

Metals Exploration plc

Interim Financial Statements

The directors of Metals Exploration plc (“Metals Ex” or “the Company” or “the Group”) (AIM: MTL), the UK based precious and base metals exploration company with a focus on the Pacific Rim region, are pleased to announce the Group’s unaudited interim results for the six month period ended 30 June 2009.

Chairman’s Statement

In the last Chairman’s statement, I detailed some of the reasons for my confidence in the future of the Group including the ongoing support from our major shareholder Solomon Capital Limited (“Solomon”), the progress of the Feasibility Study and the endorsement of our Financial and Technical Assistance Agreement (“FTAA”) application to the Office of the President of the Republic of the Philippines.

I am pleased to report that Solomon’s interest in the Company has increased from 29.9% to 44.1% following solid backing from non-Solomon shareholders at the extraordinary general meeting held at the end of July. As a result a further 54.6 million shares were issued to Solomon for a consideration of £6.28 million. Solomon has now committed more than £11 million to the Company in the six month period to 30 June 2009. These funds should allow us to complete the Feasibility Study without the need for further funding, as well as allowing the retirement of the £8 million loan facility provided by Shelfco 725 Limited in January 2009.

In addition to the completion of the Feasibility Study, funds have been set aside for exploration drilling over and above that required to bring the resource into predominantly Measured and Indicated status. Step out drilling, to determine the continuity and extent of the ore body outside the current resource area, as well as a deep drilling programme to test for copper porphyry in the centre of the dome, are both planned at Runruno. Positive results from either set of holes would create value for the Company by adding ounces to the known resource and extending the life of the mine, or through the discovery of a viable porphyry system.

We are now half way through the Feasibility Study, which should report at the end of January 2010. In the last set of accounts I reported that the Drilling Division, established to take control of the drilling required for the Feasibility Study in order to reduce our reliance on contractors, had drilled 15,000 metres of the required 65,000 metres. This has now increased to 45,000 metres and resource updates will be released in due course. Testwork on molybdenum recoveries are progressing well, and we will update shareholders in due course.

In March, our FTAA application was endorsed to the Office of the President by the Department of Environment and Natural Resources (“DENR”). The application is ongoing, and we look forward to the completion of the process. In the meantime, the Exploration Permit which currently allows our subsidiary, FCF Minerals Corporation, to continue operations as usual until the FTAA is granted, has been renewed. This should give shareholders comfort in the security of our tenure at Runruno, and confidence that the Feasibility Study will continue as planned.

We will continue to update shareholders as we progress at Runruno, and look forward to a constructive six months ahead.

I R Holzberger

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Consolidated statement of total comprehensive income

		<i>6 month period ended 30 June 2009</i>	<i>6 month period ended 31 March 2008</i>	<i>3 month period ended 31 December 2008</i>	<i>Year ended 30 September 2008</i>
	<i>Note</i>	<i>(unaudited) £</i>	<i>(unaudited) £</i>	<i>(audited) £</i>	<i>(audited) £</i>
Continuing Operations					
Revenue		–	–	–	–
Cost of sales		–	–	–	–
		–	–	–	–
Gross loss		–	–	–	–
Administrative expenses		(1,807,547)	(481,191)	(500,892)	(3,259,863)
Analysed as follows:					
Foreign exchange (losses)/gains	3	(75,222)	1,257,709	173,973	153
Other administrative expenses		(1,732,325)	(1,738,900)	(674,865)	(3,260,016)
Total administrative expenses		(1,807,547)	(481,191)	(500,892)	(3,259,863)
Operating loss		(1,807,547)	(481,191)	(500,892)	(3,259,863)
Finance income		3,057	52,622	6,695	106,978
Finance costs		(99,346)	(95,147)	(27,791)	(285,868)
Loss before taxation		(1,903,836)	(523,716)	(521,988)	(3,438,753)
Taxation		–	–	–	–
Loss for the period		(1,903,836)	(523,716)	(521,988)	(3,438,753)
Other comprehensive income:					
Exchange differences on translating foreign operations		(858,024)	(116,048)	2,605,857	650,398

Total comprehensive income/(loss) for the period	(2,761,860)	(639,764)	2,083,869	(2,788,355)
Loss for the period attributable to:				
Equity holders of the parent	(1,810,288)	(618,833)	(490,594)	(3,516,433)
Minority interest	(93,548)	95,117	(31,394)	77,680
	(1,903,836)	(523,716)	(521,988)	(3,438,753)
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	(2,577,999)	(734,881)	1,669,405	(2,918,506)
Minority interest	(183,861)	95,117	414,464	130,151
	(2,761,860)	(639,764)	2,083,869	(2,788,355)
Loss per share:				
Basic and diluted	4 (1.04)p	(0.68)p	(0.44)p	(3.55)p

Consolidated interim balance sheet

	<i>As at 30 June 2009 (unaudited) £</i>	<i>As at 31 March 2008 (unaudited) £</i>	<i>As at 31 December 2008 (audited) £</i>	<i>As at 30 September 2008 (audited) £</i>
Non-current assets				
Property, plant and equipment	1,175,384	409,441	1,341,807	965,575
Goodwill	1,010,816	1,432,152	1,010,816	1,010,816
Other intangible assets	13,194,077	7,373,472	11,608,254	8,958,889
Investments designated at fair value through profit and loss	334,378	224,891	201,219	183,464
Trade and other receivables	456,852	-	356,230	275,113
	16,171,507	9,439,956	14,518,326	11,393,857
Current assets				
Trade and other receivables	498,203	321,132	340,328	267,843
Cash and cash equivalents	5,643,226	1,500,644	731,313	1,955,210
	6,141,429	1,821,776	1,071,641	2,223,053
Current liabilities				
Trade and other payables	(584,122)	(397,500)	(308,795)	(432,551)
	(584,122)	(397,500)	(308,795)	(432,551)
Non-current liabilities				
Long-term borrowings	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Net assets	19,728,814	8,864,232	13,281,172	11,184,359
Equity				
Share capital	2,150,724	917,738	1,122,838	1,122,838

Share premium account	23,414,449	11,886,563	15,503,969	15,503,969
Shares to be issued reserve	2,559,105	1,971,719	2,287,969	2,275,025
Translation reserve	1,980,315	(125,948)	2,748,026	588,027
Profit and loss account	(10,740,382)	(5,890,170)	(8,930,094)	(8,439,500)
Equity attributable to equity holders of the parent	19,364,211	8,759,901	12,732,708	11,050,359
Minority interest	364,603	104,332	548,464	134,000
Total Equity	19,728,814	8,864,232	13,281,172	11,184,359

Consolidated interim statement of changes in equity

	<i>Share capital</i>	<i>Share premium account</i>	<i>Shares to be issued reserve</i>	<i>Translation reserve</i>	<i>Minority interest</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£	£	£	£	£
Balance at 1 October 2007	913,738	11,851,563	1,737,575	(9,900)	3,849	(4,923,067)	9,573,758
Total comprehensive income/(loss) for the period	-	-	-	597,927	130,151	(3,516,433)	(2,788,355)
Movement in share based payments	-	-	537,450	-	-	-	537,450
Issue of equity share capital	209,100	3,895,900	-	-	-	-	4,105,000
Share issue expenses	-	(243,494)	-	-	-	-	(243,494)
Balance at 30 September 2008 (audited)	1,122,838	15,503,969	2,275,025	588,027	134,000	(8,439,500)	11,184,359

Consolidated interim statement of changes in equity (continued)

	<i>Share capital</i>	<i>Share premium account</i>	<i>Shares to be issued reserve</i>	<i>Translation reserve</i>	<i>Minority interest</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£	£	£	£	£
Balance at 1	1,122,838	15,503,969	2,275,025	588,027	134,000	(8,439,500)	11,184,359

October 2008

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 at 31 December 2008 (audited)	1,122,838	15,503,969	2,287,969	2,748,026	548,464	(8,930,094)	13,281,172

Consolidated interim statement of changes in equity (continued)

	<i>Share capital</i>	<i>Share premium account</i>	<i>Shares to be issued reserve</i>	<i>Translation reserve</i>	<i>Minority interest</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£	£	£	£	£
Balance at 1 January 2009	1,122,838	15,503,969	2,287,969	2,748,026	548,464	(8,930,094)	13,281,172
Total comprehensive income/(loss) for the period	-	-	-	(767,711)	(183,861)	(1,810,288)	(2,761,860)
Movement in share based payments	-	-	271,136	-	-	-	271,136
Issue of equity share capital	1,027,886	8,415,489	-	-	-	-	9,443,375
Share issue expenses	-	(505,009)	-	-	-	-	(505,009)
Balance at 30 June 2009 (unaudited)	2,150,724	23,414,449	2,559,105	1,980,315	364,603	(10,740,382)	19,728,814

Consolidated interim cash flow statement

	<i>6 month period ended 30 June 2009</i>	<i>6 month period ended 31 March 2008</i>	<i>3 month period ended 31 December 2008</i>	<i>Year ended 30 September 2008</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
	£	£	£	£
Operating activities				
Loss after taxation	(1,903,836)	(523,716)	(521,988)	(3,438,753)
Depreciation	148,040	109,609	80,358	106,742
Amortisation	8,349	-	36,824	46,901
Revaluation of investment designated at fair value through (profit) and loss	(133,159)	-	(17,755)	97,650
Share based payment expense	271,136	257,143	12,944	560,449
Net interest payable	96,287	42,525	38,851	81,241
Increase in receivables	(258,499)	(11,256)	(153,602)	(248,394)
Increase/(decrease) in payables	275,327	(134,058)	(123,755)	(63,138)
Foreign exchange differences	504,180	(1,180,583)	(138,473)	(253,105)
Cash used in operations	(992,175)	(1,440,336)	(786,596)	(3,110,407)
Interest received	3,057	52,622	6,695	106,978
Interest paid	(99,346)	(125,229)	(45,546)	(188,218)
Net cash used in operating activities	(1,088,464)	(1,512,943)	(825,447)	(3,191,647)
Investing activities				
Purchase of intangible assets	(2,782,520)	(670,628)	(506,778)	(2,179,646)
Purchase of property, plant and equipment	(115,739)	(266,295)	(228,686)	(868,671)
Net cash used in investing activities	(2,898,259)	(936,924)	(735,464)	(3,048,317)
Financing activities				
Proceeds from issue of share capital	8,938,366	16,000	-	3,838,506
Net cash from financing activities	8,938,366	16,000	-	3,838,506
Net increase/(decrease) in cash and cash equivalents	4,951,643	(2,433,866)	(1,560,911)	(2,401,458)
Cash and cash equivalents at beginning of period	731,313	3,934,510	1,955,210	3,934,510
Foreign exchange differences	(39,730)	-	337,014	422,158

**Cash and cash equivalents at
end of period**

5,643,226 1,500,644 731,313 1,955,210

Notes to the consolidated interim financial statements

1 General information

Metals Exploration plc is the parent company of the Group. Its shares are listed on the AIM market of the London Stock Exchange. The registered address of Metals Exploration plc is 200 Strand, London, WC2R 1DJ.

These consolidated interim financial statements were approved by the Board of Directors on 27 August 2009.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory accounts for the year ended 30 September 2008 and the three month period ended 31 December 2008, prepared under International Financial Reporting Standards ("IFRS"), were filed with the Registrar of Companies. The auditors' reports on these accounts were unqualified and did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and, did not contain any statements under Section 237 (2) or Section 237 (3) of the Companies Act 1985 or, Section 498 (2) or Section 498 (3) of the Companies Act 2006 respectively.

2 Basis of preparation

These consolidated interim financial statements are for the six month period ended 30 June 2009. They have been prepared in accordance with IFRS as adopted by the EU with the exception of IAS 34. IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Board of Directors expect to be applicable as at 31 December 2009.

The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2008 and the three month period ended 31 December 2008.

These financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

Except as described below, the accounting policies applied in the financial statements are consistent with those disclosed in the financial statements for the three month period ended 31 December 2008.

The presentation of the primary financial statements have been modified in order to comply with IAS 1 (revised). However, the revised standard has no impact on the reported results or financial position of the Group.

3 Foreign exchange gains and losses

Foreign exchange gains and losses on intercompany balances between the Company and its subsidiaries for the year ended 30 September 2008 were taken to the translation reserve within equity on consolidation. No adjustment has been made to the comparative unaudited interim financial statements for the six month period ended 31 March 2008 where these gains and losses were recorded in the income statement.

4 Loss per share

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.

	<i>6 month period ended 30 June 2009 (unaudited) £</i>	<i>6 month period ended 31 March 2008 (unaudited) £</i>	<i>3 month period ended 31 December 2008 (audited) £</i>	<i>Year ended 30 September 2008 (audited) £</i>
Loss				
Net loss attributable to equity shareholders for the purpose of basic and diluted loss per share	(1,810,288)	(618,833)	(490,594)	(3,516,433)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	173,368,944	91,607,128	112,283,795	99,076,462
Basic and diluted loss per share	<u>(1.04)p</u>	<u>(0.68)p</u>	<u>(0.44)p</u>	<u>(3.55)p</u>

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, it is anti-dilutive.