runruno and progresses into the bankable feasibility stage.”

Group Report and Accounts

A copy of the Group Report and Accounts will be sent to all shareholders shortly and will also be available from the Company’s registered office: 200 Strand, London WC2R 1DJ.
The Group Report and Accounts will also be published on the Company’s website; www.metalsexploration.com.

For more information:

Jonathan Beardsworth + 44 (0) 20 7927 6690

CEO	+ 44 (0) 7747 101 552
Adrian Hadden Collins Stewart Europe Limited	+ 44 (0) 20 7523 8350
Charles Vivian Pelham PR	+ 44 (0) 20 7743 6672
Klara Kaczmarek Pelham PR	+ 44 (0) 20 3159 4395

CHAIRMAN'S STATEMENT

The inside cover of the Annual Report this year shows our Dr Ernesto Mendoza PhD and his wife, Dr Nanette Mendoza, being presented with the "Special Award" by former MP Michael Portillo at the annual Mining Journal sponsored "Outstanding Achievements Awards". The Special Award is presented to "an individual in the mining industry who has displayed outstanding bravery, long standing charitable work, or for championing the sector to the general public".

Ernesto and Nanette won this award through their remarkable efforts in support of our community at Runruno in the Philippines, at considerable risk to their own lives, in the wake of the destruction wrought by super-typhoon Paeng in October 2007. We are extremely proud that their selfless efforts received such recognition across the global mining industry.

This award celebrates the actions of Ernesto and Nanette. It is also indicative of the seriousness with which all employees of the Company take our responsibilities to the community at Runruno, in particular through our support to the Runruno Livelihood Foundation.

This Annual Report is for the financial year ended 30 September 2007. At the start of the financial year Jonathan Beardsworth had recently assumed the role of Chief Executive Officer, and he describes the year in further detail in his review.

In general terms the Company has made considerable progress during the year.

- Throughout the year we progressively enhanced our understanding of the deposit at Runruno to a situation where now we have a resource of over 2 million ounces of gold, of which 775,000 ounces is in the Indicated category.
- We took the opportunity to purchase an additional 15% interest in Runruno, resulting in total rights to the project of 100%, which simplified the ownership structure of the operating company. Importantly this frees us up to explore the rest of the volcanic complex at Runruno which we believe has the potential for further discoveries. In this regard we were pleased to host Dr Eric Jenson PhD on his visit to site, and to receive his most encouraging report confirming the similarity between Runruno and Cripple Creek.
- In January 2008, we announced the decision to move the project at Runruno through feasibility towards production. The Scoping Study into the technical and economic aspects of the Runruno project is planned to report in the summer of 2008.
- The Management of the Company has been strengthened with the appointment of Ian Holzberger as Project Director. Ian has more than 35 years experience in the base and precious metals mining industry and has extensive experience of feasibility studies, equity raising, government negotiations, and all aspects of developing mining projects in the region.
- We continue to add to our portfolio, projects that have the potential to add to shareholder value. Most notably, we acquired rights to a nickel laterite project on Waigeo Island, Indonesia that has the potential to deliver near term cash flow to the Company by means of direct shipping ore.

In common with others, the Company has been exposed to the recent turbulence in the financial markets. However, Management is confident that the Company is well positioned to deliver long term value to shareholders.

I am delighted to welcome Jonathan Pearson, who was appointed to the Board as a Non-Executive Director on 1 May 2007. He has over 40 years' experience in international banking with a strong flavour in mining and South East Asia. Jonathan has managed a number of treasury and securities' trading businesses and was CEO of Standard Chartered Merchant Bank Asia. His advice and guidance to the board has already been evident and of benefit to the Company.

On a personal note, I am proud to have been Chairman of the Company for the last three and a half years since listing on AIM in October 2004, and to have seen it grow from an early stage exploration play to where it is now; an exciting project with experienced Management and dedicated employees.

In order for the Company to meet the challenges of the next stage of its evolution I believe that a new Chairman is required, and ideally one with more experience of the mining industry. Consequently I have asked our Non-Executive Director, Jonathan Pearson, to chair an *ad hoc* Board Committee to identify and appoint a successor, and I intend to step aside once that process is complete.

I am most grateful to all shareholders, employees and the Board of the Company for their support through my tenure.

S M Smith
Non-Executive Chairman

CHIEF EXECUTIVE'S REVIEW

I am pleased to present this Annual Report for the financial year ended 30 September 2007.

Firstly, it is appropriate to acknowledge Steven Smith's enormous contribution to the Company through his three and a half years as Chairman since listing on AIM in October 2004. The Company listed at a price of 3.0 pence per ordinary share and has traded as high as 46.5 pence per share. As at 29 February 2008, the price was 25.0 pence per ordinary share. This represents a substantial appreciation of shareholder value. Moreover, for the two years prior to my arrival in September 2006, Steven acted as *de facto* Chief Executive and Chief Financial Officer, in addition to his responsibilities as Chairman.

Since I joined the Company I have been able to benefit from Steven's huge experience in corporate and financial matters and am deeply grateful for his support throughout. We hope that he will continue to be closely associated with the Company for many years to come.

Runruno

We currently have a deposit at Runruno with over two million ounces of gold already defined. This is a substantial deposit by world standards. Of those two million ounces, 775,000 ounces are already in the Indicated category (under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 (the "JORC" Code)). In January 2008 we announced the launch of a Scoping Study into the technical and economic aspects of the Runruno project with the intention of providing a basis for a bankable feasibility study to commence in the second half of the year.

In January 2007 the preliminary results of metallurgical testwork were announced, which demonstrated that a combination of gravity concentration followed by flotation yielded encouraging gold recoveries of 92% into a flotation concentrate. Subsequently, in July 2007 we announced that further metallurgical tests had demonstrated that gold recoveries of 94.7% had been achieved from a combination of gravity concentration, flotation, pressure oxidation of the sulphide mineralization, followed by cyanidation of the oxidised concentrate. We continue to work on maximising molybdenum recoveries.

In August 2007 we acquired, for a consideration of £3.87 million, 15% interest of the Runruno project. As a result we now have rights to 100% of Runruno. This allows us to explore for additional orebodies in the rest of the volcanic complex outside the orebody we have already defined. We have previously drawn comparisons between Runruno and Cripple Creek in Colorado and were pleased to have this endorsed recently by Dr Eric Jenson, a renowned expert on Cripple Creek style orebodies. Consequently we are optimistic of achieving additional exploration success.

The Exploration Permit at Runruno was renewed for the statutory period of two years in August 2007.

Other Projects

We continue to progress our Exploration Permit Applications in respect of our projects at Puray and Worldwide.

In March 2007 we lodged Exploration Permit Applications over three properties in Northern Luzon, namely Dupax, Sulong and Capas, all of which comprise of gold, copper and zinc mineralization identified by previous explorers and which in the opinion of the Company offer the potential for the delineation of economically viable deposits of gold and/or base metals.

In January 2007 we received notice from Medusa Mining Limited of their intention to withdraw from the Masapelid Joint Venture. After reviewing the results of their exploration programme, and given our focus on Runruno and other projects in northern Luzon, we in turn released our rights to Masapelid.

In August 2007 we announced that we had acquired rights to various nickel laterite properties on Waigeo Island, Indonesia, that the Company believes have the potential to support commercial direct shipping ore operations with the possibility of providing near term cash flow. The acquisition consideration was US$100,000, and the rights are subject to a royalty of 10% of gross revenues in the event that commercial shipping operations commence.

Funding

In November 2006 we successfully raised £5 million at a price of 25 pence per ordinary share in a market where many other companies were finding fundraising difficult to secure. We were delighted with continued support amongst existing and new shareholders.

In July 2007 we raised a further £6.3 million by way of a £4.3 million placing of shares at 40 pence per ordinary share, a premium of 60% to the 25 pence per ordinary share fundraising completed nine months earlier, and a £2 million convertible note with a coupon of 9% per annum and a conversion price of 52 pence per ordinary share.

Management

I am proud of our Management team who have successfully identified and delineated a major project at Runruno. The award deservedly received by Ernesto Mendoza referenced in the Chairman's Report is indicative of the commitment, professionalism and compassion throughout the Company.

As the Company makes the transition from explorer to developer I am delighted to welcome Ian Holzberger who brings more than 35 years experience in the mining industry to bear in his role as Project Director.

Summary

The situation we have at present is one in which:

- We have a substantial 2.1 Moz gold deposit, which is in the top quartile of gold deposits worldwide.
- 775,000 ozs of that deposit are in the Indicated category.
- We have embarked on a detailed Scoping Study of the project with a view to initiating a full feasibility study later this year.
- We have introduced the Management skill-set required to bring the project to fruition.
- There is potential uplift if the results of the metallurgical testwork currently under way on the molybdenum is successful.
- There is potential to discover new resources in the rest of the volcanic complex at Runruno that were so positively reported by Dr Eric Jensen PhD.
- There is potential to direct ship nickel ore from our nickel project on Waigeo Island, Indonesia.
- There is the potential of our other Exploration Permit Applications in the Philippines.

I look forward to an exciting year ahead.

J Beardsworth
Chief Executive

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.

CORPORATE GOVERNANCE STATEMENT

In July 2005, the Quoted Companies Alliance (QCA) published Corporate Governance Guidelines for AIM Companies. The Company's Board apply these guidelines under which it has been in full compliance throughout the year except as stated below.

Directors

There is a board of directors, which is set up to control the Company and Group and at 30 September 2007 this consisted of two executive and two non-executive directors. Steven Smith is Non-Executive Chairman of the Board. The Board meets on a regular basis, to discuss a range of significant matters including strategic decisions and performance. Produced at each relevant Board meeting is the latest financial information available. The Executive Directors give a current operational appraisal at informal monthly board meetings.

Each member of the Board is subject to the re-election provisions of the Articles of Association, which requires them to offer themselves for re-election at least once every three years. In the event of a proposal to appoint a new director, this would be discussed at a full Board meeting, with each member being given the opportunity to meet the individual concerned prior to any formal decision being taken. Due to the size of the Group, no Nomination Committee has been established.

The Directors have delegated certain of their responsibilities to various committees, which operate within specific terms of reference and authority limits. The Directors meet on a regular basis and deal with any number of decisions that do not require full Board approval.

Audit and Remuneration Committees

The Audit Committee, which consists of Steven Smith and Jonathan Pearson, is responsible for the relationship with the Group's auditors, the in-depth review of the Group's financial reports, internal controls and any other reports that the Group may circularise. The terms of reference include a review of the cost effectiveness of the audit and non-audit services provided to the Group. The Committee meet twice a year, prior to the announcement of interim and annual results and, should it be necessary, would convene at other times.

The Remuneration Committee, which consists of Steven Smith and Jonathan Pearson, meets and considers, within existing terms of reference, the remuneration policy and makes recommendations to the Board for each Executive Director and other senior officers. The Executive Directors' and other senior officers remuneration consists of a package of basic salary, bonuses and share options, which are linked to corporate and individual performance achievements and the levels of each will be determined by the Remuneration Committee.

The Audit and Remuneration Committees consists solely of Non-Executive Directors. Steven Smith is not judged to be an independent director by virtue of his position, however, Jonathan Pearson meets the independent criteria set out in the combined code.

Communication with shareholders

The annual report and accounts and the interim statement at each half-year are the primary vehicles for communication with shareholders. These documents are also distributed to other parties who have expressed an interest in the Group's performance. Company results can be viewed on the website (www.metalsexploration.com).

Shareholders who have any queries relating to their shareholdings or to the affairs of the Company generally are invited to contact the Company at its registered address.

Internal financial control

The Group operates an appropriate system of internal financial control, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a system in place for financial reporting and the Board receives reports to enable it to carry out these functions in the most efficient manner.

Going concern

The Directors can report that based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Company and Group have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the accounts are prepared on a going concern basis.

By order of the Board

S M Smith
Non-Executive Chairman

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the accounts and auditors' report for the year ended 30 September 2007.

PRINCIPAL ACTIVITIES

The principal activity of Metals Exploration plc ("Metals Ex" or the "Company") is to identify and acquire mining companies, businesses or projects with particular emphasis on precious and base metals mining opportunities predominantly in the Western Pacific Rim region.

Since the Company's admission to AIM in October 2004, Metals Ex has focused efforts on the acquisition of significant interests in exploration properties in South East Asia in which the Company considers to have substantial exploration opportunities.

BUSINESS REVIEW

A full review of the business is included within the Chief Executive's Review.

RISKS AND UNCERTAINTIES

A number of risks and uncertainties exist which could adversely impact the Group's businesses and which also apply to other companies in the exploration or mining industry. These include:

Requirement for Additional Funding

Further funds will be required to develop the Group's projects. Failure to obtain sufficient financing for the Group's projects and any future projects may result in a delay or indefinite postponement of exploration, development or production on the Group properties or even a loss of a property interest. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

During the year, the Company successfully raised £11.3 million. Requirements for funding are identified in advance allowing for sufficient time for cash to be raised.

Volatility of Commodity Prices

The activities of the Group and the viability of its projects will be subject to fluctuations in demand and prices for minerals generally. 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 one or more of the Group's projects should they prove uneconomical to develop.

There is also uncertainty as to the possibility of increases in world production both from existing mines and as a result of mines currently closed being reopened in the future if price increases make such projects economic. Consequently, price forecasting can be difficult to predict or imprecise.

The Company regularly tracks both precious and base metal forecasts to assess future financial viability of its projects.

Political and Other Country Risks

The Group's operations are based in the Philippines and Indonesia. As a result, there are important political and economic factors which could affect an investment in the Company. While the Philippines's recent growth rates are encouraging and the currency has appreciated, there may be uncertainty about the pattern of growth and its sustainability.

However, in the Philippines in 2004, the 1995 Mining Act became constitutional which allows foreign controlled companies up to 100% ownership of operations and streamlined the permitting and approval process. Also, Executive Order 270 was passed which promotes mineral exploration in order to enhance sustainable economic growth in the country.

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 Company 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 analyses. The Directors are committed to complying with and reporting under the JORC Code by competent persons as defined by the JORC Code.

Exploration Risk

Mineral exploration is speculative in nature and it involves many risks. There can be no assurance that any discovered mineralisation will result in an increase in the reserves or resources of the Group. If reserves are developed, it can take a number of years from the initial phases of drilling and identification of mineralisation until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish reserves through drilling, to determine processes to extract minerals and, in the cases of new properties, to construct mining and processing facilities.

The Company employs a range of modern exploration methods in order to assign available drilling resources efficiently.

Development Projects

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, estimates of proven and probable reserves and cash operating costs are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of cash operating costs based upon anticipated recoveries to be mined and processed, the configuration of the mineral body, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns may differ from those currently estimated.

The Scoping Study is underway which will assess the Runruno project's economics including its range of assumptions.

Management of Risks

Measures taken by the Board to manage these risks include:

- Frequent review of the Group's current actual and future forecasted cash positions to identify when additional funding would be required to reduce liquidity risk
- Review of budgeted and actual expenditure to manage cash resources effectively
- A diversified portfolio of projects covering a number of commodities including gold and nickel to reduce commodity and business risk
- The Runruno Livelihood Foundation which look after the interests of the local community and the environment
- Regular communication within the Group on developments in the business, industry and country including board and operational meetings to identify risks as they become apparent and take steps to mitigate them
- Skilled and experienced Management team including geologists who qualify as Competent Persons under the JORC code
- Drilling results independently analysed

KEY PERFORMANCE INDICATORS

The Company's key performance indicators ('KPIs') used by the Board in monitoring performance are;

- Resource measurement and compliance with JORC standards: As at 4 March 2008, the Company has a resource of 2.1Moz of gold of which 775k Oz are in the indicated category and 36.6Mlb of molybdenum of which 18.6Mlb is also in the indicated category.
- Scoping study progression: Adherence to internally agreed milestones and the management of external contractors to ensure timely completion of the study.
- Share price and market capitalisation: As at 29 February 2008, the Company's market capitalisation was £22.9 million. This is compared with the companies within our peer group.
- Peer group comparisons: Routine monitoring of an externally selected peer group through comparison of dollar per ounce values, rebased share price movement and resource composition to assess relative performance within that peer group.
- Commodity prices: The Company tracks both precious and base metal forecasts to assess financial viability of its projects.
- Value of projects: Estimations are prepared using established dollar per ounce values, input from peer group analysis based on composition of the resource.

In addition to these financial KPIs, the Board also considers non-financial factors such as the Group's compliance with Corporate Governance Standards and environmental considerations relevant to some of the Group's mining interests. These factors cannot be measured so do not form part of the Group's KPIs.

FINANCIAL RISK MANAGEMENT

The Group's main financial risk relates to foreign exchange risk, and in particular the exposure to the US dollar, with payments made for costs of exploration in this currency. The Company does not have a formal policy in place to manage this currency risk, but the Directors monitor the Company's exposure on a regular basis. The remaining other assets and liabilities of the Group are in Sterling.

RESULTS AND DIVIDENDS

The Group recorded a loss of £2,603,736 (2006: loss of £2,554,098) for the year. The Directors do not recommend payment of a dividend (2006: nil).

POST BALANCE SHEET EVENTS

Details of post balance sheet events are given in note 23 to the accounts.

POLICY AND PRACTICE OF PAYMENT OF SUPPLIERS

The Group's policy on payment of suppliers is to settle the amounts due on a timely basis taking into account the credit period given. At 30 September 2007, the Group had an average of 19 days (2006: 43 days) purchases outstanding.

DIRECTORS

The directors of the Company at the year-end were:

S M Smith	(*Non-Executive Chairman*)
J Beardsworth	(*Chief Executive*)
G R Powell	(*Executive Director*)
J M K Pearson	(*Non-Executive Director*)

J M K Pearson was appointed as Non-Executive Director on 1 May 2007. K D Mahoney resigned as Non-Executive Director on 6 November 2006.

CHARITABLE DONATIONS

The Company made charitable donations of £5,000 mainly through the Runruno Livelihood Foundation based in the Philippines during the period (2006: £4,000).

DIRECTORS' AUDIT RESPONSIBILITY

Each director of the Company has confirmed that in fulfilling their duties as a director, they have:

- Taken all the necessary steps to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information; and
- So far as they are aware, there is no relevant audit information of which the auditors have not been made aware

AUDITORS

A resolution to reappoint Nexia Smith & Williamson will be proposed at the forthcoming Annual General Meeting on 28 April 2008.

Approved by the board of directors and signed on behalf of the board.

S M Smith
Non-Executive Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Nexia Smith & Williamson

Independent auditors' report to the shareholders of Metals Exploration plc

We have audited the Group and parent Company accounts ('the accounts') of Metals Exploration plc for the year ended 30 September 2007, which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 24. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. The information given in the Director's Report includes the specific information presented in the Chief Executive's Review that is cross referenced from the Business Review section of the Director's Report. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and parent Company's affairs as at 30 September 2007 and of the Group's loss for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

Nexia Smith & Williamson	25 Moorgate
Chartered Accountants	London
Registered Auditors	EC2R 6AY

The maintenance and integrity of the Metals Exploration plc website 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 PROFIT AND LOSS ACCOUNT for the year ended 30 SEPTEMBER 2007

			(Restated)
		2007	*2006*
	Notes	*£*	*£*
Turnover		–	–
Administrative expenses		(2,754,740)	(2,588,059)
Operating loss		(2,754,740)	(2,588,059)
Interest receivable		178,898	30,875
Interest payable	4	(33,260)	(478)
Loss on ordinary activities before taxation	5	(2,609,102)	(2,557,662)
Tax on loss on ordinary activities	7	–	–
Loss after tax		(2,609,102)	(2,557,662)
Minority interest		5,366	3,564
Loss for the year	17	(2,603,736)	(2,554,098)
Basic and diluted loss per share	8	3.34p)	(5.01p)

The Company has taken advantage of Section 230 of the Companies Act 1985 not to publish its own profit and loss account

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 30 SEPTEMBER 2007

		(Restated)
	2007	*2006*
	£	£
Loss for the period	(2,603,736)	(2,554,098)
Currency translation difference	(9,900)	–
Total recognised losses relating to the year	(2,613,636)	(2,554,098)
Prior year adjustment as explained in note 1	(1,432,448)	–
Total losses recognised since last annual report	(4,046,084)	–

CONSOLIDATED BALANCE SHEET as at 30 SEPTEMBER 2007

			(Restated)
		2007	*2006*
	Notes	*£*	*£*
Fixed assets			
Intangible assets	9	6,709,269	2,011,023
Tangible assets	11	219,640	95,524
Quoted investment	12	281,114	–
		7,210,023	2,106,547
Current assets			
Debtors	13	506,075	107,776
Cash at bank		3,934,511	371,501
		4,440,586	479,277
Creditors: amounts falling due within one year	14	(458,449)	(234,554)
Net current assets		3,982,137	244,723
Creditors: amounts falling due after one year	14	(2,030,082)	–
Net assets		9,162,078	2,351,270
Capital and reserves			
Called up share capital	15	913,738	556,953
Share premium account	17	11,851,563	2,696,623
Shares to be issued	17	1,737,575	1,524,448
Profit and loss account	17	(5,344,648)	(2,731,012)
Shareholders funds		9,158,229	2,047,012
Minority interests		3,849	304,258
Total capital employed		9,162,078	2,351,270

The accounts were approved by the Board of Directors on 26 March 2008 and were signed on its behalf by:

S M Smith
Non-Executive Chairman

CONSOLIDATED BALANCE SHEET as at 30 SEPTEMBER 2007

	Notes	*2007* £	*(Restated) 2006* £
Fixed assets			
Intangible assets	9	74,593	692,572
Tangible assets	11	2,305	–
Quoted investment	12	1,957,984	549,132
		2,034,882	1,241,704
Current assets			
Debtors	13	7,228,281	1,074,359
Cash at bank		3,551,555	337,259
		10,779,836	1,411,618
Creditors: amounts falling due within one year	14	(170,314)	(158,823)
Net current assets		10,609,522	1,252,795
Creditors: amounts falling due after one year	14	(2,030,082)	–
Net assets		10,614,322	2,494,499
Capital and reserves			
Called up share capital	15	913,738	556,953
Share premium account	17	11,851,563	2,696,623
Shares to be issued	17	1,737,575	1,524,448
Profit and loss account	17	(3,888,554)	(2,283,526)
		10,614,322	2,494,499

The accounts were approved by the Board of Directors on 26 March 2008 and were signed on its behalf by:

S M Smith
Non-Executive Chairman

CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 SEPTEMBER 2007

	Notes	*2007* £	*(Restated)* *2006* £
Net cash outflow from operating activities	19	(2,239,610)	(862,400)
Returns on investments and servicing of finance			
Interest received		178,898	30,875
Interest paid		(3,178)	(478)
Net cash inflow from returns on investments and servicing of finance		175,720	30,397
Capital expenditure			
Payments to acquire shares in quoted company		(532,159)	–
Payments to acquire intangible fixed assets		(1,299,130)	(755,928)
Payments to acquire tangible fixed assets		(167,420)	(110,878)
Net cash outflow from capital expenditure		(1,998,709)	(866,805)
Acquisitions			
Payment to acquire 15% in FCF		(3,817,114)	–
Financing			
Issue of convertible loan note		2,000,000	–
Issue of ordinary share capital (net of expenses)		9,442,723	891,622
Increase/(decrease) in cash in the year	20	3,563,010	(807,186)

NOTES TO THE ACCOUNTS for the year ended 30 SEPTEMBER 2007

1 Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice. A summary of the more important accounting policies adopted are described below.

Basis of accounting

The accounts have been prepared under the historical cost convention.

Basis of consolidation

The Group accounts consolidate those of the Company and its subsidiary undertakings using the acquisition method of accounting.

Share Based Payments

The Company issues equity-settled share-based payments to certain employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The year ended 30 September 2006 figures have been restated to comply with the provisions of Financial Reporting Standard 20 to recognise the expense, measured at fair value, in respect of share based payments made by the Company. The calculation of the fair value of employee share options and warrants has resulted in the prior year loss increasing by £1,432,448.

Intangible fixed assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over it's useful economic life, which is 20 years. Provision is made for any impairment in value.

Exploration and development costs

Costs relating to the acquisition, exploration and development of mineral properties are capitalised until such time as an economic reserve is defined and mining commences or the mining property is abandoned.

Once mining commences the asset is amortised on a depletion percentage basis. Provision is made for impairments to the extent that the asset's carrying value exceeds its net recoverable amount.

Tangible fixed assets

Depreciation is provided to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold improvements	–	5 years
Motor vehicles	–	5 years
Fixtures, fittings & equipment	–	3 years

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Deferred taxation

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

Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the profit and loss account. Exchange differences arising from the translation of the net investment in a subsidiary Company at the rate of exchange ruling at the balance sheet date and that subsidiary's profit and loss account at an average rate for the year, are recorded as movements on reserves.

Leases

Assets held under finance leases and related lease obligations are recorded in the balance sheet at the fair value of the leased asset at the inception of the lease. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges, which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

2. Segmental reporting

The Group's operating loss is derived from the Company's principal activities based in the Philippines, with a Head Office function based in the UK.

Operating loss by geographical location

	2007	*(Restated) 2006*
	£	£
United Kingdom	1,605,028	2,110,178
Philippines	698,982	447,484
Indonesia	305,092	–
Operating loss before tax	2,609,102	2,557,662

Net assets by geographical location

	2007	*(Restated) 2006*
	£	£
United Kingdom	3,187,841	947,199
Philippines	5,759,369	1,404,071
Indonesia	214,867	–
Net assets	9,162,077	2,351,270

3. Directors' emoluments and employee information

	2007	*2006*
	£	*£*
Directors' emoluments		
S M Smith*	80,000	60,000
P C Barnett* (resigned 25 April 2006)	–	18,000
K D Mahoney* (resigned 6 November 2006)	1,000	8,000
G R Powell	126,382	56,790
J M K Pearson* (appointed 1 May 2007)	12,500	–
J Beardsworth (appointed 4 September 2006)	194,500	8,000
	414,382	150,790

* - Non-executive directors

No directors accrued retirement benefits under a money purchase pension scheme.

Warrants to directors

The warrants held by directors are as follows:

Warrant holder	*Date*	*Exercise price*	*Exercise period (from date of grant)*	*Number of shares Under Warrant*
G R Powell	3 November 2005	12p	Up to 7 years	1,000,000
	3 November 2005	40p	Up to 7 years	500,000
Reef Securities Limited*	30 September 2005	3.25p	Up to 7 years	1,000,000
	3 November 2005	20p	Up to 7 years	500,000
P C Barnett	3 November 2005	20p	Up to 7 years	500,000
	3 November 2005	40p	Up to 7 years	500,000
J Beardsworth	30 April 2007	26.25p	Up to 1 year	1,000,000
	30 April 2007	39.375p	Up to 2 years	1,000,000
	30 April 2007	52.5p	Up to 3 years	500,000

* Reef Securities Limited is a company controlled by S M Smith.

Employee Information

	2007	*2006*
	£	*£*
Wages and salaries (including directors)	880,311	281,553
Social security costs	43,980	7,356
	924,291	288,909

The average number of persons employed by the Group was as follows:

	2007 Number	*2006 Number*
Head office (including directors)	43	19
Exploration	199	117
	242	136

4. Interest payable

	2007	2006
	£	£
Convertible loan and overdrafts	33,260	478

5. Loss on ordinary activities before taxation is stated after charging:

	2007	2006
	£	£
Impairment of fixed asset investment	251,045	332,897
Depreciation	43,304	15,354
Amortisation of goodwill	70,568	–
Auditors' remuneration (see note 6)	25,003	49,238
Foreign exchange translation	53,855	1,974

6. Auditor's remuneration:

	2007	2006
	£	£
Fees payable to the auditors for the audit of the annual accounts:	20,003	30,000
Fees payable to the company's auditors and its associates for other services:		
Other services relating to taxation	5,000	19,238
	25,003	49,238

7. Tax on loss on ordinary activities

		2007	2006
		£	£
(a)	*UK corporation tax at 30%*	–	–
(b)	*Factors affecting tax charge for period*	£	£
	Loss on ordinary activities before tax	(2,603,736)	(1,121,650)
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK at 30%	(781,121)	(336,495)
	Effects of:		
	Income not taxable	(54,809)	(96,957)
	Expenses not deductible for tax purposes	532,658	–
	Short term timing differences	(532,494)	–
	Tax losses carried forward	835,765	433,452
	Current tax charge for year	–	–

A deferred tax asset of £1,143,651 (2006: £486,046) due to on-going tax losses has not been recognised due to uncertainty over its future reversal.

8. Loss per share

Basic loss per share has been calculated on the basis of loss after taxation of £2,603,736 (2006: £2,554,098) divided by the weighted average number of shares in the year of 77,872,958 (2006: 50,970,424).

The diluted loss per share calculation is identical to that used for basic loss per share as the exercise of warrants and share options would have the effect of reducing the loss per share and therefore is not dilutive under the terms of Financial Reporting Standard 22: "Earnings per Share".

9. Intangible fixed assets – Group

	Cost of Exploration £	*Licences* £	*Goodwill* £	*Total* £
Cost				
At 30 September 2006	1,556,686	74,593	712,641	2,343,920
Additions	1,299,130	–	–	1,299,130
On acquisition of 15% of FCF	–	2,756,099	1,057,167	3,813,266
Disposals	(332,897)	–	–	(332,897)
Foreign exchange adjustment	11,019	–	–	11,019
Deferred consideration no longer due *	–	–	(54,192)	(54,192)
Misallocation of goodwill **	–	–	(300,409)	(300,409)
At 30 September 2007	2,533,938	2,830,692	1,415,207	6,779,837
Amortisation and impairment				
At 30 September 2006	332,897	–	–	332,897
Charge for the year	–	–	70,568	70,568
Disposals	(332,897)	–	–	(332,897)
At 30 September 2007	–	–	70,568	70,568
Net Book Value				
30 September 2007	2,533,938	2,830,692	1,344,639	6,709,269
30 September 2006	1,223,789	74,593	712,641	2,011,023

* As at 30 September 2005, the consideration on the initial acquisition of 70% in FCF included deferred consideration which was no longer due as at 30 September 2007 as a result of the additional 15% acquisition in FCF in the year

** In the year ended 30 September 2005, goodwill and minority interest on the initial acquisition of 70% in FCF was misallocated.

Intangible fixed assets – Company

	Cost of Exploration £	*Licences* £	*Total* £
Net Book Value			
At 30 September 2006	617,979	74,593	692,572
Reclassified to intercompany	(617,979)	–	(617,979)
At 30 September 2007	–	74,593	74,593

In the year ended 30 September 2007, intangible fixed assets in the Company were reclassified to a subsidiary company as the assets were initially purchased by the Company on behalf of the subsidiary company.

10. Analysis of 15% acquisition in FCF

On 10 August 2007, the Company acquired 15% of FCF Mining Corporation ("FCF") for a cash consideration of £3,817,114.

The book value and fair value of the net assets acquired were as follows:

	£
Cash consideration paid	3,817,114
Licence acquired	(2,756,099)
Net assets acquired	(3,849)
Goodwill on acquisition	1,057,167

11 Tangible fixed assets – Group

	Leasehold Improvements £	*Motor vehicles* £	*Fixtures, fittings & equipment* £	*Total* £
Cost				
1 October 2006	20,106	25,768	65,004	110,878
Additions	15,696	93,601	58,123	167,420
30 September 2007	35,802	119,369	123,127	278,298
Depreciation				
1 October 2006	1,745	4,877	8,732	15,354
Charge for the year	5,381	11,610	26,313	43,304
30 September 2007	7,126	16,487	35,045	58,658
Net book value				
30 September 2007	28,676	102,882	88,082	219,640
30 September 2006	18,361	20,891	56,272	95,524

11. Tangible fixed assets – Company

	Fixtures, fittings & equipment £	*Total* £
Cost		
1 October 2006	–	–
Additions	3,429	3,429
30 September 2007	3,429	3,429
Depreciation		
1 October 2006	–	–
Charge for the year	1,124	1,124
30 September 2007	1,124	1,124
Net book value		
30 September 2007	2,305	2,305
30 September 2006	–	–

12. Investments – Group

	Investment in quoted company £	*Total* £
Cost		
At 30 September 2006	–	–
Additions	532,159	532,159
At 30 September 2007	532,159	532,159
Provision for impairment		
At 30 September 2006	–	–
Charge for the year	251,045	251,045
At 30 September 2007	251,045	251,045
Net book value		
30 September 2007	281,114	281,114
30 September 2006	–	–

12. Investments – Company

	Investment in subsidiary companies £	*Investments in quoted company* £	*Total* £
Cost			
At 30 September 2006	882,029	–	882,029
Additions	1,127,738	532,159	1,659,897
At 30 September 2007	2,009,767	532,159	2,541,926
Provision for impairment			
At 30 September 2006	332,897	–	332,897
Charge for the year	–	251,045	251,045
At 30 September 2007	332,897	251,045	583,942
Net book value			
30 September 2007	1,676,870	281,114	1,957,984
30 September 2006	549,132	–	549,132

The investments in subsidiary companies are as follows:

Company	*Country of registration*	*% holding*	*Nature of business*
FCF Mining Corporation	Philippines	85%	Holder of mining rights
PT Cupati	Indonesia	96%	Holder of mining rights
MTL Philippines	Philippines	100%	Trading Mining Operation

The accounting reference dates of the Company’s subsidiaries MTL Philippines, PT Cupati and FCF Mining Corporation which are included in the Group accounts are 31 December. This does not coincide with the end of the financial year for the parent Company and as such, the accounts have been prepared using the accounts of the subsidiary undertakings for their financial year ending before and the management accounts up to the parent's financial year-end. PT Cupati and FCF Mining Corporation are subsidiary undertakings, which hold mining rights only and as such, there is no significant trading activity during the period under review that would impact the consolidation. The Company intends to review alignment of the financial year-end's of all the Group's companies in the near future in particular to align MTL Philippines with the parent.

FCF Mining Corporation

At the beginning of the year, the Company had an interest of 70% in FCF Mining Corporation ("FCF").

On 10 August 2007, the Company entered into a contract with Filminera Resources Corp ("FRC") by which it acquired all the remaining shares in FCF owned by FRC comprising 15% of FCF's total issued share capital. Consequently, the Company now owns 85% of the shares in FCF and also has an interest in the remaining 15% of the FCF shares, by virtue of the exclusive option to acquire these shares which it was granted under an agreement with Christian Mining Inc in November 2005.

PT Cupati

In July 2007, the Company set up a mining company in Indonesia named PT Cupati and acquired 96% of its shares at a price of £119,429. The remaining 4% shareholder is Peter Draper who is a director of MTL Philippines. Also in July 2007, the Company acquired mining rights from PT Batan Pelei Mining ("BPM") at a cost of US$100,000.

Investment in Quoted Company

As at the balance sheet date, the investment has been impaired due to a fall in the market value of the shares in the quoted company.

13. Debtors

	Group		*Company*	
	2007	*2006*	*2007*	*2006*
	£	£	£	£
Other debtors	417,379	26,210	15,554	–
Amounts due from group undertakings	–	–	7,155,604	993,166
Prepayments	88,696	81,566	57,123	81,193
	506,075	107,776	7,228,281	1,074,359

14. **Creditors:** amounts falling due within one year

	Group		*Company*	
	2007	*2006*	*2007*	*2006*
	£	£	£	£
Other creditors	71,296	–	71,296	–
Taxation and Social Security	39,708	5,769	28,602	–
Finance leases	14,458	5,079	–	–
Accruals	332,987	223,706	70,416	158,823
	458,449	234,554	170,314	158,823

Creditors: amounts falling due after more than one year

	Group		*Company*	
	2007	*2006*	*2007*	*2006*
	£	£	£	£
Convertible Loan Note	2,030,082	–	2,030,082	–
	2,030,082	–	2,030,082	–

The £2,030,082 convertible loan note, unless previously repaid or converted, is due to be redeemed at par on 1 August 2011. Interest is payable at £180,493 per annum. The note may be converted at any time in multiples of £50,000 into ordinary shares and the rate of conversion will be 1p nominal amount of ordinary shares for every 52p nominal of the notes converted. Conversion is at the option of the Note holder.

15. **Called up share capital**

	2007	*2006*
	£	£
Authorised		
250,000,000 (2006: 150,000,000) ordinary shares of 1p each	2,500,000	1,500,000
Allotted, called up and fully paid		
91,373,795 (2006: 55,695,248) ordinary shares of 1p each	913,738	556,953

In the year, the Company increased the authorised share capital to 250,000,000 ordinary shares of 1p each.

During the year the Company issued the following ordinary 1p shares:

1,000,000 ordinary shares at a price of 3.25p per share, realising £32,500.

400,000 ordinary shares at a price of 11.5p per share in consideration for receipt of a 70% stake in FCF Mining Corporation.

300,000 ordinary shares at a price of 12p per share, realising £36,000.

3,216,047 ordinary shares at a price of 20p per share, realising £643,209.

20,000,000 ordinary shares at a price of 25p per share, realising £5,000,000.

10,762,500 ordinary shares at a price of 40p per share, realising £4,305,000.

16. Share based payments

Share options

The Company operates one share option scheme named the Unapproved Share Option Scheme 2006 ("Share Option Plan") adopted on 29 March 2006.

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

Under the Company's Share Option Plan, options are 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.

Details of the total share options outstanding during the period are as follows:

	30 September 2007		*30 September 2006*	
	No of share Options	*Weighted average exercise price (p)*	*No of share options*	*Weighted average exercise price (p)*
Outstanding at beginning of period	1,200,000	1.65	–	–
Granted during period	2,000,000	11.00	1,200,000	1.65
Outstanding at end of period	3,200,000	12.65	1,200,000	1.65
Exercisable at end of the period	–	–	–	–

No share options were exercised in the period.

The exercise price of the share options outstanding at 30 September 2007 ranged from 12p to 26.25p, with a weighted average contractual life of 3 years.

The aggregate of the estimated fair value of the options at 30 September 2007 is £227,898 (30 September 2006: £42,822).

The inputs into the Black Scholes model for the Share Option Plan which was used to value options are as follows:

	30 September 2007	*30 September 2006*
Weighted average share price	34p	31p
Weighted average exercise price	26p	12p
Expected volatility	59.8%	102.2%
Expected life	7	7
Risk free rate	6.3%	3.5%
Expected dividend yield	Nil	Nil

Warrants

At 30 September 2007, there were 15.5 million warrants in issue that had not yet been exercised, which are exercisable at any time up to and including the 3 November 2012 with prices ranging from 3.25 pence up to 52 pence.

The aggregate of the estimated fair value of the warrants at 30 September 2007 is £1,486,678 (30 September 2006: £1,389,626).

The inputs into the Black Scholes model which was used to value warrants are as follows:

	30 September 2007	*30 September 2006*
Weighted average share price	34p	23p
Weighted average exercise price	37p	24p
Expected volatility	59.8%	85.1-103.9%
Expected life	7	7
Risk free rate	6.3%	3.5%
Expected dividend yield	Nil	Nil

17. Reserves – Group

	Shares to be issued £	*Share Premium* £	*Profit & Loss Account* £	*Total* £
At 30 September 2006	92,000	2,696,623	(1,298,564)	1,490,059
Prior year adjustment	1,432,448	–	(1,432,448)	–
At 30 September 2006 (Restated)	1,524,448	2,696,623	(2,731,012)	1,490,059
Loss for the year	–	–	(2,603,736)	(2,603,736)
Exchange movement	–	–	(9,900)	(9,900)
Share issue	(46,000)	9,705,925	–	9,659,925
Cancellation of shares to be issued	(23,000)	–	–	(23,000)
Movement in share options	282,127	–	–	282,127
Issue expenses	–	(550,985)	–	(550,985)
At 30 September 2007	1,737,575	11,851,563	(5,344,648)	8,244,490

Reserves – Company

	Shares to be issued £	*Share Premium* £	*Profit & Loss Account* £	*Total* £
At 30 September 2006	92,000	2,696,623	(851,077)	1,937,546
Prior year adjustment	1,432,448	–	(1,432,448)	–
At 30 September 2006 (Restated)	1,524,448	2,696,623	(2,283,526)	1,937,546
Loss for the year	–	–	(1,605,028)	(1,605,028)
Share issue	(46,000)	9,705,925	–	9,659,925
Cancellation of shares to be issued	(23,000)		–	(23,000)
Movement on share options	282,127	–	–	282,127
Issue expenses	–	(550,985)	–	(550,985)
At 30 September 2007	1,737,575	11,851,563	(3,888,554)	9,700,585

18. Reconciliation of movements in Shareholders' funds – Group

	2007 £	*(Restated)* 2006 £
Loss for the year	(2,603,736)	(2,554,098)
Issue of share capital	9,465,726	1,038,622
Movement on share options	282,127	1,432,448
Cancellation of shares to be issued	(23,000)	(147,000)
Exchange movement	(9,900)	–
Net change in the year	7,111,217	(230,028)
Opening shareholders' funds	2,047,012	2,277,040
Closing shareholders' funds	9,158,229	2,047,012

19. Reconciliation of operating loss to net cash outflow from operating activities

	2007 £	*(Restated)* 2006 £
Operating loss	(2,754,740)	(2,588,059)
Depreciation	43,304	15,354
Amortisation of goodwill	70,568	–
Share based payments	282,128	1,432,448
Increase in debtors	(398,299)	(96,572)
Increase in creditors	287,302	41,533
Impairment of fixed asset investments	251,045	332,897
Foreign exchange movement	(20,918)	–
Net cash outflow from operating activities	(2,239,610)	(862,400)

20. Reconciliation of net cash flow to movement in net funds

	2007 £	2006 £
Increase/(decrease) in cash in the period	3,563,010	(807,186)
Issue of convertible loan note	(2,000,000)	–
Net funds at 1 October 2006	371,501	1,178,687
Net funds at 30 September 2007	1,934,511	371,501

21. Analysis of funds

	1 October 2006 £	*Cash flow* £	*30 September 2007* £
Cash in hand, at bank	371,501	3,563,010	3,934,511
Convertible loan note	–	(2,000,000)	(2,000,000)
Total	371,501	1,563,010	1,934,511

22. Related party transactions

The Group paid £12,280 (2006: £13,055) to Amity Events Limited, a Company of which S M Smith is a director. Amity Events are a corporate entertainment Company specialising in organising events at exclusive venues such as Royal Ascot. The Company uses their services for organising events on its behalf to assist the Company's active on going marketing and fundraising campaigns by hosting events for its potential shareholders and investors.

23. Post balance sheet events

On 22 October 2007, the Company issued 2,025,000 unapproved share options to various employees at a price of 40 pence per share, which can be exercised after two years from the grant date.

On 22 October 2007, the Company issued 200,000 warrants to Fitel Nominees Limited at 8 pence per share.

On 12 December 2007, the Company made a cash payment of US$65,000 to Christian Mining Inc in respect of the Company's obligation to pay an annual fee for the option to purchase the remaining 15% of FCF Mining Corporation under the agreement entered into on 14 November 2005.

On 22 January 2008, the Company made a cash payment of US$20,000 and on 5 February 2008, the Company issued 200,000 ordinary shares to Christian Mining Inc as the final deferred consideration for purchasing the initial holding of 70% of FCF Mining Corporation under the agreement entered into 1 February 2005.

24. Financial instruments

The Company's financial instruments comprise a convertible loan note, cash at bank and various items such as other debtors and creditors that arise directly from its operations and are therefore excluded from the disclosures. The main purpose of these instruments is to provide finance for operations. The Company does not trade financial instruments as a matter of policy.

Interest rate risk profile on financial assets

The only financial assets (other than the costs of exploration and short term debtors) are cash at bank which comprised an average interest rate in the year of 4.9%. The Directors believe the fair value of the financial instruments is not materially different to the book value.

Currency exposure

At the year-end, the Company's currency exposure is predominantly to the US dollar, with payments made for costs of exploration in this currency. The Company does not have a formal policy in place to manage this currency risk, but the Directors monitor the Company's exposure on a regular basis. The remaining other assets and liabilities of the Group are in Sterling.