CONTENTS

DIRECTORS AND ADVISERS

Directors	I R Holzberger *(Executive Chairman)* J P B Beardsworth *(Chief Executive)* G R Powell *(Executive Director)* T G Wheeler *(Finance Director)* J M K Pearson *(Non-Executive Director)* T J Dean *(Non-Executive Director)*
Company Secretary	J K Sembi
Registered office	200 Strand London WC2R 1DJ
Bankers	National Westminster Bank Plc Hammersmith Branch 22 Kings Mall London W6 0QD
Auditors	Nexia Smith & Williamson Chartered Accountants 25 Moorgate London EC2R 6AY
Nominated Advisor and Broker	Hanson Westhouse Limited One Angel Court London EC2R 7HJ
Solicitors	Kerman & Co LLP 200 Strand London WC2R 1DJ
Registrars	Capita IRG Plc 34 Beckenham Road Beckenham Kent BR3 4TU
Company's registered number	5098945

CHAIRMAN'S STATEMENT

I greet shareholders once again, just three months after publication of our previous Annual Report. The reason for this abbreviated accounting period is simply so that we can align the Company's year end with those of our overseas and operating subsidiaries.

In my Chairman's Statement in the last Annual Report I went into some detail about the condition of the Group and the reasons for my confidence in its future. I do not propose to repeat myself here, but my sentiments remain the same and I commend that previous Statement to you if you have not already had the opportunity to review it.

In the three months since publication of the last Annual Report the Group has moved ahead materially on a number of fronts. I am reluctant to tempt fate, but there are a number of reasons for suggesting that the worst of the economic storms, in so far as they affect us, may now be behind us.

First amongst these is the powerful support of our largest shareholder, Solomon Capital Limited ("Solomon"). In the last few weeks we have been able to announce that Solomon has committed a further £8m into the Company, subject to regulatory and shareholder approval, along with another £4m contributed by new and existing shareholders. This additional injection would increase Solomon's interest in the Company above 29.9% to 44.1% and shareholders will have the opportunity to vote on this proposal at an EGM in due course. I need hardly add that we would not have announced this if it did not have the full support of the Board as being in our view in the best interests of the Company and all shareholders.

This £12m will allow us to complete the bankable feasibility study ("BFS") at Runruno without relying on the £8m loan facility provided earlier by a sister company of Solomon beyond the nominal £0.25m drawn down to date. Indeed it is our intent to terminate the loan facility altogether assuming Solomon's increased investment in the Company receives regulatory and shareholder approval.

Importantly these additional funds will also give us the flexibility to conduct exploration outside the existing resource area with a view to expanding the total resource base. I remind shareholders that the current 2 million ounce resource is contained within an area extending approximately 1.5 kilometres north to south and 500 metres east to west on the western base of the Runruno volcanogenic complex. The diameter of the entire dome is approximately 3.5 kilometres, and the existing resource area covers just a fraction of that total area. We now have the means to start testing the potential of the rest of the dome.

Funds have been allocated to support two distinct exploration programmes: firstly, step-out drilling to the north-east of the existing resource to establish the continuity of the orebody around the base of the dome as suggested in our last resource update dated 13 October 2008; and, secondly, to drill deep into the centre of the dome to test for copper porphyry potential. Success in either programme would add material value to the Group.

Meanwhile at Runruno the BFS is in full swing. At the start of the year the requirement to complete a 65,000 metre drilling programme seemed a daunting prospect. Three months on I am happy to report that we have five drilling rigs operating on site and, at the time of writing, have already completed 15,000 metres of the requirement. Once assays are received back and fed into the geological model we can expect to start announcing regular resource updates through the rest of the year. Our minimum expectation is to be able to convert Inferred ounces into Indicated, and Indicated ounces into Measured. We remain on track to announce the final results of the BFS in the first quarter of next year.

Our permitting process received a welcome boost in March this year with the announcement that our FTAA application had been endorsed by Secretary Lito Atienza of the Department of the Environment and Natural Resources to the Office of the President of the Republic of the Philippines for final approval and sign off. We look forward to final confirmation.

We regularly emphasise the priority we attach to our community and environmental responsibilities. Consequently it was pleasing to receive further recognition of our efforts in March this year at the Asia Mining Congress in Singapore where FCF Minerals Corporation, a subsidiary of the Company, received the

Chairman's Statement (continued)

"Sustainability Award" in recognition of our training of 640 out of school youths in Nueva Viscaya Province. The award was adjudicated and presented by a panel including William Bulmer, Head of the Mining Division at the International Finance Corporation of the World Bank Group.

With all of the above noted, I trust shareholders understand the basis for my continued confidence in the future prospects of the Group:

- We start with a solid resource base of 2 million ounces of gold and associated molybdenum which we can expect to progressively firm up through the course of the year;
- We have the backing of a committed and well resourced major shareholder who, subject to regulatory and shareholder approval, has committed over £11m to the Company already this year;
- This funding allows us to complete the BFS at Runruno, as well as expanding our exploration activities outside the existing resource area with a view to expanding the resource base still further;
- We are at the final stages of our FTAA application process and are waiting for approval by the Office of the President of the Republic of the Philippines;
- And the commitment of the Group and all employees to responsible and sustainable development ensures that we retain the support of the communities amongst whom we operate.

I look forward to reporting further on our progress as the year unfolds.

Ian R Holzberger

I R Holzberger
Executive Chairman

28 May 2009

CHIEF EXECUTIVE'S REVIEW

Despite global markets remaining unsteady, the period from 1 October 2008 has been another positive one for the Group. We have continued to develop our Runruno project with a resource upgrade, the completion of the Scoping Study and subsequent commitment to a Bankable Feasibility Study. Additionally, the FTAA permit has advanced to the Office of the President and we have conditionally raised over £15m through two placings supported by our new major shareholder, Solomon Capital, as well as existing shareholders, and received further international recognition for our community relations program.

In January 2009, we welcomed Solomon Capital as a 29.9% shareholder through its participation in a placing. Subject only to regulatory and shareholder approval, its shareholding is set to increase to 44.1% through their participation in a further two stage placing. Following the completion of this fundraising the debt facility arranged in January with Shelfco 725 Limited (a sister company of Solomon Capital) will be terminated.

Runruno Resource Development

The total geological resource inclusive of low grade dilution currently reports on a JORC-compliant basis, at a lower cut off grade of 0.3 g/t Au, as 31.2 Mt at 2.0 g/t Au and 0.05% Mo – containing 2.0Moz gold and 34.4Mlb molybdenum. The resource estimate is detailed in Measured, Indicated and Inferred categories below.

Runruno Resource Estimate – October 2008

	Tonnes				*Molybdenum*
	(x 10^6)		*Gold (Au)*		*(Mo)*
Resource Category		*g/t*	*oz*	*%*	*lb*
Measured	3.55	2.37	270,000	0.100	7,800,000
Indicated	7.98	1.90	487,000	0.053	9,360,000
Inferred	19.64	1.98	1,248,000	0.040	17,258,000
Total	**31.17**	**2.00**	**2,005,000**	**0.050**	**34,418,000**

The resource has been estimated using the results of all drilling conducted since the Company acquired the project in 2005, together with four diamond drillholes completed between 2000 and 2001 prior to acquisition. The resource has been estimated on the basis of 220 drillholes (32,153 metres) consisting of 119 diamond drillholes (18,756 metres) and 101 RC drillholes (13,397 metres).

The resource estimate was determined by the process of modelling mineralised envelopes which are defined by a natural cut off grade of 0.3 g/t Au. This effectively results in the calculation of a 'diluted' resource by including areas of internal low grade material and an external rind of low grade material into the geological resource. As a consequence the defined mineralised horizons and the diluted resource better represent the actual resource likely to be recovered during a mining operation, after mining dilution and ore losses are accounted for.

Resource Potential

The Company has previously identified potential similarities between the Runruno deposit in the Philippines and the Cripple Creek deposit in Colorado. To explore this potential analogy, the Company commissioned Dr. Eric Jensen PhD, a world renowned expert on alkaline intrusive-associated gold mineralisation, especially Cripple Creek style deposits, to undertake an investigation of the Runruno mineralisation and its host rocks. Dr. Jensen visited Runruno between 7 and 15 February 2008.

The key conclusions from Dr. Jensen's report to the Company following his visit include:

- "In short, the Runruno gold deposit is remarkable in terms of its shared characteristics with other alkaline epithermal deposits, including Cripple Creek, Colorado, and its additional potential as MTL's exploration activities continue and expand."
- "Significant potential for additional discoveries of mineralization seems obvious."

Chief Executive's Review (continued)

Results of limited recent drilling in the north of the deposit, re-interpretation of previous drilling, and mapping of surface exposures of the mineralisation have identified extensions to the sub-horizontal zones of mineralisation in that area. The mineralisation remains open-ended to the north and the Company believes that there is good potential to identify additional resources and to add to the current resource base in the north. The recent £12m fund raising has allowed us to allocate £1.5m to a drilling program outside the existing resource boundary.

Scoping Study

The study was based on 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.

The project, as defined in the study, is based on a nine year mine operation which in full production would produce:

- An average of 183,000 oz of gold and 1.7 Mlb of molybdenum per annum;
- From a 3.0 Mt per annum mine and processing operation,
- At a cash operating cost of US$285/oz net of projected molybdenum credits.

A summary of the key project fundamentals is presented below:

Scoping Study Years 1-9

	Unit	*Gold Only Project*	*Gold & Moly Project*
Annual milling rate	Mt	3.0	3.0
Gold grade	g/t	2.09	2.09
Molybdenum grade	%	0.056	0.056
Gold recovery	%	90.6	90.6
Molybdenum recovery	%	–	45
Gold bullion produced per annum,	oz	183,000	183,000
Contained molybdenum produced per annum	lb	–	1,700,000
Annual mining rate	Mt	3.0	3.0
Life of mine strip ratio		5.9:1	5.9:1
Capital cost	US$million	203.4	208.4
Annual operating cost	US$million	84.6	86.1
Cash operating cost (net of Mo at US$20/lb)	US$/oz	463	285

The study was project managed by the Company, with sub-studies undertaken by a number of external consultants including the Ammtec Group (processing), Goldfields/SGS (processing), Ausenco (plant design), GHD (tailings storage), Parsons Brinkoff (roads), Dallas Cox (mine design) and bmp Environment and Community Care (environment). In addition, a variety of other groups and consultants contributed to elements of the study.

Chief Executive's Review (continued)

The development cost for the project inclusive of molybdenum recovery is estimated to be US$208.4 million as presented below:

Summary of Forecast Capital Cost Estimate

Area	*Capital estimate $US million*	*% of total Capital*
Mine	2.6	1.2
Process plant (excluding site preparation and temporary facilities which are included in on-site infrastructure and indirect costs)	79.1	38.0
Tailing storage facility	10.6	5.1
On-site infrastructure	21.3	10.2
Off-site infrastructure	8.3	4.0
Indirect costs	9.6	4.6
EPCM – plant	21.5	10.3
Owners cost – total	55.4	26.6
Including:		
– Engineering contingency @ 10% – non plant	*8.0*	–
– Engineering contingency @ 15% – plant	*14.8*	–
Total	208.4	100

The operation of the Runruno project will benefit from its location, logistics and the ready supply of hydro-electric power from the National Grid. The estimate of cash operating costs (direct costs denominated in 2008 dollars inclusive of a 10% contingency allowance) are shown below in total dollars and per oz of gold both gross and net of molybdenum credits (at US$20/lb of molybdenum). It is forecast that the direct cost to produce gold gross will be US$462.29/oz and net of credits will be US$284.83/oz.

Summary of Forecast Operating Cost Estimate

Area	*Operating cost estimate $US million gold only*	*Operating cost estimate $US million gold + moly*	*US$/oz gold gross*	*US$/oz gold net of moly credits*
Mine	33.6	33.6	180.41	111.15
Process Plant	41.7	43.2	231.95	142.90
Admin & Infrastructure	9.3	9.3	49.93	30.77
Total annual cost	84.6	86.1	462.29	284.83

The major cost categories are mining (35%), power (22%), reagents (20%) and labour (14%).

The positive results from the study provided the basis for the Company to commit the project to a full Bankable Feasibility Study which commenced on 1 February 2009, and is targeted to report by 31 January 2010.

Drilling Division

In order to assume direct control of the drilling required to support the Bankable Feasibility Study, the Company has established its own drilling division consisting, currently, of three diamond drilling rigs and one multi-purpose drilling rig capable of conducting RC and diamond drilling.

The division is staffed by suitably trained drilling personnel, is overseen by an experienced drill supervisor and has the necessary support infrastructure.

Chief Executive's Review (continued)

Permitting

The Runruno project is currently held as an Exploration Permit (EP-000013II) issued to FCF Minerals Corporation (FCF), a Philippine incorporated company. The Company owns 85% of FCF and has an option over the remaining 15%.

Application has been made to convert the EP into a mining licence, or Financial and Technical Assistance Agreement (FTAA), under the 1995 Philippine Mining Act. The FTAA is a partnership between Metals Ex and the Philippine Government, designed to allow the Company 100 per cent ownership of the project, while developing the mineral resource in an environmentally and socially responsible manner.

On the 6 March 2009, Secretary Lito Atienza of the Department of Environment and Natural Resources endorsed the FTAA application by FCF to President Gloria Macapagal Arroyo. Approval by the President and numbering by the MGB Regional Office are the final stages in the permitting process at Runruno.

Environment & Community Relations

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

An environmental baseline study has been completed, and is supplemented by continued routine environmental monitoring. In addition, an Environmental Impact Assessment is underway, which will form part of the application for the Environmental Clearance Certificate under the FTAA.

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 (TESDA), 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 (PMIEA) 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 years nationwide "Best Mining Forest Contest" for its Mining Forest Programme.

In March 2009, 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 Minerals. To date the FCF Minerals 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 the Technical Education and Skills Development Authority (TESDA), the Philippine government agency responsible for developing local manpower in the country.

Chief Executive's Review (continued)

Funding

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.

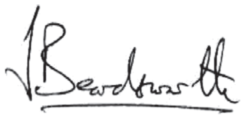
In May 2009, the Company announced the conditional raising of £12m through a two stage placing to new and existing shareholders, at a price of 11.5 pence per share. As part of this process, our major shareholder Solomon Capital has committed to increase its interest in the Company from 29.9% to 44.1%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

Under the provisions of Rule 9 of the City Code on Takeovers and Mergers, the increase in Solomon's holding to 30% or more would normally require Solomon Capital to make a general offer to acquire the balance of shares not held by it. The Company intends to seek a waiver from the Takeover Panel of the requirement for Solomon to make such an offer. Such waiver would be subject to the approval of independent shareholders voting on a poll at an extraordinary general meeting of the Company to be held on or around 25 June 2009.

In order to allow sufficient time for the Whitewash process, the Placing has been undertaken in two tranches. The first tranche comprised the issue of 49,703,866 shares, raising approximately £5.72m contributed to by various investors and Solomon Capital in order to retain their 29.9% interest. The second tranche would comprise the issue of 54,643,962 shares raising £6.28m all of which would be subscribed for by Solomon.

Management

The Group has made a number of key management appointments in order to meet the challenge of completing the Bankable Feasibility Study at Runruno. I am proud of the quality of our team, and thank them for their commitment.



J P B Beardsworth
Chief Executive

28 May 2009

Chief Executive's Review (continued)

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 (QCA) published updated Corporate Governance Guidelines for AIM Companies. The Company's Board applies these guidelines under which it has been in full compliance throughout the period except as stated below.

Directors

The Board of Directors is responsible for the overall control of the Company and Group. As at 31 December 2008 this consisted of four executive and one non-executive Director. Following the resignation of the previous Chairman, who was a non-executive Director, on 6 July 2008, the Company was temporarily reduced to just one non-executive Director, but the appointment of Tim Dean on 12 January 2009 has restored the number to two. Tim Dean has also been appointed to the Audit Committee. Ian Holzberger is Chairman of the Board, in addition to his role as Project Director. The Board meets on a regular basis to discuss a range of significant matters including strategic decisions, corporate activity such as fund-raising and financial performance. Latest financial information is produced at each Board meeting. At these meetings, the executive Directors also give an appraisal of the current status and short term plans for operational activities.

Each member of the Board is 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 that each member of the Board, offer himself 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 small 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 executive Directors meet on a regular basis to deal with any decisions that do not require full Board approval.

Audit and Remuneration Committees

The Audit Committee currently has two members, Jonathan Pearson and Tim Dean. The Audit Committee is responsible for the relationship with the Group's auditors, the in-depth review of the Group's financial statements, 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 meets at least twice a year, prior to the announcement of interim and annual results and, should it be necessary, will convene at other times. Jonathan Pearson is the chairman of the Audit Committee.

Jonathan Pearson is Chairman and currently the only member of the Remuneration Committee. Pending the appointment of a second, non-executive member of the Committee, the Chairman currently attends Remuneration Committee meetings. The Committee meets and considers, within existing terms of reference, the remuneration policy and makes recommendations to the Board for each executive Director and with respect to awards to staff under the unapproved staff options scheme. The executive Directors' remuneration consists of a package of basic salary, bonuses, share options and warrants, which are linked to corporate and individual performance achievements and the levels of each are determined by the Remuneration Committee.

The Audit and Remuneration Committees consist solely of non-executive Directors. Having regard to the combined code, the Board consider Jonathan Pearson to be an independent Director.

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).

Corporate Governance Statement (continued)

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.

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

Ian R Holzberger

I R Holzberger
Executive Chairman

28 May 2009

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements of the Group for the 3 month period ended 31 December 2008.

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 period are shown on page 20. The Directors do not recommend the payment of a dividend (year ended 30 September 2008: Nil).

BUSINESS REVIEW

A review of the business of the Group is set out in the Chairman's Statement and Chief Executive's Review on pages 3 to 10.

RISKS AND UNCERTAINTIES

The principal risks and uncertainties relative to the Group and companies in the exploration and mining industry, along with 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 in cash and in May 2009, a further £12m was raised of which, £6.3m is subject to regulatory and shareholder approval. These funds are sufficient to finance 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. 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 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.

Directors' Report (continued)

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 highly 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 has applied for a Financial and Technical Assistance Agreement (FTAA), a form of agreement which provides the greatest available protection for foreign owned mining companies from political risk in the Philippines.

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 November 2008, the Company announced the results of its Scoping Study into the Runruno project. The Scoping Study considered the technical & economic viability of developing a mining & processing operation at Runruno and capital & operating costs and production rates were estimated. In February 2009, the Group initiated work on its Bankable Feasibility Study into the Runruno project which is targeted to report by 31 January 2010.

KEY PERFORMANCE INDICATORS

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

- Progression of scoping and feasibility studies according to pre-determined milestones. The Company announced results of its Scoping Study in November 2008 and initiated work on its Bankable Feasibility Study in February 2009.
- 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 October 2008 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 period were:

I R Holzberger	*(Executive Chairman)*	
J P B Beardsworth	*(Chief Executive)*	
G R Powell	*(Executive Director)*	
T G Wheeler	*(Finance Director)*	
J M K Pearson	*(Non-Executive Director)*	
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 25 to the financial statements.

CHARITABLE DONATIONS

During the period, the Group made charitable donations to the Runruno Livelihood Foundation in the Philippines totalling £39,377 (year ended 30 September 2008: £183,865).

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 period-end, the Group's trade creditors represented 41 days of annual purchases (year ended 30 September 2008: 11 days).

FINANCIAL RISK MANAGEMENT

Details of the Group's policies with respect to financial risk management are given in note 26 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:

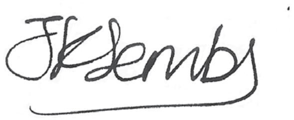
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's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

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



J K Sembi
Company Secretary

28 May 2009

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 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 Company/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/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 auditors' report to the shareholders of Metals Exploration plc

We have audited the Group and Parent Company financial statements ("the financial statements") of Metals Exploration plc for the period ended 31 December 2008 which comprise the Group Income Statement, 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 27. These financial statements 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 Sections 495 and 496 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

The Directors' responsibilities for preparing the Annual Report and 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 and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements 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 financial statements have been properly prepared in accordance with the relevant financial reporting framework, have been prepared in accordance with the Companies Act 2006, and give a true and fair view. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Chief Executive's Review that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept adequate accounting records, if we have not received all the information and explanations we require for our audit, or if certain disclosures of Directors' remuneration specified by law are not made.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. 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 financial statements. 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, 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

Independent Auditors' Report (continued)

financial statements 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 financial statements.

Opinion

In our opinion:

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006;
- the financial statements have been prepared in accordance with the Companies Act 2006;
- the financial statements give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2008 and of the Group's loss for the period then ended; and
- the information given in the Directors' Report is consistent with the financial statements.

Michael Bishop

Michael Bishop
Senior Statutory Auditor
for and on behalf of

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

29 May 2009

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 financial statements since they were initially presented on the web site.

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

CONSOLIDATED INCOME STATEMENT for the 3 month period ended 31 DECEMBER 2008

	Notes	*3 month period ended 31 December 2008* £	*Year ended 30 September 2008* £
Continuing Operations			
Revenue		–	–
Cost of sales		–	–
Gross loss		–	–
Administrative expenses		(500,892)	(3,259,863)
Analysed as follows:			
Foreign exchange gains		173,973	153
Other administrative expenses		(674,865)	(3,260,016)
Total administrative expenses		(500,892)	(3,259,863)
Operating loss	3	(500,892)	(3,259,863)
Finance income	7	6,695	106,978
Finance costs	7	(27,791)	(285,868)
Loss before taxation		(521,988)	(3,438,753)
Taxation	8	–	–
Loss for the period		(521,988)	(3,438,753)
Attributable to:			
Equity holders of the parent		(490,594)	(3,516,433)
Minority interest		(31,394)	77,680
		(521,988)	(3,438,753)
Loss per share:			
Basic and diluted	9	(0.44)p	(3.55)p

The Company has taken advantage of the exemption provided under section 408 of Companies Act 2006 not to publish its individual income statement and related notes. The loss dealt with in the financial statements of the Parent Company was £204,073 (year ended 30 September 2008: £2,410,362).

CONSOLIDATED BALANCE SHEET as at 31 DECEMBER 2008

	Notes	*As at 31 December 2008* £	*As at 30 September 2008* £
Non-current assets			
Property, plant and equipment	11	1,341,807	965,575
Goodwill	10	1,010,816	1,010,816
Other intangible assets	12	11,608,254	8,958,889
Investments designated at fair value through profit and loss	14	201,219	183,464
Trade and other receivables	15	356,230	275,113
		14,518,326	11,393,857
Current assets			
Trade and other receivables	16	340,328	267,843
Cash and cash equivalents	17	731,313	1,955,210
		1,071,641	2,223,053
Current liabilities			
Trade and other payables	18	(308,795)	(432,551)
		(308,795)	(432,551)
Non-current liabilities			
Long-term borrowings	19	(2,000,000)	(2,000,000)
		(2,000,000)	(2,000,000)
Net assets		13,281,172	11,184,359
Equity			
Share capital	20	1,122,838	1,122,838
Share premium account		15,503,969	15,503,969
Shares to be issued reserve		2,287,969	2,275,025
Translation reserve		2,748,026	588,027
Profit and loss account		(8,930,094)	(8,439,500)
Equity attributable to equity holders of the parent		12,732,708	11,050,359
Minority interest		548,464	134,000
		13,281,172	11,184,359

The financial statements were approved by the Board of Directors on 28 May 2009 and were signed on its behalf by:

T G Wheeler
Finance Director

28 May 2009

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the 3 month period ended 31 DECEMBER 2008

	Share capital	*Share premium account*	*Shares to be issued reserve*	*Translation reserve*	*Minority interest*	*Profit and loss account*	*Total equity*
	£	£	£	£	£	£	£
Balance at 1 October 2007	913,738	11,851,563	1,737,575	(9,900)	3,849	(4,923,067)	9,573,758
Exchange differences on translating foreign operations	–	–	–	597,927	52,471	–	650,398
Loss for the period as restated	–	–	–	–	77,680	(3,516,433)	(3,438,753)
Total recognised income and expenses 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	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 recognised income and expenses 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	1,122,838	15,503,969	2,287,969	2,748,026	548,464	(8,930,094)	13,281,172

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
- 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 3 month period ended 31 DECEMBER 2008

	Notes	*3 month period ended 31 December 2008* £	*Year ended 30 September 2008* £
Net cash used in operating activities	22	(825,447)	(3,191,647)
Investing activities			
Purchase of intangible assets		(506,778)	(2,179,646)
Purchase of property, plant and equipment		(228,686)	(868,671)
Net cash used in investing activities		(735,464)	(3,048,317)
Financing activities			
Proceeds from issue of share capital		–	3,838,506
Net cash from financing activities		–	3,838,506
Net decrease in cash and cash equivalents		(1,560,911)	(2,401,458)
Cash and cash equivalents at beginning of period		1,955,210	3,934,510
Foreign exchange differences		337,014	422,158
Cash and cash equivalents at end of period		731,313	1,955,210

COMPANY BALANCE SHEET as at 31 DECEMBER 2008

	Notes	*As at 31 December 2008* £	*As at 30 September 2008* £
Non-current assets			
Property, plant and equipment	11	366	827
Other intangible assets	12	85,074	73,065
Investments in subsidiaries	13	2,251,679	2,251,679
Investments designated at fair value through profit and loss	14	201,219	183,464
Trade and other receivables	15	11,231,755	10,419,974
		13,770,093	12,929,009
Current assets			
Trade and other receivables	16	217,819	114,504
Cash and cash equivalents	17	560,350	1,737,379
		778,169	1,851,883
Current liabilities			
Trade and other payables	18	(137,203)	(178,704)
		(137,203)	(178,704)
Non-current liabilities			
Long-term borrowings	19	(2,000,000)	(2,000,000)
		(2,000,000)	(2,000,000)
Net assets		12,411,059	12,602,188
Equity			
Share capital	20	1,122,838	1,122,838
Share premium account		15,503,969	15,503,969
Shares to be issued reserve		2,287,969	2,275,025
Profit and loss account		(6,503,717)	(6,299,644)
		12,411,059	12,602,188

The financial statements were approved by the Board of Directors on 28 May 2009 and were signed on its behalf by:

T G Wheeler
Finance Director

28 May 2009

COMPANY STATEMENT OF CHANGES IN EQUITY for the 3 month period ended 31 DECEMBER 2008

	Share capital	*Share premium account*	*Share to be issued reserve*	*Profit and loss account*	*Total equity*
	£	*£*	*£*	*£*	*£*
Balance at 1 October 2007	913,738	11,851,563	1,737,575	(3,889,282)	10,613,594
Loss for the period	–	–	–	(2,410,362)	(2,410,362)
Total recognised income and expenses for the period	–	–	–	(2,410,362)	(2,410,362)
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	1,122,838	15,503,969	2,275,025	(6,299,644)	12,602,188
Loss for the period	–	–	–	(204,073)	(204,073)
Total recognised income and expenses 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

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 3 month period ended 31 DECEMBER 2008

	Notes	*3 month period ended 31 December 2008* £	*Year ended 30 September 2008* £
Net cash used in operating activities	22	(1,439,743)	(5,432,326)
Investing activities			
Purchase of intangible assets		(43,852)	(31,843)
Payment to acquire 48.875m shares in FCF Minerals Corporation		–	(574,809)
Purchase of property, plant and equipment		–	(259)
Net cash used in investing activities		(43,852)	(606,911)
Financing activities			
Proceeds from issue of share capital		–	3,838,506
Net cash from financing activities		–	3,838,506
Net (decrease)/increase in cash and cash equivalents		(1,483,595)	(2,200,731)
Cash and cash equivalents at beginning of period		1,737,379	3,551,555
Foreign exchange differences		306,566	386,555
Cash and cash equivalents at end of period		560,350	1,737,379

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008

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"). The financial statements have been prepared in accordance with 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 following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet mandatorily effective:

- IFRS 1: First-time Adoption of International Financial Reporting Standards (revised) (effective as of 1 July 2009 – not yet endorsed by the EU)
- IFRS 2: Share based payment (amended) (effective as of 1 January 2009)
- IFRS 3: Business Combinations (revised) (effective as of 1 July 2009 – not yet endorsed by the EU)
- IFRS 7: Financial instruments: disclosures (amended) (effective as of 1 January 2009 – not yet endorsed by the EU)
- IFRS 8: Operating Segments (effective as of 1 January 2009)
- IAS 1: Presentation of Financial Statements (revised) (effective as of 1 January 2009)
- IAS 23: Borrowing Costs (amended) (effective as of 1 January 2009)
- IAS 27: Consolidated and Separate Financial Statements (amended) (effective as of 1 July 2009 – not yet endorsed by the EU)
- IAS 32: Financial Instruments: Presentation (amended) (effective as of 1 January 2009)
- IAS 39: Financial Instruments: Recognition and Measurement (amended) (effective as of 1 July 2009 – not yet endorsed by the EU)
- IFRIC Interpretation 13: Customer Loyalty Programmes (effective as of 1 July 2008)
- IFRC Interpretation 15: Agreements for the Construction of Real Estate (effective as of 1 January 2009 – not yet endorsed by the EU)
- IFRIC Interpretation 16: Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008 – not yet endorsed by the EU)
- IFRIC Interpretation 17: Distributions of Non Cash Assets to Owners (effective 1 July 2009 – not yet endorsed by the EU)
- IFRIC Interpretation 18: Transfers of Assets from Customers (effective 1 July 2009 – not yet endorsed by the EU).

The Directors do not anticipate that the adoption of these statements and interpretations will have a material impact on the Group's financial statements in the period of initial application.

1. Accounting policies (continued)

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and its subsidiary undertakings for the 3 month period ended 31 December 2008. 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.

Minority interest representing the net assets held by the Group but attributable to minority shareholders are presented separately in the income statement 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 income statement.

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.

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

1. Accounting policies (continued)

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 equity, in which case the deferred tax is also dealt with in equity.

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.

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.

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.

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 income statement.

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 income statement 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.

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, the carrying values are compared to the estimated current value of the Group's projects mainly based on the current resource estimates and expected commodity prices.

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

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

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 period is stated after charging:

	3 month period ended 31 December 2008 £	*Year ended 30 September 2008* £
Depreciation of property, plant and equipment	80,358	106,742
Amortisation of computer software	4,981	13,530
Foreign exchange gains	(173,973)	(153)
Staff costs (see note 6)	327,030	1,013,594
Share based payments	12,944	537,450
Auditors remuneration (see note 4)	25,000	35,000

The Company has taken advantage of the exemption provided under section 408 of Companies Act 2006 not to publish its individual income statement and related notes. The loss dealt with in the financial statements of the Parent Company was £204,073 (year ended 30 September 2008: £2,410,362).

4. Auditors remuneration

	3 month period ended 31 December 2008 £	*Year ended 30 September 2008* £
Fees payable to the Group and Company's auditor for the audit of the Group and Company's accounts	15,000	25,000
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation	10,000	10,000
	25,000	35,000

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

5. Segmental analysis

The Group operates in the mining sector. This is the Group's primary business segment. The economic environments in which the Group operates are the UK, Philippines and Indonesia. These are the geographical segments for which the Group reports its secondary segment information.

Segment assets

	As at 31 December 2008 £	*As at 30 September 2008* £
United Kingdom	14,548,262	14,780,893
Eliminations on consolidation	(12,504,707)	(11,684,341)
United Kingdom after eliminations on consolidation	2,043,555	3,096,552
Philippines	13,291,836	10,274,948
Indonesia	254,576	245,410
	15,589,967	13,616,910

Cost of acquiring segment assets

	3 month period ended 31 December 2008 £	*Year ended 30 September 2008* £
United Kingdom	43,852	32,102
Philippines	691,612	2,806,680
Indonesia	–	209,534
	735,464	3,048,316

6. Staff numbers and costs

The average number of persons, including Directors, was:

	3 month period ended 31 December 2008 Number	*Year ended 30 September 2008* Number
Administration	22	20
Exploration	221	253
	243	273

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

6. Staff numbers and costs (continued)

Staff costs for the above persons were:

	3 month period ended 31 December 2008 £	*Year ended 30 September 2008* £
Wages and salaries	310,245	922,383
Social security costs	14,848	51,565
Pension costs	1,937	9,646
Termination benefits	–	30,000
	327,030	1,013,594

Directors' emoluments were:

	3 month period ended 31 December 2008 £	*Year ended 30 September 2008* £
Aggregate emoluments	129,990	453,876

The highest paid Director, included in the above:

	3 month period ended 31 December 2008 £	*Year ended 30 September 2008* £
Aggregate emoluments	45,240	150,000

Further details relating to key management are given in note 24 to the financial statements.

7. Finance costs and income

	3 month period ended 31 December 2008 £	*Year ended 30 September 2008* £
Revaluation of investment designated at fair value through profit/(loss)	17,755	(97,650)
Interest payable on convertible loan	(45,546)	(188,218)
	(27,791)	(285,868)
Bank interest receivable	6,695	106,978

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

8. Taxation

	3 month period ended 31 December 2008 £	*Year ended 30 September 2008* £
Loss before tax	(521,988)	(3,438,753)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28%	(146,157)	(962,851)
Effects of:		
Expenses not deductible for tax purposes	96,245	660,112
Short term timing differences	542	2,701
Depreciation in excess of capital allowances	92	197
Losses carried forward	49,278	299,841
Total tax expense for the period	–	–

A deferred tax asset of £904,901 (year ended 30 September 2008: £1,008,806) due to on-going tax losses of the Company, has not been recognised due to uncertainty over its future reversal.

9. Loss per share

	3 month period ended 31 December 2008 £	*Year ended 30 September 2008* £
Loss		
Net loss attributable to equity shareholders for the purpose of basic and diluted loss per share	(490,594)	(3,516,433)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	112,283,795	99,076,462
Basic and diluted loss per share	(0.44)p	(3.55)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, is anti-dilutive.

Number of potential ordinary shares that are not currently dilutive	26,996,154	24,494,696

10. Goodwill

	£
Cost and net book value	
As at 1 October 2007	1,415,207
Adjustment to carrying value of licence	(404,391)
As at 30 September 2008 and 31 December 2008	1,010,816

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

10. Goodwill (continued)

Under IFRS 3 Business Combinations, the fair value of assets and liabilities acquired may be amended within 12 months from the date of initial accounting. The net assets on acquisition of FCF Minerals Corporation included a licence, the cost of which, had been estimated as at 30 September 2007. Goodwill, being the excess of the cost of acquisition over the fair value of the assets and liabilities acquired, has been adjusted to recognise the difference between the estimated cost as at 30 September 2007 and the actual cost of the licence. As a result, goodwill decreased by £404,391.

Under IAS 36 Impairment of Assets, Goodwill must be allocated to a cash generating unit within the Group. Goodwill has been allocated to the geographical segment of the Philippines as it arose on acquisition of FCF Minerals Corporation, which has independent cash flows that can be identified and measured.

Further under IAS 36 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 and a discount rate of 10%. The cash flow projections are based on the current resource estimate and include estimated capital expenditure and annual operating costs 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.

11. Property, plant and equipment – Group

	Leasehold Improvements	*Motor vehicles*	*Fixtures, fittings & equipment*	*Land & buildings*	*Drilling equipment*	*Total*
	£	*£*	*£*	*£*	*£*	*£*
Cost						
As at 1 October 2007	35,802	119,369	86,681	–	–	241,852
Additions	70,939	32,116	132,815	124,757	508,044	868,671
Foreign exchange differences	2,773	9,246	6,449	–	–	18,468
As at 30 September 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
Depreciation						
As at 1 October 2007	(7,126)	(16,487)	(29,068)	–	–	(52,681)
Charge for the period	(15,610)	(26,849)	(47,225)	(2,322)	(14,736)	(106,742)
Foreign exchange differences	(552)	(1,277)	(2,164)	–	–	(3,993)
As at 30 September 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)
Net book value						
As at 31 December 2008	114,020	130,114	166,526	159,833	771,314	1,341,807
As at 30 September 2008	86,226	116,118	147,488	122,435	493,308	965,575
As at 1 October 2007	28,676	102,882	57,614	–	–	189,172

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

11. Property, plant and equipment – Company

	Fixtures, fittings & equipment £	*Total* £
Cost		
As at 1 October 2007	3,429	3,429
Additions	259	259
As at 30 September 2008	3,688	3,688
Additions	–	–
As at 31 December 2008	3,688	3,688
Depreciation		
As at 1 October 2007	(1,124)	(1,124)
Charge for the period	(1,737)	(1,737)
As at 30 September 2008	(2,861)	(2,861)
Charge for the period	(461)	(461)
As at 31 December 2008	(3,322)	(3,322)
Net book value		
As at 31 December 2008	366	366
As at 30 September 2008	827	827
As at 1 October 2007	2,305	2,305

12. Other intangible assets – Group

	Cost of Exploration £	*Licences* £	*Software* £	*Total* £
Cost				
As at 1 October 2007	2,882,208	2,830,692	36,446	5,749,346
Additions	2,141,023	243,356	6,779	2,391,158
Adjustment to carrying value of licence	–	404,391	–	404,391
Foreign exchange differences	196,278	268,235	2,823	467,336
As at 30 September 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
Amortisation				
As at 1 October 2007	–	–	(5,978)	(5,978)
Charge for the period	–	(33,371)	(13,530)	(46,901)
Foreign exchange differences	–	–	(463)	(463)
As at 30 September 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)
Net Book Value				
As at 31 December 2008	6,951,523	4,629,160	27,571	11,608,254
As at 30 September 2008	5,219,509	3,713,303	26,077	8,958,889
As at 1 October 2007	2,882,208	2,830,692	30,468	5,743,368

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

12. Other intangible assets – Company

	Licences £	*Total* £
Cost		
As at 1 October 2007	74,593	74,593
Additions	31,843	31,843
As at 30 September 2008	106,436	106,436
Additions	43,852	43,852
As at 31 December 2008	150,288	150,288
Amortisation		
As at 1 October 2007	–	–
Charge for the period	(33,371)	(33,371)
As at 30 September 2008	(33,371)	(33,371)
Charge for the period	(31,843)	(31,843)
As at 31 December 2008	(65,214)	(65,214)
Net Book Value		
As at 31 December 2008	85,074	85,074
As at 30 September 2008	73,065	73,065
As at 1 October 2007	74,593	74,593

13. Investments in subsidiaries

	£
Cost	
As at 1 October 2007	2,009,767
Additions	574,809
As at 30 September 2008	2,584,576
Additions	–
As at 31 December 2008	2,584,576
Impairment	
As at 1 October 2007	(332,897)
Charge for the period	–
As at 30 September 2008	(332,897)
Charge for the period	–
As at 31 December 2008	(332,897)
Net book value	
As at 31 December 2008	2,251,679
As at 30 September 2008	2,251,679
As at 1 October 2007	1,676,870

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

13. Investments in subsidiaries (continued)

The investments in subsidiaries are as follows:

Company	*Country of registration*	*% 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

The accounting reference dates of the Company's subsidiaries are 31 December. This previously did not coincide with the accounting reference date of the Company of 30 September. On 2 October 2008, the Company changed its accounting reference date to 31 December to align its year-end with that of its subsidiaries.

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 one of its subsidiaries, MTL Philippines. Cupati Holdings and Woggle Corporation have been treated as subsidiaries of the Company and their results for the 3 month period ended 31 December 2008 have been consolidated, due to the Company having effective control over the activities of the companies.

14. Investment designated at fair value through profit and loss

	£
Carrying value	
As at 1 October 2007	281,114
Revaluation to fair value	(97,650)
As at 30 September 2008	183,464
Revaluation to fair value	17,755
As at 31 December 2008	201,219

The investment is carried at fair value representing the market value of the shares acquired. Movements in its fair value are taken to the income statement.

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

	As at 31 December 2008 £	*As at 30 September 2008* £
Other receivables	356,230	275,113

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

	As at 31 December 2008 £	*As at 30 September 2008* £
Other receivables	11,231,755	10,419,974

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

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

	As at 31 December 2008 £	*As at 30 September 2008* £
Other receivables	257,378	187,768
Prepayments	82,950	80,075
	340,328	267,843

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

	As at 31 December 2008 £	*As at 30 September 2008* £
Other receivables	165,928	53,057
Prepayments	51,891	61,447
	217,819	114,504

17. Cash and cash equivalents – Group

	As at 31 December 2008 £	*As at 30 September 2008* £
Cash at bank and in hand	731,313	238,482
Short term bank deposits	–	1,716,728
	731,313	1,955,210

17. Cash and cash equivalents – Company

	As at 31 December 2008 £	*As at 30 September 2008* £
Cash at bank and in hand	560,350	20,651
Short term bank deposits	–	1,716,728
	560,350	1,737,379

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

18. Trade and other payables – Group

	As at 31 December 2008 £	*As at 30 September 2008 £*
Trade payables	213,370	61,707
Other tax and social security payable	8,285	29,406
Accruals	87,140	341,438
	308,795	432,551

18. Trade and other payables – Company

	As at 31 December 2008 £	*As at 30 September 2008 £*
Trade payables	41,797	54,111
Other tax and social security payable	8,285	18,521
Accruals	87,121	106,072
	137,203	178,704

19. Long-term borrowings – Group and Company

	As at 31 December 2008 £	*As at 30 September 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.

20. Called up share capital

	As at 31 December 2008 £	*As at 30 September 2008 £*
Authorised		
250,000,000 ordinary shares of 1p each (as at 30 September 2008: 250,000,000)	2,500,000	2,500,000
Allotted, called up and fully paid		
112,283,795 ordinary shares of 1p each (as at 30 September 2008: 112,283,795)	1,122,838	1,122,838

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

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.

Details of the share options outstanding are as follows:

	3 month period ended 31 December 2008		*Year ended 30 September 2008*	
	Number of share options	*Weighted average exercise price*	*Number of share options*	*Weighted average exercise price*
		p		*p*
Outstanding at the beginning of the period	5,150,000	28	3,200,000	21
Granted during the period	–	–	2,025,000	40
Forfeited during the period	(760,000)	18	(75,000)	31
Outstanding at the end of the period	4,390,000	30	5,150,000	28
Exercisable at the end of the period	575,000	12	1,175,000	12

The options outstanding as at 31 December 2008 had a range of exercise prices from 12p to 40p (year ended 30 September 2008: 12p to 40p) and a weighted average remaining contractual life to expiry of 10 years (year ended 30 September 2008: 10 years). Due to the forfeiture of certain share options during the period, net income of £67,792 was recognised in the income statement (year ended 30 September 2008: expense £487,019).

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

	3 month period ended 31 December 2008	*Year ended 30 September 2008*
Weighted average share price	–	41p
Weighted average exercise price	–	40p
Expected volatility	–	47.4%
Expected life	–	10
Risk free rate	–	4.5%
Expected dividend yield	–	Nil
Number granted	–	2,025,000
Share price at date of grant	–	41p
Fair value at date of grant	–	27p
Earliest vesting date	–	21 October 2009
Exit date	–	21 October 2017

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

21. Share based payments (continued)

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:

	3 month period ended 31 December 2008		*Year ended 30 September 2008*	
	Number of warrants	*Weighted average exercise price*	*Number of warrants*	*Weighted average exercise price*
		p		*p*
Outstanding at the beginning of the period	18,000,000	20	15,500,000	17
Granted during the period	–	–	3,000,000	33
Exercised during the period	–	–	(500,000)	8
Forfeited during the period	–	–	–	–
Outstanding at the end of the period	18,000,000	20	18,000,000	20
Exercisable at the end of the period	14,740,000	16	14,620,000	16

The warrants outstanding as at 31 December 2008 had a range of exercise prices from 3.25p to 52.5p (year ended 30 September 2008: 3.25p to 52.5p) and a weighted average remaining contractual life to expiry of 7 years (year ended 30 September 2008: 7 years). The expense recognised in the income statement during the period in respect of warrants was £80,735 (year ended 30 September 2008: £73,431).

The inputs into the Black Scholes model were as follows:

	3 month period ended 31 December 2008
Weighted average share price	–
Weighted average exercise price	–
Expected volatility	–
Expected life	–
Risk free rate	–
Expected dividend yield	–
Number granted	–
Share price at date of grant	–
Fair value at date of grant	–
Earliest vesting date	–
Exit date	–

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

21. Share based payments (continued)

	Grant 1	*Grant 2*	*Grant 3*	*Year ended 30 September 2008*
Weighted average share price	19p	19p	19p	19p
Weighted average exercise price	20p	20p	40p	27p
Expected volatility	52.7%	52.7%	52.7%	52.7%
Expected life	5	5	5	5
Risk free rate	3.97%	3.97%	3.97%	3.97%
Expected dividend yield	Nil	Nil	Nil	Nil
Number granted	1,000,000	1,000,000	1,000,000	3,000,000
Share price at date of grant	19p	19p	19p	19p
Fair value at date of grant	9p	9p	5.5p	8p
Earliest vesting date	40,000 per month to 31 July 2010	8 July 2008	On completion of Runruno feasibility study	–
Exit date	30 June 2013	30 June 2013	30 June 2013	30 June 2013

22. Net cash used in operating activities – Group

	3 month period ended 31 December 2008 £	*Year ended 30 September 2008* £
Loss after taxation	(521,988)	(3,438,753)
Depreciation	80,358	106,742
Amortisation	36,824	46,901
Revaluation of investment designated at fair value through (profit) and loss	(17,755)	97,650
Share based payment expense	12,944	560,449
Net interest payable	38,851	81,241
Increase in receivables	(153,602)	(248,394)
Decrease in payables	(123,755)	(63,138)
Foreign exchange differences	(138,473)	(253,105)
Cash used in operations	(786,596)	(3,110,407)
Interest received	6,695	106,978
Interest paid	(45,546)	(188,218)
Net cash used in operating activities	(825,447)	(3,191,647)

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

22. Net cash used in operating activities – Company

	3 month period ended 31 December 2008 £	*Year ended 30 September 2008* £
Loss after taxation	(204,073)	(2,410,362)
Depreciation	461	1,737
Amortisation	31,843	33,371
Revaluation of investment designated at fair value through (profit) and loss	(17,755)	97,650
Share based payment expense	12,944	560,449
Net interest payable	39,012	82,309
Increase in receivables	(915,097)	(3,306,197)
Decrease in payables	(41,500)	(22,420)
Foreign exchange differences	(306,566)	(386,554)
Cash used in operations	(1,400,731)	(5,350,017)
Interest received	6,368	105,484
Interest paid	(45,380)	(187,793)
Net cash used in operating activities	(1,439,743)	(5,432,326)

23. Pension commitments

	3 month period ended 31 December 2008 £	*Year ended 30 September 2008* £
Pension costs are as follows:		
Defined contribution scheme	1,937	9,646

24. 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:

	3 month period ended 31 December 2008 £	*Year ended 30 September 2008* £
Short-term employee benefits	129,990	423,876
Social security costs	4,800	20,305
Termination benefits*	–	30,000
Share based payments	121,008	43,761
	255,798	517,942

*S M Smith resigned as Non-Executive Chairman on 6 July 2008.

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

24. Related party transactions (continued)

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 and J M K Pearson to Pearson Consulting Limited.

Shares held by Directors:

Shareholder	*Total number of shares held as at 30 September 2008*	*Number of shares purchased in placing on 12 January 2009*	*Total number of shares held as at 12 January 2009*
I R Holzberger	105,000	200,000	305,000
J P B Beardsworth	400,000	350,000	750,000
G R Powell	1,050,000	–	1,050,000
T G Wheeler	–	1,000,000	1,000,000
J M K Pearson	55,000	200,000	255,000
T J Dean	–	–	–

The Directors have not purchased shares since 12 January 2009.

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	29 April 2017

During the period, the Company paid £691,612 to its subsidiaries to fund operations and purchase property, plant and equipment (year ended 30 September 2008: £3,016,214). At the period end, the Company was owed £11,231,755 by its subsidiaries (as at 30 September 2008: £10,419,974).

During the period, the Company recognised a provision of £3,247 in respect of a doubtful receivable balance owed by a subsidiary company, PT Cupati (year ended 30 September 2008: £600,566).

25. Post balance sheet events

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 in a share placing. Directors' participation in the placing are given in note 23 to the financial statements. The Company also agreed terms for an £8m debt facility available for drawdown in tranches conditional on development milestones being met. T J Dean was appointed as Non-Executive Director.

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

25. Post balance sheet events (continued)

On 23 January 2009, the Company issued 250,000 warrants to subscribe for ordinary shares of 1p each to J M K Pearson at a price of 20p per share which, can be exercised immediately.

On 7 May 2009, the Company issued 49,703,866 ordinary shares of 1p each at a price of 11.5p per share realising £5,715,945 in a share placing. A further 54,643,962 ordinary shares of 1p each at a price of 11.5p per share will be issued by 1 September 2009 if certain conditions are met. Following this share issue, the £8m debt facility arranged on 12 January 2009 is expected to be terminated.

26. 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 period end, which are measured at fair value are as follows:

Group	*Cash and cash equivalents*	*Investment in quoted company*	*Other receivables*	*Total*
	£	£	£	£
As at 31 December 2008	731,313	201,219	613,608	1,546,140
As at 30 September 2008	1,955,210	183,464	462,881	2,601,555

The Company's financial assets comprise cash and cash equivalents of £560,350 (as at 30 September 2008: £1,737,379), an investment in a quoted company of £201,219 (as at 30 September 2008: £183,464) and other receivables of £11,397,683 (as at 30 September 2008: £10,473,031).

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

Group	*Trade payables*	*Long-term borrowings*	*Total*
	£	£	£
As at 31 December 2008	213,370	2,000,000	2,213,370
As at 30 September 2008	61,707	2,000,000	2,061,707

The Company's financial liabilities comprise trade payables of £41,797 (as at 30 September 2008: £54,111) and long term borrowings of £2,000,000 (as at 30 September 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.

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.

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

26. Financial instruments (continued)

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

Group	*Trade payables* £	*Long-term borrowings* £	*Total* £
As at 31 December 2008			
1 month or less	207,336	–	207,336
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	2,465,000	2,678,370
As at 30 September 2008			
1 month or less	54,801	–	54,801
2 – 6 months	3,453	90,000	93,453
6 – 12 months	3,453	90,000	93,453
1 – 2 years	–	180,000	180,000
2 – 5 years	–	2,150,000	2,150,000
Total contractual cash flows	61,707	2,510,000	2,571,707

Company	*Trade payables* £	*Long-term borrowings* £	*Total* £
As at 31 December 2008			
1 month or less	41,797	–	41,797
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	2,465,000	2,506,797
As at 30 September 2008			
1 month or less	54,111	–	54,111
2 – 6 months	–	90,000	90,000
6 – 12 months	–	90,000	90,000
1 – 2 years	–	180,000	180,000
2 – 5 years	–	2,150,000	2,150,000
Total contractual cash flows	54,111	2,510,000	2,564,111

Credit risk

Credit risk is the risk of financial loss to the Company or Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk due to cash being held with banks. The Company is exposed to credit risk to the extent that amounts owed by its subsidiaries may not be recoverable in the future.

26. Financial instruments (continued)

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

Group	*Cash and cash equivalents*	*Investment in quoted company*	*Other receivables*	*Total*
	£	*£*	*£*	*£*
As at 31 December 2008	731,313	201,219	613,608	1,546,140
As at 30 September 2008	1,955,210	183,464	462,881	2,601,555

Company	*Cash and cash equivalents*	*Investment in quoted company*	*Other receivables*	*Total*
	£	*£*	*£*	*£*
As at 31 December 2008	560,350	201,219	11,397,683	12,159,252
As at 30 September 2008	1,737,379	183,464	10,473,031	12,393,874

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 period is a net profit on the investment of £17,755 (year ended 30 September 2008: loss £97,650).

At the period end, a 5% movement in the equity price would result in an increase/a reduction in the loss for the period of £10,061 (year ended 30 September 2008: £9,173).

Foreign currency exchange rate risk

The Group is exposed to foreign currency exchange rate risk due to funds raised in Pounds Sterling but trade payables being predominately 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.

The Group is also exposed to translation risk due to the accounts of the Group's subsidiaries being in currencies other than that of the Company. On consolidation, the subsidiary accounts' are translated to Pounds Sterling. The impact on the reported net assets at the period end is a net asset of £2,748,026 (year ended 30 September 2008: £588,027).

Based on the Company's US Dollar cash balance at the period end, a 5% movement in the exchange rate would result in an increase/a reduction in the loss for the period of £29,717 (year ended 30 September 2008: £108,871).

Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash and cash equivalents which earn interest at a variable rate. The Company's cash and cash equivalents earned interest at an average annual rate in the period of 2.7% (year ended 30 September 2008: 3.5%). The impact on the reported loss for the period is net interest income on cash of £6,695 (year ended 30 September 2008: £106,978).

NOTES TO THE FINANCIAL STATEMENTS for the 3 month period ended 31 DECEMBER 2008 (continued)

26. Financial instruments (continued)

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 period is a net interest expense on the loan of £45,546 (year ended 30 September 2008: £188,218).

Based on the Group's cash balance at the period end placed on deposit for one week, a 1% movement in the average annual interest rate would result in an increase/a reduction in the loss for the period of £141 (year ended 30 September 2008: £376).

27. 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.