

Metals Exploration PLC

30 March 2006

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Metals Exploration - Final Results

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METALS EXPLORATION PLC

Group Report and Accounts for the period ended 30 September 2005

30 March 2006

LONDON - 30 March 2006 - The Directors of Metals Exploration plc ("Metals Ex"), the UK based gold exploration company with a focus on the Philippines, are pleased to announce its first audited final results for the period to 30 September 2005.

Highlights - up to 30 September 2005

- * 22 October 2004 - Admission of the Company's Ordinary Shares to trading on AIM.

- * 23 December 2004 - Acquisition of a 70% interest in the Masapelid Project, Philippines.

- * 2 February 2005 - Acquisition of a 70% interest in the Runruno Project, Philippines.

- * 18 February 2005 - Acquisition of a 100% interest in the Jaclupan Project's Exploration Permit Application, Philippines.

- * 28 June 2005 - Acquisition of a 100% interest in the Puray Project's Exploration Permit Application, Philippines.

- * At Runruno, revaluation of historical data and recent mapping and sampling of the surface and high grade miners' tunnels have produced results which indicate mineralization over 2.5 km at the surface, 100m wide and 400m deep.

- * 14 September 2005 - Raised £1.25m pre expenses through a placing: at the same time appointing WH Ireland Limited as broker and nomad.

Highlights - post 30 September 2005

- * 23 November 2005 - Acquisition of an option to acquire a further 15% interest in the Runruno Project.
- * 25 January 2006 - JV with Medusa Group on the Masapelid Project with Metals Ex retaining a 16% interest or conversion to a 10% net profit share at its sole discretion.
- * 7 March 2006 - Acquisition of 100% in a copper project's exploration permit application, situated near Baguio, Philippines.
- * Runruno has and continues to produce exciting drilling results.

Commenting on the results, Steven Smith, Chairman of Metals Exploration plc said:

" It has been an exciting time for Metals Ex since coming to the AIM list in October 2004. We have secured a significant interest in five exploration

projects and in one of them, Runruno, our initial drilling and sampling have produced extremely encouraging results. We look forward to the second phase drilling tests on this project with considerable optimism, and await our initial results from the other projects. Since listing on AIM the Company has demonstrated its ability to acquire quality projects and it is envisaged that shareholder value will continue to grow accordingly."

Enquiries:

Steven Smith - Chairman	+ 44 (0) 7797 721 858
Jonathan Anderson - Investor Relations	+ 44 (0) 7950 410 680
Philip Haydn-Slater - WH Ireland Limited	+ 44 (0) 2072 201 666

Activities

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

Review of business

Following the Company's admission to AIM in October 2004 Metals Ex has focused its efforts on the acquisition of a significant interest in five mineral exploration projects, namely the Masapelid, Runruno, Jaclupan, Puray, and Baguio projects, which are all located in the Philippines and are considered by the Company to have substantial exploration potential.

RUNRUNO PROJECT

On 2 February 2005 the Board announced that Metals Ex had signed an option agreement over the Runruno Project. The agreement allows Metals Ex to earn up to a 70% economic interest in the project by paying the two shareholders of FCF Mining Corporation ("FCF"), the owner of the project, US\$ 210,000 and 1,600,000 ordinary shares in Metals Ex between them over a three year period.

On 23rd November 2005, MetalsEx entered into an agreement with one of the two shareholders of FCF, Christian Mining Inc ("CMI"), obtaining an option over a further 15% of FCF, thus allowing Metals Ex to earn up to 85% of FCF.

A summary of the key terms of the Option are:

1 MetalsEx shall pay to CMI an annual Option fee of US\$65,000 until the Option is either exercised or withdrawn by MetalsEx. MetalsEx has sole discretion to

terminate the Option;

2 MetalsEx can exercise the Option, at any time, by acquiring CMI's remaining shareholding of FCF anywhere from 1% to 15%. The exercise price is the amount of US\$400,000 for every 1% of CMI's shareholding of FCF, up to a maximum of US\$6 million for all of CMI's remaining 15% shareholding of FCF; and

3 In the event that MetalsEx decides to exercise the Option but only for a part of and not the entirety of CMI's 15% shareholding in FCF, MetalsEx has the right to continue to have the Option to acquire the balance, by maintaining the terms and conditions of the Option. The exercise period of the Option is unlimited.

Runruno is located approximately 200 km north of Manila in Nueva Viscaya Province. Geologically, the area is underlain by prominent alkaline syenite and monzonite intrusives and alkaline volcanic flows and tuffs. Gold mineralization has been known to exist in Runruno since the early 1960's and the property has a long history of exploration.

From 1969-1972 a local company (Fil-Am) completed a total of 69 diamond drill holes for a total of 7,300 metres. Using the results from this program they calculated a 13.4 million tonne resource at an average grade of 1.41 g/t gold, and 0.8 g/t gold cutoff, for a total contained 607,500 ounces gold.

In 1974, Consolidated Goldfields of Australia optioned the property from Fil-Am for one year and drilled 9 widely spaced diamond drill holes. Following this work approximately 9,000 metres of drilling had been completed on Runruno. In 1978 Fil-Am commissioned a feasibility study from Kurimoto Ironworks and Nissho Iwai and Co Ltd of Japan to be based on the available diamond hole data. The study found that the property was economically viable with an estimated resource of approximately 450,000 ounces of gold mineable by block-caving method.

Golden Arrow Mining took out an option over the property in 1980 and carried out further drilling until they relinquished the option in 1998 due to financial and internal management problems. Base Metal Mineral Resources signed an exclusive agreement with Fil-Am in 1995 allowing them to explore, develop

and operate the property. In 1996 ACA Howe International Ltd was engaged to calculate a resource estimate for the property. In their report ACA Howe estimated an inferred resource containing 607,000 ounces of gold, and that the resource might be understated by up to 30% due to poor core recovery.

In 2000 Greenwater Mining Corporation together with others carried out further work on the resource. Unpublished reports suggested that with further work a 2 million ounce gold resource was achievable. Mr Powell was given access to core samples drilled by Greenwater during his due diligence visit in November 2004 and his conclusion was that the quality of work carried out was of a high

standard and therefore their results can be regarded as not requiring any substantial verification process.

Metals Ex has, since acquiring its option over Runruno in February 2005, carried out a careful review of all previous works and reports, a basic structural analysis of the deposit, field mapping and sampling and extensive sampling of the small scale miner's tunnels. During the review and collation of data process, it was noted that the sample recoveries experienced during the 1970's drilling by Fil-Am was very poor. The Company then determined that if core recoveries could be improved. In addition the higher grade zones observed in the local miners tunnels did not appear to be recovered in the previous drilling.

Results of sampling and mapping of the local miners' tunnels located at the Balcony 1, Balcony 2, Main Runruno, Tayab and Malilibeg areas have confirmed the existence of the high grade (41.4g/t Au) potential of gold mineralisation (and molybdenum) in the hanging-wall and foot-wall zones of the main Runruno mineralisation.

Five meter channel samples (315 samples) were taken continuously along the side walls and backs of the local miners' tunnels. Results of the channel samples represent the grades of the high-grade material that the local miners have been leaving behind.

Table 1: Summary of average grades returned from sampling the local miners' tunnels.

Tunnel Locations		No. of Tunnels sampled	No. of Samples	Au
Mo	Ag			
g/t	g/t			g/t
Balcony 1		7	50	5.7
754	3.7			
Balcony 2		1	14	5.5
978	5.2			
Main Runruno		5	42	3.1
420	2.3			
Tayab		19	100	4.5
1060	4.5			
Malilibeg		18	109	3.9
1642	6.6			
Totals		50	315	
Weighted Average Grades				4.3
1,125	4.8			

The local miners' tunnels occur over a lateral distance of approximately 2 kilometres. The main Runruno mineralisation, which has been mapped at surface over a strike distance of 2.5 kilometres.

Since November 2005, the Company has been drilling over a surface area of approximately 1,000m x 700m. This area encompasses the southern most portion of the area previously drilled area by Fil-Am upon which their resource calculation was based.

Table 2: Summary of drillhole intercepts - Runruno Project

Drill-hole Au eq*	Intercept (metres)			Au	Mo
	Number g/t	From	to	Width g/t	%
MXD1 3.78	38	40	2	1.82	0.068
5.70	42	50	8	4.00	0.059
3.75	107	110	3	2.57	0.041
1.50	116	120	4	1.44	0.002
2.80	122	135	13	1.68	0.039
Total combined intercept 3.46			30	2.37	0.038
MXD2 4.13	72	80	8	1.86	0.079
MXD3	37	40	3	2.20	0.044

3.47						
	45	46	1	1.54	0.018	
2.06						
	47	53	6	3.31	0.045	
4.60						
Total combined intercept				10	2.80	0.042
4.01						
MXD4		39	40	1	1.30	0.105
4.32						
	88	90	2	2.32	0.024	
3.01						
	92	98	6	1.98	0.012	
2.33						
Total combined intercept				9	1.98	0.025
2.70						
MXD5		37	40	3	2.33	0.027
3.11						
	84	95	11	4.33	0.079	
6.60						
Total combined intercept				14	3.90	0.068
5.86						
MXD6		114	116	2	2.07	0.012
2.42						
	120	125	5	1.39	0.026	
2.14						
	156	166	10	2.05	0.026	
2.80						
Total combined intercept				17	1.86	0.024
2.55						
MXD7		116	121	5	2.64	0.083
5.03						

5.05	123	125	2	1.86	0.111	
6.81	131	135	4	2.09	0.164	
3.65	148	156	8	2.36	0.045	
Total combined intercept 4.82				19	2.32	0.087
MXD8 3.76	83	88	5	2.93	0.029	
7.89	112	119	7	6.62	0.044	
5.11	138	148	10	2.29	0.098	
Total combined intercept 5.68				22	3.81	0.065

Notes:

1. Au eq 'gold equivalent grade' represents an arithmetic calculation of the value in US\$ of the contained metal per tonne using the current metal prices (as at 27 March 2006) of US\$560/oz gold and US\$23.5/lb molybdenum. Given the limited nature of exploration activities to date, no assurance or implication is being given, or should be assumed to be being given, by the inclusion of these values in this report that the Runruno Project has been, or will in the future be, deemed to be economic.

2. The drill holes were drilled towards the top of the hill at approximately 100m to 200m spacings. MXD-08 was drilled 100m downhill from, and intersected the mineralised zone beneath MXD-04.

3. Reporting of the above composited intercepts was determined by applying an upper and lower boundary defined by a low grade cut-off of 0.7g/t Au. Some composited intercepts include single metre, internal intercept grades of less than 0.7g/t Au. Isolated single metre intercepts are not reported unless considered to be significant. No high grade cut-off has been applied to the individual gold or molybdenum assays.

RUNRUNO - SAMPLING & ANALYSIS PROTOCOLS

Sample Preparation

The drill core is taken from the drill site to a secure compound at the Company's field camp and is logged by the geologist. The drill core is then split into two equal halves along its long axis, with one half being sampled at predetermined intervals, bagged and sent for analysis. The remaining half-core is retained in core boxes and stored on site for future reference.

The bagged half-core samples are being submitted to an independent 'ISO17025 accredited' laboratory for sample preparation and analyses for gold and

molybdenum. All of the half-core samples are crushed by the laboratory and a 900-1000 gram split is taken, pulverized and presented for analysis.

The remaining crushed sample is retained in bags and stored at the laboratory for a period of three months before being returned to the Company for storage

These remaining crushed samples will be used in the future for additional analyses for gold, molybdenum, silver, sulphur and other elements as deemed necessary, for example, for resource estimation work.

Analytical Techniques

Gold: Gold analysis is by classical 'Screen Fire Assay' technique that involves sieving a 900-1000 gram sample to 200 mesh (75microns). The entire oversize and duplicate undersize fractions are fire assayed and the weighted average gold grade calculated. This is one of the most appropriate methods for determining gold content if there is a 'coarse gold' component to the mineralisation.

Molybdenum: The sample is dissolved in Aqua Regia (3:1 HCl:HNO₃) and Molybdenum analysis is carried out by Inductively Coupled Plasma-Optical Emission Spectrometry (ICP-OES) method.

EXPLANATION OF TERMS

Au	chemical symbol for gold
Mo	chemical symbol for molybdenum
HCl	chemical symbol for Hydrochloric Acid
HNO ₃	chemical symbol for Nitric Acid
g	gram
t	tonne
g/t gold per	grams per tonne, which is equivalent to parts per million (g/t Au = grams of tonne)
%	percent (0.034% Mo = 340 parts per million of molybdenum)
lb	avoirdupois pound (= 453.59237 grams)
oz	troy ounce (= 31.103477 grams)
Micron a metre	A unit of length equal to one thousandth of a millimetre or one millionth of
200 mesh approximately	the number of openings (200) in one linear inch of screen mesh (200 mesh equals 75 microns)

MASAPELID PROJECT

The Board announced the acquisition of a 70% interest in the Masapelid project on 23 December 2004. The project was identified by Mr Gary Powell (Metals Ex Director) as having potential for the definition of gold and copper resources. Mr Powell carried out field investigations and due diligence at the project in

November 2004 to verify the existence of previous mining and exploration activities. Metals Ex signed an agreement with the claim owner of the Masapelid Project (San Manuel Mining Corporation) on 23 December 2004. The agreement allowed Metals Ex to earn a 70% economic interest in the Project by paying San Miguel Mining Corp US\$ 105,000 and issuing 1,250,000 ordinary shares in Metals Ex over a

three year period. Metals Ex is able to withdraw from the Agreement at any time, without any encumbrances or liabilities, in return for relinquishing its economic interest.

On January 25 2006 The Company signed a Joint Venture Agreement with Medusa Mining Limited and Philsaga Mining Corporation over the Masapelid project.

In summary the principal terms of the JVA are:

- * the Medusa Group has the right to earn an 84% share of the Interest, with Metals Ex retaining a 16% share of the Interest or alternatively retaining a 10% Net Profit Interest ("NPI") from Medusa in any mining operation;

- * the Medusa Group is to expend the first US\$1million on the Masapelid Project and is to partly fund Metals Ex's remaining acquisition cost of the Interest;

* the Medusa Group is to operate the Masapelid Project;

* the remaining shares and cash consideration to acquire the Interest will be shared 84% by Medusa and 16% by Metals Ex with the following payments to be made:

(i) on or before 27 February 2006, proportionate payments to a total of US\$25,000 cash and the issue of 40,000 shares by Metals Ex and shares equivalent in value to 210,000 Metals Ex shares by Medusa, such value to be determined with reference to the average price of one ordinary share in Metals Ex during the 5 days of trading on AIM immediately preceding 24 January 2006;

(ii) on or before 27 January 2007, proportionate payments to a total of US\$25,000 cash and the issue of 40,000 shares by Metals Ex and shares equivalent in value to 210,000 Metals Ex shares by Medusa; and

(iii) on or before 27 January 2008, proportionate payments to a total of US\$30,000 cash and the issue of 80,000 shares by Metals Ex and shares equivalent in value to 420,000 Metals Ex shares by Medusa.

* on completion of the expenditure of US\$1 million, Metals Ex has the exclusive right to choose to contribute 16% of the on-going expenditure or to dilute to a 10% NPI (in which case Medusa would then own 100% of the Interest); and

* on commencement of any production, the present shareholders of SMMC will receive a 1.5% Net Smelter Royalty ("NSR").

PLANNED WORK PROGRAMME - MEDUSA

The Medusa Group is expected to immediately commence a confirmatory diamond drilling programme which, dependent upon results, may be followed by underground exploration and development.

ABOUT MEDUSA

The Medusa Group is currently conducting exploration in Eastern Mindanao.

Philsaga have just received a Special Mining Permit which enables them to conduct commercial full scale underground mining operations at the Co-O gold mine in Agusan del Sur, for a period of one year, renewable for like period.

Philsaga has been operating the narrow-vein Co-O mine for the last 5 years.

The Medusa Group has advised that it will immediately commence the development required for full scale mining operations at the Co-O mine to provide the ore feed to the Co-O treatment plant that is leased by Medusa and which is currently undergoing its first upgrade to an initial nominal capacity of 400 tonnes of ore per day (approximately 150,000 tonnes per annum).

As the Medusa Group has demonstrated the technical and financial ability to develop and exploit narrow high gold-grade vein deposits in the eastern Mindanao region, which encompasses the Masapelid Project area, the board of Metals Ex regard the JVA as an excellent way of expediting the development of the Masapelid Project and, at the same time, enabling Metals Ex to maintain its focus on Runruno.

HISTORY

The Masapelid Project is located in the northeast corner of Mindanao in the Province of Surigao, approximately 750 km south of Manila. The project covers the entire Masapelid Island.

The Island is composed of tertiary andesite and basalt flows and sub-volcanics with lesser amounts of pyroclastic. These volcanic rocks are uncomfortably overlain by limestone of younger tertiary age. Pervasive silica-clay-pyrite alteration is most pronounced in the andesitic units and is characteristic of Masapelid. Quartz-gold-polymetallic veins have been mined historically on the Island since Spanish colonial times, with records of production starting in the 1930's. This production was restricted to two northeasterly trending veins. A total of approximately 21,000 tons of ore with a grade of 16 to 24g/t Au was reportedly mined to a depth of approximately 90 metres. An assessment of the

developed parts of these veins in 1941 by H. Lindblom showed that there was approximately 133,000 tons of ore blocked out ready for mining at that time. The outbreak of World War II stopped all mining activities.

During the 1980's artisanal gold miners worked on the Island; however, the discovery of the rich Diwalwal gold mining area located further to the South on Mindanao Island eventually resulted in the decline of mining on Masapelid.

Western Mining Corporation carried out a regional soil sampling program and some diamond drilling in the early 1990's. This generated a comprehensive database covering the whole Island.

11 rock chip samples were collected during a reconnaissance survey in February 2005 of the historical Layong Vein mining area. The samples were submitted to an independent, certified laboratory (Intertech Testing Laboratories) in Surigao City, for multi-element analyses.

Table 1. Gold and Silver results Rock-chip sampling Masapelid Project, Philippines

Sample Number	Gold (g/t)	Silver (g/t)	Description of Rock Sample
MSP001	0.12	0.1	altered diorite with minor quartz veinlets

MSP002	0.92	<0.1	altered andesite, slightly brecciated
MSP003	0.18	15.4	quartz vein
MSP004	0.04	0.1	altered andesitic volcanic
MSP005	1.37	3.7	altered andesitic volcanic with minor quartz veinlets
MSP006	0.45	40	quartz vein
MSP007	0.35	32	altered andesitic volcanic with minor quartz veinlets
MSP008	1.97	9.1	quartz vein
* MSP009	121	175	quartz vein
* MSP010	24	154	altered andesitic volcanic rock with quartz veinlets
MSP011	2.20	6.6	altered andesitic volcanic rock with quartz veinlets

*?Of particular interest are the 'bonanza' style gold grades attained from samples MSP009 and MSP010, which also contain high silver grades. This style of mineralisation is typical of a low-sulphidation quartz-gold-silver epithermal system.

PURAY PROJECT

On 28 June 2005, the Company announced the signing of an option to purchase agreement for the Puray copper-zinc-silver-gold project located in the Philippines.

The Puray Project comprises one Exploration Permit Application covering some

6,075 hectares, and is located only 28 kilometres from the city of Manila. The Puray property has been explored and partially mined since the 1930's. The mineralisation is polymetallic, containing high-grade and disseminated copper-zinc-silver-gold. The style of mineralisation is similar to the Kuroko style of massive sulphide deposits, which have been major producers of copper, zinc, silver, gold and lead in Canada (e.g. Kidd Creek, Ontario, Canada). The high grade and commonly high precious metal content of Kuroko deposits continue to make them attractive exploration targets.

During 1969 to 1981 mining of massive sulphide-copper ore was carried out by Eastern Rizal Copper Corporation. Approximately 700 tonnes of bornite ore was mined of which a 200 tonne parcel was shipped directly to Japan for smelting. The grade of the shipment reportedly averaged 20% Cu, 5.75 g/t Au and 196g/t Ag. The remaining 500 tonnes of the massive bornite ore stockpile was lost in a hill-slide during a typhoon in 1972.

In 1981, Eastern Rizal Copper Corporation reported that there remained in the underground workings several thousand tonnes of massive sulphide ore grading 10-50% Cu. They also reportedly calculated a proven and probable resource of 8 million tonnes at an average grade of >0.7% Cu and an additional 28 million tonnes of possible resources at an unspecified grade for the remaining disseminated sulphide mineralisation. The resources calculations were derived from the results of sampling surface trenches and tunnels, although they are not

verifiable, and do not necessarily comply with the JORC guidelines for the reporting of mineral resources.

ERCC did not consider other metals such as zinc, gold or silver as being significant, therefore it appears that assaying for these metals were not always carried out. The current metal prices for these other metals, however is considered by the Company to be of some economic importance when reviewing the potential for this project. Samples obtained from the surface during a recent field visit by the Company returned assays ranging up to 8.9% Cu, 1.7% Zn and 1.3g/t Au.

The occurrence of 'direct shipping' bornite and chalcopyrite ore indicates the potential for the delineation of high-grade Kuroko-style mineralisation of significant size over a potential strike length of up to 6 kilometres.

Upon granting of the Exploration Permit Application, it is the intention of Metals Exploration to exercise the option to purchase agreement and apply modern exploration techniques to define the project's size and grade potential. The Company considers the acquisition of the Puray polymetallic project an exciting opportunity to enhance its projects portfolio and ultimately deliver increased value to the shareholders.

BAGUIO EPA PROJECT

The Baguio regional office of the Mines & Geosciences Bureau ("MGB") has recently accepted an Application for an Exploration Permit ("EPA") from the Company. The application is for a property located in the district of Northern Luzon, Philippines, and adjoins the Santo Nino property, previously a copper-gold producer.

The EPA covers an area of approximately 5,845 hectares and is located about 10 kilometres to the northeast of Baguio City. The property is underlain by quartz diorite and andesite rock types and was previously the object of extensive exploration for copper+gold+molybdenum porphyry mineralisation during the 1970s.

Between 1974 and 1980, Worldwide Mineral and Industrial Corporation ("Worldwide"), a Philippine corporation, completed 44 drill holes for an aggregate total of 12,989 metres. Worldwide also carried out a combined IP and Resistivity geophysical survey in 1978.

The Company is in the process of obtaining and collating all available historical data.

JACLUPAN PROJECT

The Jaclupan Project is located within 5 kilometres of the large open-cast and

underground copper-gold mines of Atlas Consolidated Mines & Development Corporation (pre-mining reserve of 1 billion tonnes grading 0.46% Cu and 0.25 g/t Au).

The Jaclupan Project is an Exploration Permit Application. Once the application is granted exploration will commence with the aim of defining drill targets.

OUTLOOK

The Directors consider, as outlined in the above descriptions of Runruno, Masapelid, Puray, Jaclupan and Baguio Copper that each of the projects have considerable merit.

Metals Ex will keep its shareholders fully informed as these projects advance.

Results for the year and dividends

The loss for the period after taxation was £176,914. The directors do not recommend the payment of a dividend.

Directors and their interests

The directors of the company at 30 September 2005, and their interests in the

share capital of the company, were:

ordinary shares	Number of warrants	Number of of
1p		
2005	2005	
S M Smith 1,500,000	(appointed 13 July 2004) 1,000,000	
P C Barnett NIL	(appointed 13 July 2004) 1,000,000	
K D Mahoney NIL	(appointed 29 September 2004) 500,000	
G R Powell NIL	(appointed 27 August 2004) -	
St James Square Secretaries -	(appointed 8 April 2004, resigned 13 July -	
Limited	2004)	

Post balance sheet events

The company has issued a number of warrants to subscribe to 1p ordinary shares since the balance sheet date, the details of which are set out in note 20 to the accounts.

Policy and practice of payment of suppliers

The Group's policy on payment of suppliers is to settle the amounts due on a timely basis taking into account the credit period given. At 30 September 2005, the Group had an average of 60 days purchases outstanding.

Auditors

The auditors, Nexia Audit Limited, were appointed in the period. A resolution for the reappointment of Nexia Audit Limited will be proposed at the Annual General Meeting.

Approved by the board of directors

and signed on behalf of the board

S M Smith

Director

Statement of directors' responsibilities in respect of the Accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts,

the directors are required to:

- * Select suitable accounting policies and then apply them consistently;
- * Make judgements and estimates that are reasonable and prudent;
- * State whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the accounts;
- * Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position for the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

Independent auditors' report

We have audited the accounts of Metals Exploration Plc for the period ended 30 September 2005 which comprises the consolidated Profit and Loss Account, the

consolidated Balance Sheet, the company Balance Sheet, the consolidated Cash Flow Statement, and the related notes 1 to 21. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and UK Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with

sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company and the group's affairs as at 30 September 2005 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Nexia Audit Limited
Moorgate

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Chartered Accountants
London

Registered Auditors
EC2R 6AY

Date

Consolidated profit and loss account

Notes

2005

£		
Turnover		1
-		
Administrative expenses (187,378)		
Operating loss (187,378)		
Interest receivable 10,819		
Interest payable (355)	4	
Loss on ordinary activities before taxation (176,914)		5
Tax on profit on ordinary activities -		6
Loss for the financial period (176,914)		13
Basic loss per share (0.67p)	7	
Diluted loss per share (0.56p)	7	

All of the group's operations are classed as continuing. There were no gains or losses in the period other than those included in the above profit and loss account.

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

Consolidated balance sheet

Notes

2005

£

Fixed assets

Intangible assets

1,587,992

8

Current assets

Debtors

11,204

10

Cash at bank

1,178,687

1,189,891

Creditors: amounts falling due within one year

193,021

11

Net current assets

996,870

Net assets

2,584,862

Shareholders' equity

Called up share capital

471,683

12

Share premium amount

1,694,271

13

Shares to be issued

288,000

14

Profit and loss account 13
(176,914)

2,277,040

Minority interests equity
307,822

2,584,862

The accounts were approved by the Board of Directors on 29 March 2006 and were signed on its behalf by:

S M Smith

Company balance sheet

	Notes
2005	
£	
Fixed assets	
Intangible assets	8
561,919	
Investments	9
718,251	
1,280,170	
Current assets	
Debtors	10

11,204	
Cash at bank	
1,178,687	
1,189,891	
Creditors: amounts falling due within one year	11
193,021	
Net current assets	
996,870	
Net assets	
2,277,040	
Shareholders' equity	
Called up share capital	12
471,683	
Share premium amount	13
1,694,271	
Shares to be issued	14
288,000	
Profit and loss account	13
(176,914)	
2,277,040	

The accounts were approved by the Board of Directors on 29 March 2006 and were signed on its behalf by:

S M Smith

Director

Consolidated cash flow statement

Notes

2005

£

Net cash outflow from operating activities (35,131)	16
Returns on investments and servicing of finance	
Interest received 10,819	
Interest paid (355)	
Net cash inflow from returns on investments and servicing of finance 10,464	
Capital expenditure and financial investment	
Payments to acquire intangible fixed assets (858,956)	
Acquisitions	
Payments to acquire subsidiary undertakings (53,763)	
Financing	
Issue of ordinary share capital (net of expenses) 2,116,073	
Increase in cash in the year 1,178,687	17

Notes to the accounts

1. Accounting policies

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

Basis of accounting

The accounts have been prepared under the historical cost convention.

Basis of consolidation

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

Exploration and development costs

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

Once mining commences the asset is amortised on a depletion percentage basis.

Provision is made for impairments to the extent that the asset's carrying value exceeds its net recoverable amount.

Investments

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

Deferred taxation

Deferred tax is provided for on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of (i) property revaluation surpluses where there is no commitment to sell the asset; (ii) gains on sale of assets where those assets have been rolled over into replacement assets; and (iii) additional tax which would arise if profits of overseas subsidiaries are distributed except where otherwise required by accounting standards. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in future is uncertain. Any assets and liabilities recognised have not been discounted.

Foreign currencies

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

Turnover

Turnover, excluding value added tax, represents net invoiced sales of the Company's share of revenues in the period. Turnover is recognised as sales as invoiced throughout the period.

Segmental reporting

The group's operating loss is derived from the company's principal activity, all based in the UK. Of the group's net assets, £1,375,919 relates to assets held in the Philippines, the remainder relates to net assets held in the UK.

2. Directors' fees

2005

£

S M Smith

16,000

P C Barrett *

12,000

K D Mahoney *

12,000

G Powell

13,228

53,228

*?Non-executive directors

Other than the directors' fees disclosed above, the company paid S M Smith £13,000 in the period for accountancy services and £10,000 for general consultancy. Additionally, the Group paid £13,304 in consultancy fees to Boonjarding Limited, a company controlled by G Powell and paid £17,000 in consultancy fees to P Barrett.

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

3. Employee information

The company had no employees under a contract for service in the period.

4. Interest payable

2005

£

Bank loans and overdrafts

355

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

2005

£

Auditors' remuneration

-audit (group and company)

8,000

6. Tax on profit on ordinary activities

2005

£

(a)UK corporation tax at 30%

-

(b) Factors affecting tax charge for period

£

Loss on ordinary activities before tax

(176,914)

Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30%

(53,074)

Effects of:

Expenses not deductible for tax purposes

120

Tax losses carried forward

52,954

Current tax charge for period

-

A deferred tax asset of £52,954 due to on-going tax losses has not been recognised due to uncertainty over its future reversal.

7. Loss per share

Basic loss per share has been calculated on the basis of loss after taxation of £176,914 divided by the weighted average number of shares in issue since the AIM admission of 26,313,414.

The diluted loss per share includes 5,455,993 of warrants exercisable at prices between 3.25p and 20p. The share price on 30 September 2005 was 10p per share.

The weighted number of shares for the diluted earnings per share is therefore
31,769,407.

8. Intangible fixed assets - Group

Costs of	
Exploration	
£	
Cost	
On incorporation	-
Additions	
1,587,992	
At 30 September 2005	
1,587,992	

Intangible fixed assets - Company

Costs of	
Exploration	
£	
Cost	
On incorporation	-
Additions	
561,919	

At 30 September 2005
561,919

9. (a) Investments

Subsidiary

Undertakings

£

Cost

On incorporation

-

Additions

718,251

At 30 September 2005

718,251

The above investments are unlisted.

The subsidiary companies are as follows:

Company Nature of business	Country of registration	% holding	
San Manuel Mining Corporation mining rights	Philippines	70%	Holder of
FCF Mining Corporation	Philippines	70%	Holder of

mining rights

(b) Analysis of acquisitions

On 23 December 2004, the company concluded an agreement which resulted in the purchase of 70% of the subscribed share capital in SMMC. The agreement allows Metals Ex to earn 70% of the economic interest in the project on completion of the following payment schedule:

in the Company	Cash (US\$)	Shares
On completion 250,000	25,000	
One year after completion 250,000	25,000	
Two years after completion 250,000	25,000	
Three years after completion 500,000	35,000	

The fair value of the assets acquired were:

Fair value (£)

Intangible assets mining rights

602,093

Metals Exploration plc - proportion of economic interest

421,465

Fair value of consideration

421,465

Goodwill

-

On 2 February 2005, Metals Ex signed an agreement which resulted in the purchase of 70% of the share capital in FCF Mining Corporation. The following payment schedule has been agreed, with payments made to its two former shareholders; Filminera Resources Corp and Christian Mining Inc.

	Cash (US\$)	Shares
in the Company		
Shares in the Company		
On completion	100,000	
400,000		
One year after completion	30,000	
400,000		
Two years after completion	40,000	
400,000		
Three years after completion	40,000	
400,000		

The fair value of the assets acquired were:

Fair value (£)

Intangible assets mining rights
424,146

Metals Exploration plc - proportion of economic interest
296,902

Fair value of consideration
296,902

Goodwill
-

10. Debtors

2005

£

Other debtors
6,337

Prepayments
4,867

11,204

11. Creditors: amounts falling due within one year

£

Accruals
193,021

12. Called up share capital

£

Authorised

100,000,000 ordinary shares of 1p each
1,000,000

Allotted, called up and fully paid

47,168,332 ordinary shares of 1p each
471,683

On incorporation the Company's authorised share capital was 100,000,000 ordinary shares of 1p each and the Company issued 2 1p ordinary shares at par. The Company additionally made the following issues of 1p ordinary shares in the period:

Date of issue consideration	Number of shares	Price per share	Overall
30 September 2004 75,000	7,499,998	1p	
22 October 2004 542,800	18,093,332	3p	
23 December 2004 -	250,000	*	
31 January 2005 16,250	500,000	3.25p	

17 March 2005 9,750	300,000	3.25p
10 August 2005 274,500	3,000,000	9.15p
16 August 2005 -	400,000	**
2 September 2005 148,125	1,500,000	9.875p
14 September 2005 1,250,000	15,625,000	8p

* The Company issued 250,000 1p ordinary shares in consideration for receipt of 10,000 ordinary shares in San Manuel Mining Corporation, which represents a 70% stake in that company.

** The Company issued 400,000 1p ordinary shares in consideration for receipt of 500,000 ordinary shares in FCF Mining Corporation, which represents a 70% stake in that company. All the authorised and allotted shares are of the same class and rank pari passu.

Warrants

The company issued the following warrants to subscribe to 1p ordinary shares in the period:

Date of issue exercised in period	Number of shares	Warrant price	Number
30 September 2004 200,000	3,500,000	3.25p	
15 October 2004 800,000	1,800,000	3.25p	
10 August 2005 -	4,000,000	3.25p	
2 September 2005 -	2,000,000	3.25p	
15 September 2005 500,000	1,496,708	8p	
15 September 2005 2,116,651	6,408,274	20p	

13. Reserves

Total	Shares to be issued	Share Premium	Profit & Loss Account
£	£	£	£
On incorporation -	-	-	-
Loss for the year (176,914)	-	-	(176,914)
Premium on share issue 1,943,933	-	1,943,933	-
Issue expenses (249,662)	-	(249,662)	-

Deferred consideration 288,000	288,000	-	-
At 30 September 2005 1,805,357	288,000	1,694,271	(176,914)

14. Shares to be issued

Under the arrangements of the deferred consideration on the purchase of certain mining rights set out in note 9, an additional 2,200,000 ordinary 1p shares are to be issued to the vendors, to be issued at various

points in the next 3 years. For valuation purposes these shares have been valued between 7.5p and 11.5p, the price on completion of the transactions.

15. Reconciliation of movements in Shareholders' funds Group

2005

£

Loss for the financial period
(176,914)

Issue of share capital
2,165,954

Shares to be issued
288,000

Opening shareholder's funds

-

Closing shareholders' funds

2,277,040

16. Reconciliation of operating profit to net cash outflow from operating activities

£

Operating loss

(187,378)

Increase in debtors

(11,204)

Increase in creditors

163,451

Net cash outflow from operating activities

(35,131)

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

2005

£

Increase in cash in the period

1,178,687

Movement in net funds in the year

1,178,687

Net funds on incorporation

-

Net funds at 30 September 2005

1,178,687

18. Analysis of net debt

At 30 September	On	
	incorporation	Cash flow
2005		
£	£	£
Cash in hand, at bank	-	1,178,687
1,178,687		
Total	-	1,178,687
1,178,687		

19. Related party transactions

Other than the directors' fees disclosed in note 3, the company paid SM Smith £13,000 in the period for accountancy services and £10,000 for general consultancy. Additionally the Group paid £13,304 in consultancy fees to Boonjarding Limited, a company controlled by G Powell and paid £17,000 in consultancy fees to P Barnett.

20. Post balance sheet events

On 3 November 2005, the company granted warrants to certain directors and third parties to subscribe to up to 5,800,000 1p ordinary shares. The principal terms of the warrants issued to the related parties were:

Warrant holder under	Exercise price held	Exercise period (from date of grant)	Number of shares under Total warrants
G Powell	12p	Up to 7 years	1,000,000
	1,500,000		
	40p	Up to 7 years	500,000
Reef Securities Limited*20p		Up to 7 years	1,000,000
	2,500,000		
	40p	Up to 7 years	500,000
P Bennett	20p	Up to 7 years	500,000
	2,000,000		
	40p	Up to 7 years	500,000

* Reef Securities Limited is a company controlled by SM Smith

The additional warrants were issued at exercise prices ranging from 12 p to 40p, with exercise periods from 2 to 7 years from the date of grant.

Between 14 November 2005 and 10 March 2006, the company issued 3,298,053 new 1p ordinary shares at prices ranging between 3.25p per share and 20p per share, pursuant to the exercise of existing warrants.

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

On 25 January 2005 the company signed a joint venture agreement (JVA) with Medusa Mining Limited and Philsaga Mining Corporation in respect of the Company's interest in San Manuel Mining Corporation. The principal terms of the JVA are that the company will retain a 16% share of the interest or

alternatively retain a 10% net profit interest, in return for a reduced payment schedule.

On 21 February 2006, the company issued 400,000 new 1p ordinary shares in connection with the company's interest in the Runruno project. The shares were issued together with cash payments of US\$30,000 in respect of the company's outstanding obligations under the terms of the existing agreement entered into on 1 February 2005.

On 7 March 2006, the company issued 40,000 new 1p ordinary shares to satisfy a payment obligation of the company pursuant to an agreement with Medusa Mining Limited and Philsaga Mining Corporation.

In March 2006 the company obtained an exploration permit for the Baguio regional office of the Mines and Geosciences Bureau for a 5,845 hectare property located in Northern Luzon in the Philippines.

21. Financial Instruments

The Company's financial instruments comprise cash at bank and various items such as other debtors and creditors that arise directly from its operations and are therefore excluded from the disclosures. The main purpose of these instruments is to provide finance for operations. The Company has not entered into

derivative transactions nor does it trade financial instruments as a matter of policy.

Other than the immaterial, floating rate bank overdraft interest on the Group's Sterling bank account, the Group does not pay interest on any of its other financial liabilities; nor is it likely to in the future.

Interest rate risk profile on financial assets

The only financial assets (other than the costs of exploration and short term debtors) are cash at bank, which comprise inter bank sterling deposits with interest earned at a fixed average rate of 4.12%. The Directors believe the fair value of the financial instruments is not materially different to the book value.

Currency exposure

At the period end, the Company's currency exposure is predominantly to the US dollar, with payments made for costs of exploration in this currency. The Company does not have a formal policy in place to manage this currency risk, but the directors believe the risk of material change in rates is minimal. The remaining other assets and liabilities of Group are in Sterling.

This information is provided by RNS

The company news service from the London Stock Exchange

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