

CONTENTS

	Pages
Directors and advisers	2
Chairman's statement	3
Chief Executive's review	6
Corporate governance statement	13
Directors' report	15
Statement of directors' responsibilities	18
Independent auditors' report	19
Consolidated income statement	21
Consolidated statement of changes in equity	22
Consolidated balance sheet	24
Consolidated cash flow statement	25
Company balance sheet	26
Company statement of changes in equity	27
Company cash flow statement	28
Notes to the financial statements	29

DIRECTORS AND ADVISERS

Directors	I R Holzberger (<i>Executive Chairman</i>) J P B Beardsworth (<i>Chief Executive</i>) G R Powell (<i>Executive Director</i>) T G Wheeler (<i>Finance Director</i>) J M K Pearson (<i>Non-Executive Director</i>) T J Dean (<i>Non-Executive Director</i>)
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 am pleased to present this Annual Report for the financial year ended 30 September 2008, my first as Chairman.

The period has of course been dominated by the extraordinary and unprecedented economic turmoil worldwide, and which continues at the time of writing. In a situation where household brand names across all sectors of the global economy are failing there is little we can do to influence events other than to focus on our own concerns.

In that regard I am happy to report that your Company is in remarkably good shape. The vital question for companies such as ours in current circumstances is the availability of funding, and in January this year we were pleased to welcome Solomon Capital, an investment vehicle of Christian Candy, as a 29.9% shareholder.

Solomon Capital has invested approximately £3.5 million in direct equity, and provided via a sister company a loan facility of £8.0 million available for drawdown in the event that it is required. This provides us with the funding we need to commit with confidence to the completion of a full bankable feasibility study on our Runruno project, which is targeted to report early next year.

With Solomon Capital's investment, I welcome Tim Dean onto the Board of Directors. Tim has a First Class Honours degree in Engineering from Oxford University, and in his early career worked in mining with Gencor (as it was then) in South Africa. I am confident that Tim's technical knowledge, industry experience, and financial acumen will make a material contribution to our decision making processes.

I also welcome Tim Wheeler to the Board in his capacity as Finance Director. Tim is an experienced Finance Director, Chief Operating Officer and Business Manager with over 20 years' experience in investment banking. Most recently he was Finance Director and Chief Operating Officer for Standard Bank Plc where he was responsible for all Standard Bank's operations worldwide outside Africa, including responsibility for offices in the Far East, Latin America and North America.

Tim's skill-set and experience are particularly relevant as we transform the Company from exploration through to development, and I take considerable comfort from the unusually strong executive management team we have in place for a company at our stage of evolution.

The reason I was honoured to accept the position of Chairman was because of Runruno. I have been involved in the mining industry in various capacities for over 35 years, and in that time have assisted in bringing many projects to fruition. It was and remains evident to me that Runruno has extraordinary potential.

We have already outlined a resource of 2 Moz of gold and 34 Mlb of molybdenum, of which nearly 40% reports to the Measured and Indicated categories (under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 (the "JORC" Code)). Consequently we have great confidence in the consistency of the resource, and this grows with every update.

During the year we completed two studies into the economic and technical parameters of a possible operation. Both studies confirmed our belief in the potential of the project. The latter study, conducted to a pre-feasibility standard, managed by the Company, and benefiting from the input of 48 external contractors, envisages an operation producing 183,000 oz of gold and 1.7 Mlb of molybdenum annually at a cash operating cost of \$463 per oz of gold, which is in the middle of the current industry cost curve. By adding the molybdenum credits, at whatever molybdenum price is assumed, that cash cost and net position on the cost curve comes down significantly. We therefore know that the project is viable and robust.

Leaving aside its technical merits, the project also benefits from unusual buildability, by which I mean the availability of essential infrastructure. Direct road access to site exists today, plentiful hydro power is available from the national grid, process water is available from the local river systems, the topography lends itself to a natural tailings solution, and communications, both physical and electronic, are excellent.

METALS EXPLORATION PLC

Chairman's Statement (continued)

In focusing our efforts on bringing the existing 2 Moz deposit into development, we should not lose sight of the exciting potential of the wider volcanogenic complex at Runruno, all of which is within our permit area. This potential has been independently confirmed by one of the world experts on such systems, Dr Eric Jensen PhD, and we are determined to commit resources to demonstrating this potential as and when they become available.

One aspect that particularly impressed me on joining the Company is the work that has been, and continues to be, done in engaging with the local community. From the outset the Company has taken its corporate social responsibility and environmental responsibilities extremely seriously. Evidence of this can be seen daily on the ground, but it is also pleasing to see it recognised by the local community and regulatory authorities.

In last year's report mention was made of the "Special Award" presented to Ernesto Mendoza and his wife Nanette at the Mining Journal "Mines & Money" Conference in London in recognition of their exceptional relief efforts in support of the community.

In the last year I am pleased to report that FCF Mining Corporation, the subsidiary which operates the Runruno project, received the "Kabalikat" award for its training and skills development programmes, the "Presidential Mineral Industry Environment" award for its environmental stewardship, and the Mines and Geosciences Bureau "Mining Forest Award" for its seedlings and replanting programme. These awards were based on the policies of FCF Mining Corporation and the ongoing work of the Runruno Livelihood Foundation, a non-profit organisation funded jointly by us and the Government of the Philippines.

We find the Philippines a most conducive jurisdiction in which to operate. The Government is committed to supporting mining as a means of promoting economic development, and the regulatory framework clearly and fairly outlines our rights and obligations. The permitting and approvals process is efficiently managed by the authorities, and we reached a notable milestone recently with the endorsement of our application for a Financial and Technical Assistance Agreement (FTAA), effectively the mining permit, by Secretary Lito Atienza of the Department of the Environment and Natural Resources (DENR). The application now awaits final sign-off by the President's office.

With all of the above noted, there is no doubt in my mind that Runruno, as a stand-alone 2 Moz gold/34 Mlb moly project, and with its wider potential, is an extraordinarily attractive proposition.

The silver lining to the current economic climate is that as long as a company has sufficient funding, as we do, then ironically it is easier to move projects forward than it was before the credit crunch because there is greater availability of personnel and services, shorter response times from third party contractors, and lower costs of key inputs. Consequently we are well positioned to forge ahead with development and bring Runruno into production at just the time when most commentators predict that the economic storm clouds will have cleared and global demand will have re-established.

This Chairman's Statement is perhaps longer than might usually be expected, but I believe it important to have outlined in a degree of detail the basis for my confidence in this Company and our project at Runruno.

Shareholders understandably will focus on share price performance, and we cannot hide from the fact that the last year has not been pretty. That said, we are not alone. On a monthly basis we monitor our share price performance against a range of peers, and there is nothing that has happened to us that is not happening to others.

I sympathise with loyal and long suffering shareholders whose entry price in many cases is materially above current levels, and I applaud Solomon Capital for identifying the value proposition that prevailing levels represent.

At the time of writing we are valued at approximately \$10 per oz of gold, a valuation that gives no credit for the molybdenum. Informed investors will know that a valuation of three or five times that level would not be unreasonable in normal conditions for a project of our scale, maturity, and level of confidence in the resource.

Chairman's Statement (continued)

Recognising that we are in the grip of global economic storms, I would encourage shareholders to hold firm if they are able. I have tried to explain the reasons for my own confidence in the Company, and at some stage normal valuation metrics have to reassert, giving appropriate credit for what we already have, and have achieved.

Irrespective of whether the market remains stubbornly depressed, I assure shareholders that our intent remains to bring Runruno into production. At that point it is inconceivable that a company producing nearly 200,000 oz of gold per annum and associated molybdenum will not be appropriately valued.

This is certainly the view taken by Solomon Capital who, coming from a property development background, have indicated that they intend to stand their corner all the way through to production.

No Chairman's Statement would be complete without giving due credit to the efforts of our dedicated employees. A company is not just a legal entity, it is a living organism made up of those who entrust their lives and futures to it. The current status of the project and progress made through the year is entirely down to them and, as we move into the feasibility study, we welcome a number of highly qualified and experienced new individuals into the Metals Exploration family. I have great confidence in our team and thank them all for their contributions.

Finally, the Directors and employees of Metals Exploration extend their sympathies to the wife and family of Ronnie Roasa, who died unexpectedly on 16th June 2008. Ronnie was one of the founding members of the Company, and instrumental in helping the Company acquire the Runruno project. In recognition of his contribution to the Company a service of thanksgiving was held, and the Company's central logistic facility at Solano was renamed "Ronnie's Yard".

A handwritten signature in black ink, reading "Ian R Holzberger". The signature is written in a cursive, flowing style.

I R Holzberger
Executive Chairman

19 March 2009

CHIEF EXECUTIVE'S REVIEW

It is with great pleasure that we welcome Ian Holzberger as Chairman. Ian has enormous experience in the precious and base metals mining industry, embracing a range of management, operational, mine development and feasibility study roles. His agreement to join the Company has transformed the development prospects at Runruno.

Against the background of steadily worsening economic conditions, the year to 30 September 2008 saw the Company advance its flagship project at Runruno through the completion of an economic and technical Concept Study. We also expanded our project portfolio with the award of two new Exploration Permits at Dupax and Sulong.

Since the year-end, and despite continuing economic deterioration, we have announced the completion of the Scoping Study, conducted to a pre-feasibility standard, which demonstrates that the Runruno project is technically and economically robust. We have also secured funding from the introduction of Solomon Capital as 29.9% shareholder in the Company giving us the confidence to commit to the completion of a full bankable feasibility study during 2009.

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 2.0 Moz gold and 34.4 Mlb molybdenum. The resource estimate is detailed in Measured, Indicated and Inferred categories below.

Runruno Resource Estimate – October 2008

<i>Resource Category</i>	<i>Tonnes (x 10⁶)</i>	<i>g/t</i>	<i>Gold (Au) oz</i>	<i>%</i>	<i>Molybdenum (Mo) lb</i>
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.

Chief Executive's Review (continued)

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."

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.

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

	<i>Unit</i>	<i>Gold Only Project</i>	<i>Gold & Moly Project</i>
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 Brinkhoff (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.

METALS EXPLORATION PLC

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

<i>Area</i>	<i>Capital estimate \$US million</i>	<i>% of total Capital</i>
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
<i>Including:</i>		
– <i>Engineering contingency @ 10% – non plant</i>	8.0	–
– <i>Engineering contingency @ 15% – plant</i>	14.8	–
	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

<i>Area</i>	<i>Operating cost estimate \$US million gold only</i>	<i>Operating cost estimate \$US million gold + moly</i>	<i>US\$/oz gold gross</i>	<i>US\$/oz gold net of moly credits</i>
Mine	33.6	33.6	180.41	111.15
Process Plant	41.7	43.2	231.95	142.91
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 provide the basis for the Company to commit the project to a full feasibility study.

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 RC 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 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 rights to the remaining 15%.

Application has been made to convert the EP into a Financial or Technical Assistance Agreement (FTAA), under the 1995 Philippine Mining Act. The application has been endorsed by the Secretary of the DENR and is awaiting final sign-off by the President of the Philippines.

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 Company 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.

The Company 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.

The Company 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.

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

The awards above were presented to our subsidiary FCF Mining Corporation, who operate the Runruno project, for their work alongside the Runruno Livelihood Foundation, which the Company supports and donates to.

OTHER PROJECTS

In June 2008 the Company was awarded Exploration Permits covering the Dupax and Sulong prospects. The permits are located approximately 200km north of Manila in Nueva Viscaya province on Luzon Island and within 50km of Runruno. The Company intends to carry out detailed geological mapping, soil geochemistry and geophysical surveys at both projects to determine favourable areas for drill testing.

Dupax

The Dupax project is covered by EXP-000016II encompassing two blocks totalling 8,856 hectares in area – Dupax (5,042 hectares) and Solano (3,814 hectares).

METALS EXPLORATION PLC

Chief Executive's Review (continued)

The Dupax block contains a previously identified and partially mined open pit zinc-copper-gold massive sulphide deposit. Surface sampling by the Company has returned grades up to 45.7% zinc, 3.89% copper, and approximately 4 g/t gold from outcrop.

Previous work focused on defining a lens of high grade, direct shipping massive sulphide zinc-copper ore which was partially mined out by open pit methods during the 1960s and 1970s. Production records are not available.

The deposit occurs as a massive sulphide body in agglomerate and disseminated sulphide in silicified sediments, predominantly underlain by marine clastics intercalated with pillow basalts and pyroclastics. This package is intruded by dykes and sills of intermediate to basic composition.

Sulong

The Sulong project is covered by EXP-000017II, encompassing an area of 6,963 hectares to the east of Solano in Nueva Viscaya province.

Since the 1970s the area has been mined for manganese, which is interpreted as being the near surface oxidised portion of an extensive vein-fault system.

During the late 1990s, placer Pacific Exploration Phils. Inc. carried out stream sediment geochemistry and rock sampling of the Sulong area. Sampling of outcrops within the permit area returned assay grades of 0.64g/t gold.

The area is considered prospective for gold associated with a large gold-bearing vein-fault system and porphyry copper and gold mineralisation.

Other Exploration Permit Applications

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

Capaz:

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

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

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

Puray:

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

Worldwide:

The Worldwide project is located in the district of Northern Luzon, Philippines, adjoining the historic Santa Nino copper-gold producer.

Chief Executive's Review (continued)

The permit application covers an area of approximately 5,845 hectares and is located about ten kilometres to the northeast of Baguio City. The property is underlain by quartz diorite and andesite rock types and was previously the subject of extensive exploration for copper-gold-molybdenum porphyry mineralization during the 1970s.

Waigeo Island, Indonesia

In August 2007 the Company acquired rights to various nickel laterite properties on Waigeo Island, Indonesia.

Historical drilling in the 1970s had identified nickel laterite deposits of some 35 Mt at grades of 1.5% Ni, 0.13% Co and 37% Fe within the area (non-JORC compliant).

FUNDING

In May 2008 the Company raised £4.04 million through a placing of new ordinary shares at a price of 20 pence per share.

In January 2009 the Company raised £3.7 million 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 £8 million loan facility available for drawdown in tranches conditional on development milestones being met.

Notwithstanding alternative sources of potential funds, this latest placing and the loan facility give the Company confidence to commit to a full bankable feasibility study on the Runruno project.

MANAGEMENT

The Company 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

19 March 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 year except as stated below.

Directors

The Board of Directors is responsible for the overall control of the Company and Group. As at 30 September 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. In this stage of the development of the Company, financial information is focused on management of cash resources. 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.

The Remuneration Committee currently has one member, Jonathan Pearson. 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).

METALS EXPLORATION PLC

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.

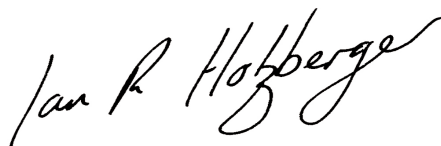
Internal financial control

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

A handwritten signature in black ink, reading "Ian R Holzberger". The signature is written in a cursive style with a large, stylized 'H'.

I R Holzberger
Executive Chairman

19 March 2009

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Group for the year ended 30 September 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 year are shown on page 21. The Directors do not recommend the payment of a dividend (2007: 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 12.

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 Company 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 Company may be required to limit or postpone its operations.

In the year, the Company successfully raised funds of approximately £4.04m and in January 2009, a further £3.7m was raised. 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 Company may not define resources that can be economically exploited.

However, drilling, surveying and analysis is performed by qualified personnel. Drill samples are sent to certified independent laboratories for 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.

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.

METALS EXPLORATION PLC

Directors' Report (continued)

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 Company has applied for a Financial or 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 Company undertakes more detailed studies of the likely costs of the project, the cost estimates become more reliable.

In the year, the Company announced the results of its concept study into the Runruno project and in November 2008, the results of its scoping study were announced. The scoping study considered the technical and economic viability of developing a mining and processing operation at Runruno and possible capital & operating costs and production rates were estimated.

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 the results of its scoping study in November 2008 and since the year-end, has obtained sufficient funding to launch work into a full feasibility study.
- 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 Company continues with drilling activity geared towards resource updates. The latest update was published in October 2008.
- Project value based on dollar values of resource. Dollar values of resource have not fallen below levels at which the economic viability of the Company's projects is threatened.
- Peer group comparisons of dollar per ounce values, resource composition and rebased share price movements. The Company's performance is consistent with other AIM companies in the mining sector.
- Cash flow forecast versus actual expenditure. Actual expenditure remains in line with forecast.

DIRECTORS

The Directors of the Company during the year were:

I R Holzberger	<i>(Executive Chairman)</i>	Appointed 8 July 2008
J P B Beardsworth	<i>(Chief Executive)</i>	
G R Powell	<i>(Executive Director)</i>	
T G Wheeler	<i>(Finance Director)</i>	Appointed 8 July 2008
J M K Pearson	<i>(Non-Executive Director)</i>	
T J Dean	<i>(Non-Executive Director)</i>	Appointed 12 January 2009
S M Smith	<i>(Non-Executive Chairman)</i>	Resigned 6 July 2008

Directors' Report (continued)

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

In the year, the Group made charitable donations to the Runruno Livelihood Foundation in the Philippines totalling £183,865 (2007: £161,475).

SUPPLIER PAYMENT POLICY

The Group's policy is to make payments to suppliers in accordance with those terms and conditions agreed between the Group and its suppliers. At the year-end, the Group's trade creditors represented 11 days of annual purchases (2007: 19 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, respect the indigenous culture of the exploration provinces and 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

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

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



J K Sembi
Company Secretary

19 March 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company and the Group have complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

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

The Directors confirm that they have complied with these requirements and, having a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

Nexia Smith & Williamson

Independent auditors' report to the shareholders of Metals Exploration plc

We have audited the Group and Company financial statements ('the financial statements') of Metals Exploration plc for the year ended 30 September 2008, which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Equity, the Group and Company Cash Flow Statements and the related notes 1 to 28. 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 Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985 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 give a true and fair view and are properly prepared in accordance with the Companies Act 1985. 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.

We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding Directors' remuneration and transactions is not disclosed.

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 Group's and Company's circumstances, consistently applied and adequately disclosed.

Independent Auditors' Report (continued)

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 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 financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985, of the state of the Group's and Company's affairs as at 30 September 2008 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Nexia Smith & Williamson

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors

25 Moorgate
London
EC2R 6AY

20 March 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 accounts since they were initially presented on the web site.

CONSOLIDATED INCOME STATEMENT for the year ended 30 SEPTEMBER 2008

	Notes	2008 £	Restated 2007 £
Continuing Operations			
Revenue		–	–
Cost of sales		–	–
Gross loss		–	–
Administrative expenses		(3,259,863)	(2,092,014)
Analysed as follows:			
Foreign exchange gains/(losses)		153	(10,927)
Other administrative expenses		(3,260,016)	(2,081,087)
Total administrative expenses		(3,259,863)	(2,092,014)
Operating loss	4	(3,259,863)	(2,092,014)
Finance income	8	106,978	178,898
Finance costs	8	(285,868)	(284,305)
Loss before taxation		(3,438,753)	(2,197,421)
Taxation	9	–	–
Loss for the year		(3,438,753)	(2,197,421)
Attributable to:			
Equity holders of the parent		(3,516,433)	(2,192,055)
Minority interest		77,680	(5,366)
		(3,438,753)	(2,197,421)
Loss per share:			
Basic and diluted	10	(3.55)p	(2.81)p

The Company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its individual income statement and related notes. The loss dealt with in the financial statements of the parent Company was £2,410,362 (2007: £1,605,756).

METALS EXPLORATION PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 SEPTEMBER 2008**

	<i>Share capital</i> £	<i>Share premium account</i> £	<i>Shares to be issued reserve</i> £	<i>Translation reserve</i> £	<i>Minority interest</i> £	<i>Profit and loss account</i> £	<i>Total equity</i> £
Balance at							
1 October 2007 (Restated)	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	–	–	–	–	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	<u>1,122,838</u>	<u>15,503,969</u>	<u>2,275,025</u>	<u>588,027</u>	<u>134,000</u>	<u>(8,439,500)</u>	<u>11,184,359</u>

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 STATEMENT OF CHANGES IN EQUITY
for the year ended 30 SEPTEMBER 2007

	<i>Share capital</i>	<i>Share premium account</i>	<i>Shares to be issued reserve</i>	<i>Translation reserve</i>	<i>Minority interest</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£	£	£	£	£
Balance at 1 October 2006	556,953	2,696,623	1,524,448	–	304,258	(2,731,012)	2,351,270
Exchange differences on translating foreign operations	–	–	–	(9,900)	–	–	(9,900)
Loss for the period as restated	–	–	–	–	(5,366)	(2,192,055)	(2,197,421)
Total recognised income and expenses for the period (Restated)	–	–	–	(9,900)	(5,366)	(2,192,055)	(2,207,321)
Movement in share based payments	–	–	282,127	–	–	–	282,127
Issue of equity share capital	356,785	9,154,940	(46,000)	–	–	–	9,465,725
Cancellation of shares to be issued	–	–	(23,000)	–	–	–	(23,000)
Movement in minority interest on acquisition of 15% in FCF Mining Corporation	–	–	–	–	(295,043)	–	(295,043)
Balance at 30 September 2007 (Restated)	<u>913,738</u>	<u>11,851,563</u>	<u>1,737,575</u>	<u>(9,900)</u>	<u>3,849</u>	<u>(4,923,067)</u>	<u>9,573,758</u>

METALS EXPLORATION PLC

CONSOLIDATED BALANCE SHEET as at 30 SEPTEMBER 2008

	<i>Notes</i>	<i>2008</i> £	<i>Restated</i> <i>2007</i> £
Non-current assets			
Property, plant and equipment	12	965,575	189,172
Goodwill	11	1,010,816	1,415,207
Other intangible assets	13	8,958,889	5,743,368
Investments designated at fair value through profit and loss	15	183,464	281,114
		<u>11,118,744</u>	<u>7,628,861</u>
Current assets			
Trade and other receivables	16	542,956	506,075
Cash and cash equivalents	17	1,955,210	3,934,510
		<u>2,498,166</u>	<u>4,440,585</u>
Current liabilities			
Trade and other payables	18	(432,551)	(465,606)
		<u>(432,551)</u>	<u>(465,606)</u>
Non-current liabilities			
Long-term borrowings	19	(2,000,000)	(2,030,082)
		<u>(2,000,000)</u>	<u>(2,030,082)</u>
Net assets		<u>11,184,359</u>	<u>9,573,758</u>
Equity			
Share capital	20	1,122,838	913,738
Share premium account		15,503,969	11,851,563
Shares to be issued reserve		2,275,025	1,737,575
Translation reserve		588,027	(9,900)
Profit and loss account		(8,439,500)	(4,923,067)
Equity attributable to equity holders of the parent		<u>11,050,359</u>	<u>9,569,909</u>
Minority interest		134,000	3,849
		<u>11,184,359</u>	<u>9,573,758</u>

The financial statements were approved by the Board of Directors on 19 March 2009 and were signed on its behalf by:



T G Wheeler
Finance Director

19 March 2009

CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 SEPTEMBER 2008

	<i>Notes</i>	2008 £	2007 £
Net cash used in operating activities	22	(3,191,647)	(1,716,262)
Investing activities			
Payment to acquire shares in quoted company		–	(532,159)
Purchase of intangible assets		(2,179,646)	(1,683,846)
Payment to acquire 15% in FCF Mining Corporation		–	(3,817,114)
Purchase of property, plant and equipment		(868,671)	(130,974)
Net cash used in investing activities		<u>(3,048,317)</u>	<u>(6,164,093)</u>
Financing activities			
Proceeds from issue of share capital		3,838,506	9,442,723
Proceeds from long-term borrowings		–	2,000,000
Net cash from financing activities		<u>3,838,506</u>	<u>11,442,723</u>
Net (decrease)/increase in cash and cash equivalents		(2,401,458)	3,562,368
Cash and cash equivalents at beginning of year		3,934,510	371,501
Foreign exchange difference		422,158	641
Cash and cash equivalents at end of year		<u>1,955,210</u>	<u>3,934,510</u>

METALS EXPLORATION PLC

COMPANY BALANCE SHEET as at 30 SEPTEMBER 2008

	<i>Notes</i>	<i>2008</i> £	<i>2007</i> £
Non-current assets			
Property, plant and equipment	12	827	2,305
Other intangible assets	13	73,065	74,593
Investments in subsidiaries	14	2,251,679	1,676,870
Investments designated at fair value through profit and loss	15	183,464	281,114
		<u>2,509,035</u>	<u>2,034,882</u>
Current assets			
Trade and other receivables	16	10,534,478	7,228,281
Cash and cash equivalents	17	1,737,379	3,551,555
		<u>12,271,857</u>	<u>10,779,836</u>
Current liabilities			
Trade and other payables	18	(178,704)	(171,042)
		<u>(178,704)</u>	<u>(171,042)</u>
Non-current liabilities			
Long-term borrowings	19	(2,000,000)	(2,030,082)
		<u>(2,000,000)</u>	<u>(2,030,082)</u>
Net assets		<u>12,602,188</u>	<u>10,613,594</u>
Equity			
Share capital	20	1,122,838	913,738
Share premium account		15,503,969	11,851,563
Shares to be issued reserve		2,275,025	1,737,575
Profit and loss account		(6,299,644)	(3,889,282)
		<u>12,602,188</u>	<u>10,613,594</u>

The financial statements were approved by the Board of Directors on 19 March 2009 and were signed on its behalf by:



T G Wheeler
Finance Director

19 March 2009

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 30 SEPTEMBER 2008

	<i>Share capital</i> £	<i>Share premium account</i> £	<i>Share to be issued reserve</i> £	<i>Profit and loss account</i> £	<i>Total equity</i> £
Balance at 1 October 2006	556,953	2,696,623	1,524,448	(2,283,526)	2,494,498
Loss for the period	—	—	—	(1,605,756)	(1,605,756)
Total recognised income and expenses for the period	—	—	—	(1,605,756)	(1,605,756)
Movement in share based payments	—	—	282,127	—	282,127
Issue of equity share capital	356,785	9,154,940	(46,000)	—	9,465,725
Cancellation of shares to be issued	—	—	(23,000)	—	(23,000)
Balance at 30 September 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

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

METALS EXPLORATION PLC

COMPANY CASH FLOW STATEMENT for the year ended 30 SEPTEMBER 2008

	<i>Notes</i>	<i>2008</i> £	<i>2007</i> £
Net cash used in operating activities	22	(5,432,326)	(3,615,250)
Investing activities			
Payment to acquire shares in quoted company		–	(532,159)
Payment to acquire shares in PT Cupati		–	(119,429)
Purchase of intangible assets		(31,843)	(141,046)
Payment to acquire 15% in FCF Mining Corporation		–	(3,817,114)
Payment to acquire 48.875m shares in FCF Mining Corporation		(574,809)	–
Purchase of property, plant and equipment		(259)	(3,429)
Net cash used in investing activities		<u>(606,911)</u>	<u>(4,613,177)</u>
Financing activities			
Proceeds from issue of share capital		3,838,506	9,442,723
Proceeds from long-term borrowings		–	2,000,000
Net cash from financing activities		<u>3,838,506</u>	<u>11,442,723</u>
Net (decrease)/increase in cash and cash equivalents		(2,200,731)	3,214,296
Cash and cash equivalents at beginning of year		3,551,555	337,259
Foreign exchange difference		386,555	–
Cash and cash equivalents at end of year		<u>1,737,379</u>	<u>3,551,555</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 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 (“IFRS”) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 28. The financial statements have been prepared in accordance with IFRS as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985. 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 2: Share based payment (amended) (effective as of 1 January 2009)
- IFRS 8: Operating Segments (effective as of 1 January 2009)
- IAS 1: Presentation of Financial Statements (revised) (effective as of 1 January 2009)
- IFRS 3: Business Combinations (revised) (effective as of 1 July 2009)
- IAS 27: Consolidated and Separate Financial Statements (amended) (effective as of 1 July 2009)
- IAS 23: Borrowing Costs (amended) (effective as of 1 January 2009)
- IAS 32: Financial Instruments: Presentation (amended) (effective as of 1 January 2009)
- IFRIC Interpretation 12: Service Concession Arrangements (effective as of 1 January 2008 – not yet endorsed by the EU)
- IFRIC Interpretation 13: Customer Loyalty Programmes (effective as of 1 July 2008 – not yet endorsed by the EU)
- IFRIC Interpretation 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective as of 1 January 2008)
- IFRIC 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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

1. Accounting policies (continued)

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and its subsidiary undertakings prepared to 30 September each year. 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 not 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.

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 foreign 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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)**1. Accounting policies (continued)**

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

Share Based Payments

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

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

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

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

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

Exploration costs

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

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

Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

1. Accounting policies (continued)

Property, plant and equipment

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

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

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

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 are initially measured at fair value and subsequently measured at amortised cost. Long-term borrowings are initially measured at fair value which usually equates to the proceeds received. Finance costs are accrued for in the income statement to the extent that they are unpaid.

Leases

In the balance sheet, assets under finance leases and the obligation to pay future lease payments recognised as a liability, are measured at the fair value of the leased asset at inception of the lease. The lease payments reduce the outstanding obligation for future amounts payable and include an element of finance charges. The finance charges are allocated to periods during the lease term so as to give a constant periodic rate of interest on the remaining balance of the obligation.

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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

2. Critical accounting judgements and key sources of estimation uncertainty (continued)**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 estimate and expected commodity prices.

Share based payments

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

3. Prior year adjustment

The figures for the year ended 30 September 2007 have been restated to recognise exploration costs as intangible assets in the balance sheet that had previously been expensed in the income statement but which should have been capitalised. As a result, administrative expenses in the income statement decreased and intangible assets in the balance sheet increased by £348,270. The effect on the basic loss per share was a decrease from 3.26 pence to 2.81 pence.

The adjustment relates to costs incurred in the year ended 30 September 2007 and has no impact on the figures for the years ended 30 September 2006 and 30 September 2008.

4. Operating loss for the year is stated after charging:

	2008	2007
	£	£
Depreciation of property, plant and equipment	106,742	37,327
Amortisation of computer software	13,530	5,977
Foreign exchange losses	27,684	10,927
Staff costs (see note 7)	1,013,594	924,291
Share based payments	537,450	282,128
Auditors remuneration (see note 5)	35,000	25,003
	<hr/>	<hr/>

The Company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its individual income statement and related notes. The loss dealt with in the financial statements of the parent Company was £2,410,362 (2007: £1,605,756).

5. Auditors remuneration

	2008	2007
	£	£
Fees payable to the Group and Company's auditor for the audit of the Group and Company's annual accounts	25,000	20,003
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation	10,000	5,000
	<hr/>	<hr/>
	35,000	25,003
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

6. 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

	2008 £	2007 £
United Kingdom	14,780,893	12,814,718
Eliminations on consolidation	(11,684,341)	(7,595,639)
United Kingdom after eliminations on consolidation	3,096,552	5,219,079
Philippines	10,274,948	6,635,500
Indonesia	245,410	214,867
	<u>13,616,910</u>	<u>12,069,446</u>

Cost of acquiring segment assets

	2008 £	2007 £
United Kingdom	32,102	78,022
Philippines	2,806,680	4,416,280
Indonesia	209,534	35,683
	<u>3,048,316</u>	<u>4,529,985</u>

7. Staff numbers and costs

The average number of persons, including Directors, was:

	<i>Number</i>	<i>Number</i>
Administration	20	43
Exploration	253	199
	<u>273</u>	<u>242</u>

Staff costs for the above persons were:

	2008 £	2007 £
Wages and salaries	922,383	880,311
Social security costs	51,565	43,980
Pension costs	9,646	–
Termination benefits	30,000	–
	<u>1,013,594</u>	<u>924,291</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

7. Staff numbers and costs (continued)

Directors' emoluments were:

	2008	2007
	£	£
Aggregate emoluments	453,876	414,382
	<u>453,876</u>	<u>414,382</u>

The highest paid Director, included in the above:

	2008	2007
	£	£
Aggregate emoluments	150,000	194,500
	<u>150,000</u>	<u>194,500</u>

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

8. Finance costs and investment revenues

	2008	2007
	£	£
Investment designated at fair value through profit or loss	(97,650)	(251,045)
Interest payable on convertible loan	(188,218)	(33,260)
	<u>(285,868)</u>	<u>(284,305)</u>
Bank interest receivable	106,978	178,898

9. Taxation

	2008	2007
	£	£
Loss before tax	(3,438,753)	(2,197,421)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2007: 30%)	(962,851)	(659,226)
Effects of:		
Expenses not taxable for tax purposes	–	(176,703)
Expenses not deductible for tax purposes	660,112	532,658
Short term timing differences	2,701	(532,658)
Depreciation in excess of capital allowances	197	164
Losses carried forward	299,841	835,765
Total tax expense for the period	<u>–</u>	<u>–</u>

A deferred tax asset of £1,008,806 (2007: £610,993) due to on-going tax losses of the Company, has not been recognised due to uncertainty over its future reversal.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

10. Loss per share

	2008	2007
	£	£
Loss		
Net loss attributable to equity shareholders for the purpose of basic and diluted loss per share	<u>(3,516,433)</u>	<u>(2,192,055)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>99,076,462</u>	<u>77,872,958</u>
Basic and diluted loss per share	<u>(3.55)p</u>	<u>(2.81)p</u>

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	<u>24,494,696</u>	<u>19,866,811</u>
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11. Goodwill

	£
Cost and net book value	
At 1 October 2007	1,415,207
Adjustment to carrying value of licence	<u>(404,391)</u>
At 30 September 2008	<u>1,010,816</u>

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 Mining 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 has 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 Mining Corporation, which has independent cash flows that can be identified and measured.

Further under IAS 36 Impairment of Assets, a cash generating unit to which goodwill has been allocated, should be tested annually for impairment. The Company estimated the value in use of the Runruno project based on current resource estimates, projected development and operating costs. The estimated value in use exceeded the aggregate of the carrying values of the Group's intangible assets, including goodwill, therefore no impairment was made.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

12. Property, plant and equipment – Group

	<i>Leasehold Improvements</i>	<i>Motor vehicles</i>	<i>Fixtures, fittings & equipment</i>	<i>Land & buildings</i>	<i>Drilling equipment</i>	<i>Total</i>
	£	£	£	£	£	£
Cost						
1 October 2006	20,106	25,768	65,004	–	–	110,878
Additions	15,696	93,601	21,677	–	–	130,974
30 September 2007	35,802	119,369	86,681	–	–	241,852
Additions	70,939	32,116	132,815	124,757	508,044	868,671
Foreign exchange difference	2,773	9,246	6,449	–	–	18,468
30 September 2008	109,514	160,731	225,945	124,757	508,044	1,128,991
Depreciation						
1 October 2006	(1,745)	(4,877)	(8,732)	–	–	(15,354)
Charge for the year	(5,381)	(11,610)	(20,335)	–	–	(37,326)
30 September 2007	(7,126)	(16,487)	(29,068)	–	–	(52,681)
Charge for the year	(15,610)	(26,849)	(47,225)	(2,322)	(14,736)	(106,742)
Foreign exchange difference	(552)	(1,277)	(2,164)	–	–	(3,993)
30 September 2008	(23,288)	(44,613)	(78,457)	(2,322)	(14,736)	(163,416)
Net book value						
30 September 2008	86,226	116,118	147,488	122,435	493,308	965,575
30 September 2007	28,676	102,882	57,614	–	–	189,172
1 October 2006	18,361	20,891	56,272	–	–	95,524

12. Property, plant and equipment – Company

	<i>Fixtures, fittings & equipment</i>	<i>Total</i>
	£	£
Cost		
1 October 2006	–	–
Additions	3,429	3,429
30 September 2007	3,429	3,429
Additions	259	259
30 September 2008	3,688	3,688
Depreciation		
1 October 2006	–	–
Charge for the year	(1,124)	(1,124)
30 September 2007	(1,124)	(1,124)
Charge for the year	(1,737)	(1,737)
30 September 2008	(2,861)	(2,861)
Net book value		
30 September 2008	827	827
30 September 2007	2,305	2,305
1 October 2006	–	–

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

13. Other intangible assets – Group

	<i>Cost of Exploration</i>	<i>Licences</i>	<i>Software</i>	<i>Total</i>
	£	£	£	£
Cost				
1 October 2006	1,556,686	74,593	–	1,631,279
Additions	1,299,130	–	36,446	1,335,576
On acquisition of 15% in FCF Mining Corporation	–	2,756,099	–	2,756,099
Disposals	(332,897)	–	–	(332,897)
Foreign exchange difference	11,019	–	–	11,019
30 September 2007	2,533,938	2,830,692	36,446	5,401,076
Prior year adjustment	348,270	–	–	348,270
30 September 2007 (Restated)	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 difference	196,278	268,235	2,823	467,336
30 September 2008	5,219,509	3,746,674	46,048	9,012,231
Amortisation				
1 October 2006	(332,897)	–	–	(332,897)
Charge for the year	–	–	(5,978)	(5,978)
Disposals	332,897	–	–	332,897
30 September 2007	–	–	(5,978)	(5,978)
Charge for the year	–	(33,371)	(13,530)	(46,901)
Foreign exchange difference	–	–	(463)	(463)
30 September 2008	–	(33,371)	(19,971)	(53,342)
Net Book Value				
30 September 2008	5,219,509	3,713,303	26,077	8,958,889
30 September 2007	2,882,208	2,830,692	30,468	5,743,368
1 October 2006	1,223,789	74,593	–	1,298,382

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

13. Other intangible assets – Company

	<i>Cost of exploration</i>	<i>Licences</i>	<i>Total</i>
	£	£	£
Cost			
1 October 2006	617,979	74,593	692,572
Reclass to intercompany	(617,979)	–	(617,979)
30 September 2007	–	74,593	74,593
Additions	–	31,843	31,843
30 September 2008	–	106,436	106,436
Amortisation			
1 October 2006	–	–	–
Charge for the year	–	–	–
30 September 2007	–	–	–
Charge for the year	–	(33,371)	(33,371)
30 September 2008	–	(33,371)	(33,371)
Net Book Value			
30 September 2008	–	73,065	73,065
30 September 2007	–	74,593	74,593
1 October 2006	617,979	74,593	692,572

14. Investments in subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

14. Investments in subsidiaries (continued)

The investments in subsidiaries are as follows:

<i>Company</i>	<i>Country of registration</i>	<i>% holding</i>	<i>Nature of business</i>
FCF Mining 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 does not coincide with the accounting reference date of the Company and as such, the accounts have been prepared using the accounts of the subsidiaries for their financial year ending before and the management accounts up to the Company's financial year-end. After the year-end, on 2 October 2008, the Company changed its accounting reference date to 31 December to align its year-end with that of its subsidiaries.

15. Investment designated at fair value through profit and loss

	£
Carrying value	
At 1 October 2007	281,114
Revaluation to fair value	(97,650)
At 30 September 2008	<u>183,464</u>

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.

16. Trade and other receivables – Group

	2008 £	2007 £
Other receivables	462,881	417,379
Prepayments	80,075	88,696
	<u>542,956</u>	<u>506,075</u>

Other receivables due in more than one year amounted to £275,113 (2007: £125,283).

16. Trade and other receivables – Company

	2008 £	2007 £
Other receivables	53,057	15,554
Amounts owed by group undertakings	10,419,974	7,155,604
Prepayments	61,447	57,123
	<u>10,534,478</u>	<u>7,228,281</u>

Other receivables due in more than one year amounted to £10,419,974 (2007: £7,155,604).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

17. Cash and cash equivalents – Group

	2008	2007
	£	£
Cash at bank and in hand	238,482	432,291
Short term bank deposits	1,716,728	3,502,219
	<u>1,955,210</u>	<u>3,934,510</u>

17. Cash and cash equivalents – Company

	2008	2007
	£	£
Cash at bank and in hand	20,651	49,336
Short term bank deposits	1,716,728	3,502,219
	<u>1,737,379</u>	<u>3,551,555</u>

18. Trade and other payables – Group

	2008	2007
	£	£
Trade payables	61,707	85,754
Other tax and social security payable	29,406	39,708
Accruals	341,438	340,144
	<u>432,551</u>	<u>465,606</u>

18. Trade and other payables – Company

	2008	2007
	£	£
Trade payables	54,111	71,296
Other tax and social security payable	18,521	28,602
Accruals	106,072	71,144
	<u>178,704</u>	<u>171,042</u>

19. Long-term borrowings – Group and Company

	2008	2007
	£	£
Convertible loan	2,000,000	2,030,082
	<u>2,000,000</u>	<u>2,030,082</u>

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

20. Called up share capital

	2008	2007
	£	£
Authorised		
250,000,000 (2007: 250,000,000) ordinary shares of 1p each	2,500,000	2,500,000
Allotted, called up and fully paid		
112,283,795 (2007: 91,373,795) ordinary shares of 1p each	1,122,838	913,738

During the year, the Company issued the following ordinary shares of 1p each:

On 22 October 2007, 200,000 shares at a price of 8p per share realising £16,000 as a result of an exercise of warrants.

On 5 February 2008, 200,000 shares at a price of 11.5p per share as deferred consideration for a 70% holding in FCF Mining Corporation, under an agreement entered into in February 2005.

On 16 May 2008, 20,210,000 shares at a price of 20p per share realising £4,042,000 as a result of a share placing.

On 19 August 2008, 100,000 shares at a price of 8p per share realising £8,000 as a result of an exercise of warrants.

On 15 September 2008, 200,000 shares at a price of 8p per share realising £16,000 as a result of an exercise of warrants.

21. Share based payments

Share options

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

Under the Company’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:

	2008		2007	
	<i>Number of share options</i>	<i>Weighted average exercise price p</i>	<i>Number of share options</i>	<i>Weighted average exercise price p</i>
Outstanding at the beginning of the period	3,200,000	21	1,200,000	12
Granted during the period	2,025,000	40	2,000,000	26
Expired during the period	(75,000)	31	–	–
Outstanding at the end of the period	5,150,000	28	3,200,000	21
Exercisable at the end of the period	1,175,000	12	1,200,000	12

The options outstanding at 30 September 2008 had a range of exercise prices from 12p to 40p (2007: 12p to 26.25p) and a weighted average remaining contractual life to expiry 10 years (2007: 10 years). On 22 October 2007, 2,025,000 options were granted to certain employees. The expense recognised in the income statement during the period in respect of share options is £487,019 (2007: £185,076).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

21. Share based payments (continued)

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:

	2008	2007
Weighted average share price	41p	34p
Weighted average exercise price	40p	26.25p
Expected volatility	47.4%	59.8%
Expected life	10	10
Risk free rate	4.5%	6.3%
Expected dividend yield	Nil	Nil
Number granted	2,025,000	2,000,000
Share price at date of grant	41p	34p
Fair value at date of grant	27p	27p
Earliest vesting date	21 October 2009	29 April 2010
Exit date	21 October 2017	29 April 2017

Expected volatility was determined by calculating the historical volatility of the Group'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.

Warrants

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

Details of the warrants outstanding are as follows:

	2008		2007	
	<i>Number of warrants</i>	<i>Weighted average exercise price p</i>	<i>Number of warrants</i>	<i>Weighted average exercise price p</i>
Outstanding at the beginning of the period	15,500,000	17	17,522,297	14
Granted during the period	3,000,000	33	2,500,000	37
Exercised during the period	(500,000)	8	(4,516,047)	16
Expired during the period	–	–	(6,250)	20
Outstanding at the end of the period	<u>18,000,000</u>	<u>20</u>	<u>15,500,000</u>	<u>17</u>
Exercisable at the end of the period	<u>14,620,000</u>	<u>16</u>	<u>13,000,000</u>	<u>13</u>

The warrants outstanding at 30 September 2008 had a range of exercise prices from 3.25p to 52.5p (2007: 3.25p to 52.5p) and a weighted average remaining contractual life to expiry of 7 years (2007: 7 years). On 8 July 2008, 3,000,000 warrants were granted to I R Holzberger and T G Wheeler. The expense recognised in the income statement during the period in respect of warrants is £73,431 (2007: £97,052).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

21. Share based payments (continued)

The inputs into the Black Scholes model were as follows:

	<i>Grant 1</i>	<i>Grant 2</i>	<i>Grant 3</i>	<i>Total 2008</i>
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
	<i>Grant 1</i>	<i>Grant 2</i>	<i>Grant 3</i>	<i>Total 2007</i>
Weighted average share price	34p	34p	34p	34p
Weighted average exercise price	26.25p	37.375p	52.5p	37p
Expected volatility	59.8%	59.8%	59.8%	59.8%
Expected life	7	7	7	7
Risk free rate	6.3%	6.3%	6.3%	6.3%
Expected dividend yield	Nil	Nil	Nil	Nil
Number granted	1,000,000	1,000,000	500,000	2,500,000
Share price at date of grant	34p	34p	34p	34p
Fair value at date of grant	24p	21p	19p	22p
Earliest vesting date	29 April 2008	29 April 2009	29 April 2010	–
Exit date	29 April 2014	29 April 2014	29 April 2014	29 April 2014

22. Net cash used in operating activities – Group

	<i>2008</i>	<i>2007</i>
	<i>£</i>	<i>£</i>
Loss after taxation	(3,438,753)	(2,197,421)
Depreciation and revaluation of investment designated at fair value through profit and loss	251,293	294,349
Share based payment expense	560,449	282,128
Net interest payable/(receivable)	81,241	(145,638)
(Increase)/decrease in receivables	(248,394)	(398,299)
Increase/(decrease) in payables	(63,138)	294,459
Foreign exchange difference	(253,105)	(21,560)
Cash used in operations	(3,110,407)	(1,891,982)
Interest received	106,978	178,898
Interest paid	(188,218)	(3,178)
Net cash used in operating activities	(3,191,647)	(1,716,262)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

22. Net cash used in operating activities – Company

	2008	2007
	£	£
Loss after taxation	(2,750,727)	(1,605,756)
Depreciation and revaluation of investment designated at fair value through profit and loss	132,758	252,169
Share based payment expense	560,449	282,128
Net interest payable/(receivable)	82,309	(144,826)
(Increase)/decrease in receivables	(3,306,197)	(2,676,430)
Increase/(decrease) in payables	(22,420)	104,041
Foreign exchange difference	(46,189)	(1,484)
Cash used in operations	(5,350,017)	(3,790,158)
Interest received	105,484	178,086
Interest paid	(187,793)	(3,178)
Net cash used in operating activities	(5,432,326)	(3,615,250)

23. Pension commitments

	2008	2007
	£	£
Pension costs for defined contribution schemes are as follows:		
Defined contribution scheme	9,646	–
	<u>9,646</u>	<u>–</u>

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:

	2008	2007
	£	£
Short-term employee benefits	423,876	414,382
Social security costs	20,305	26,188
Termination benefits*	30,000	–
Share based payments	43,761	212,699
	<u>517,942</u>	<u>653,269</u>

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

The Company paid directors fees for the services of I R Holzberger to the Holzberger Family Trust and T G Wheeler to Wheeler and Dunne LLP.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

24. Related party transactions (continued)

Shares held by Directors:

<i>Shareholder</i>	<i>Number of shares purchased in placing on 16 May 2008</i>	<i>Total number of shares held as at 30 September 2008</i>	<i>Number of shares purchased in placing on 12 January 2009</i>	<i>Total number of shares held as at 12 January 2009</i>
I R Holzberger	105,000	105,000	200,000	305,000
J P B Beardsworth	150,000	400,000	350,000	750,000
G R Powell	50,000	1,050,000	–	1,050,000
T G Wheeler	–	–	1,000,000	1,000,000
J M K Pearson	25,000	55,000	200,000	255,000
T J Dean	–	–	–	–

Warrants held by Directors:

<i>Warrant holder</i>	<i>Grant date</i>	<i>Number of warrants</i>	<i>Exercise price</i>	<i>Earliest vesting date or rate per month</i>	<i>Expiry date</i>
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

Share options held by Directors:

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

During the year, the Company paid £3,016,214 to its subsidiaries to fund operations and purchase property, plant and equipment (2007: 1,814,820). At the year-end, the Company was owed £10,419,974 by its subsidiaries (2007: £7,155,604).

During the year, the Company recognised a provision of £600,566 in respect of a doubtful receivable balance owed by a subsidiary company, PT Cupati (2007: Nil).

During the year, FCF Mining Corporation, purchased a drill rig for £253,406 from East West Drilling Limited. Peter Draper is a director of both FCF Mining Corporation and East West Drilling Limited.

During the year, the Company purchased 48,875,000 shares in FCF Mining Corporation for £574,809. FCF Mining Corporation increased their share capital in order to comply with requirements under the Foreign Investments Act. Shares were issued in accordance with existing proportions of shares held and as such, the share purchase did not increase the Company's holding in FCF Mining Corporation.

During the year, the Company paid £10,737 to Amity Events Limited to assist the Company with its investor relations' campaigns (2007: £12,280). S M Smith, the former Chairman of the Company, is a director of Amity Events Limited. At the year-end, the Company had no amounts owing to Amity Events Limited.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

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. Details of Directors' participation in the placing are given in note 24 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.

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.

26. Financial instruments

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

The carrying values of the Group's financial assets at the year-end, which are measured at fair value are as follows:

	<i>Cash and cash equivalents</i>	<i>Investment in quoted company</i>	<i>Total</i>
	£	£	£
At 30 September 2008	1,955,210	183,464	2,138,674
At 30 September 2007	<u>3,934,510</u>	<u>281,114</u>	<u>4,215,624</u>

The Company's financial assets comprise cash and cash equivalents of £1,737,379 (2007: £3,551,555) and an investment in a quoted company of £183,464 (2007: £281,114).

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

	<i>Trade payables</i>	<i>Long-term borrowings</i>	<i>Total</i>
	£	£	£
At 30 September 2008	61,707	2,000,000	2,061,707
At 30 September 2007	<u>85,754</u>	<u>2,030,082</u>	<u>2,115,836</u>

The Company's financial liabilities comprise trade payables of £54,111 (2007: £71,296) and long term borrowings of £2,000,000 (2007: £2,030,082).

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

26. Financial instruments (continued)

Liquidity risk

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

The contractual maturities of the Group's financial liabilities, which are measured at amortised cost are as follows:

	<i>Trade payables</i>	<i>Long-term borrowings</i>	<i>Total</i>
	£	£	£
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	<u>61,707</u>	<u>2,510,000</u>	<u>2,571,707</u>
At 30 September 2007			
1 month or less	74,188	30,082	104,270
2 – 6 months	11,566	90,000	101,566
6 – 12 months	–	90,000	90,000
1 – 2 years	–	180,000	180,000
2 – 5 years	–	2,330,000	2,330,000
Total contractual cash flows	<u>85,754</u>	<u>2,720,082</u>	<u>2,805,836</u>

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.

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

Group	<i>Cash and cash equivalents</i>	<i>Total</i>	
	£	£	
At 30 September 2008	<u>1,955,210</u>	<u>1,955,210</u>	
At 30 September 2007	<u>3,934,510</u>	<u>3,934,510</u>	
Company	<i>Cash and cash equivalents</i>	<i>Amounts owed by group undertakings</i>	<i>Total</i>
	£	£	£
At 30 September 2008	<u>1,737,379</u>	<u>10,419,974</u>	<u>12,157,353</u>
At 30 September 2007	<u>3,551,555</u>	<u>7,155,604</u>	<u>10,707,159</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)**26. Financial instruments (continued)***Market risk and sensitivity analysis**Equity price risk*

The Company is 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 loss on the investment of £97,650 (2007: £251,045).

At the year-end, a 5% movement in the equity price would result in a gain or loss on the investment of £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 year-end is a net asset of £640,500.

Based on the Company's US Dollar cash balance at the year-end, a 5% movement in the exchange rate would result in a gain or loss on translation to Pounds Sterling of approximately £60,000.

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 year of 3.5% (2007: 4.9%). The impact on the reported loss for the period is net interest income on cash of £106,978 (2007: £178,898).

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 £188,218 (2007: £33,260).

Based on the Group's cash balance at the year-end placed on deposit for one week, a 1% movement in the average annual interest rate would result in a gain or loss in interest income of approximately £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.

28. Transition to IFRS

The Company reported under UK GAAP in its previously published financial statements for the year ended 30 September 2007. The analysis below shows a reconciliation of net assets and profit as reported under UK GAAP as at 30 September 2007 to the revised net assets and profit under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for this Company, being 1 October 2006.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

28. Transition to IFRS (continued)

	<i>Previous GAAP</i>	<i>Effect of transition to IFRS</i>	<i>IFRS</i>
	<i>£</i>	<i>£</i>	<i>£</i>
<i>Reconciliation of net assets at 1 October 2006 – Group</i>			
Non-current assets			
Property, plant and equipment	95,524	(16,256)	79,268
Goodwill	712,641	–	712,641
Other intangible assets	1,298,382	16,256	1,314,638
Current assets			
Trade and other receivables	107,776	–	107,776
Cash and cash equivalents	371,501	–	371,501
Current liabilities			
Trade and other payables	(234,554)	–	(234,554)
Net assets	<u>2,351,270</u>	<u>–</u>	<u>2,351,270</u>
Equity			
Share capital	556,953	–	556,953
Share premium account	2,696,623	–	2,696,623
Shares to be issued reserve	1,524,448	–	1,524,448
Translation reserve	–	–	–
Profit and loss account	(2,731,012)	–	(2,731,012)
Minority interest	304,258	–	304,258
Total equity	<u>2,351,270</u>	<u>–</u>	<u>2,351,270</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

28. Transition to IFRS (continued)

<i>Reconciliation of net assets at 30 September 2007 – Group</i>	<i>Previous GAAP</i>	<i>Effect of transition to IFRS</i>	<i>Effect of transition to IFRS</i>	<i>Effect of transition to IFRS</i>	<i>Effect of transition to IFRS</i>	<i>Prior period adjustment</i>	<i>IFRS</i>
	<i>£</i>	<i>a £</i>	<i>b £</i>	<i>c £</i>	<i>d £</i>	<i>£</i>	<i>£</i>
Non-current assets							
Property, plant and equipment	219,640	–	–	–	(30,468)	–	189,172
Goodwill	1,344,639	70,568	–	–	–	–	1,415,207
Other intangible assets	5,364,630	–	–	–	30,468	348,270	5,743,368
Investments designated at fair value through profit and loss	281,114	–	–	–	–	–	281,114
Current assets							
Trade and other receivables	506,075	–	–	–	–	–	506,075
Cash and cash equivalents	3,934,510	–	–	–	–	–	3,934,510
Current liabilities							
Trade and other payables	(458,449)	–	(7,157)	–	–	–	(465,606)
Non-current liabilities							
Long-term borrowings	(2,030,082)	–	–	–	–	–	(2,030,082)
Net assets	<u>9,162,077</u>	<u>70,568</u>	<u>(7,157)</u>	<u>–</u>	<u>–</u>	<u>348,270</u>	<u>9,573,758</u>
Equity							
Share capital	913,738	–	–	–	–	–	913,738
Share premium account	11,851,563	–	–	–	–	–	11,851,563
Shares to be issued reserve	1,737,575	–	–	–	–	–	1,737,575
Translation reserve	–	–	–	(9,900)	–	–	(9,900)
Profit and loss account	(5,344,648)	70,568	(7,157)	9,900	–	348,270	(4,923,067)
Minority interest	3,849	–	–	–	–	–	3,849
Total equity	<u>9,162,077</u>	<u>70,568</u>	<u>(7,157)</u>	<u>–</u>	<u>–</u>	<u>348,270</u>	<u>9,573,758</u>

<i>Reconciliation of net assets at 1 October 2006 – Company</i>	<i>Previous GAAP</i>	<i>Effect of transition to IFRS</i>	<i>IFRS</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Non-current assets			
Property, plant and equipment	–	–	–
Other intangible assets	692,572	–	692,572
Investments in subsidiaries	549,132	–	549,132
Current assets			
Trade and other receivables	1,074,358	–	1,074,358
Cash and cash equivalents	337,259	–	337,259
Current liabilities			
Trade and other payables	(158,823)	–	(158,823)
Net assets	<u>2,494,498</u>	<u>–</u>	<u>2,494,498</u>
Equity			
Share capital	556,953	–	556,953
Share premium account	2,696,623	–	2,696,623
Shares to be issued reserve	1,524,448	–	1,524,448
Profit and loss account	(2,283,526)	–	(2,283,526)
Total equity	<u>2,494,498</u>	<u>–</u>	<u>2,494,498</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)

28. Transition to IFRS (continued)

<i>Reconciliation of net assets at 30 September 2007 – Company</i>	<i>Previous GAAP</i>	<i>Effect of transition to IFRS b</i>	<i>IFRS</i>
	£	£	£
Non-current assets			
Property, plant and equipment	2,305	–	2,305
Other intangible assets	74,593	–	74,593
Investments in subsidiaries	1,676,870	–	1,676,870
Investments designated at fair value through profit and loss	281,114	–	281,114
Current assets			
Trade and other receivables	7,228,281	–	7,228,281
Cash and cash equivalents	3,551,555	–	3,551,555
Current liabilities			
Trade and other payables	(170,314)	(728)	(171,042)
Non-current liabilities			
Long-term borrowings	(2,030,082)	–	(2,030,082)
Net assets	<u>10,614,322</u>	<u>(728)</u>	<u>10,613,594</u>
Equity			
Share capital	913,738	–	913,738
Share premium account	11,851,563	–	11,851,563
Shares to be issued reserve	1,737,575	–	1,737,575
Profit and loss account	(3,888,554)	(728)	(3,889,282)
Total equity	<u>10,614,322</u>	<u>(728)</u>	<u>10,613,594</u>

<i>Reconciliation of profit for the year ended 30 September 2007 – Group</i>	<i>Previous GAAP</i>	<i>Effect of transition to IFRS a</i>	<i>Effect of transition to IFRS b</i>	<i>Effect of transition to IFRS c</i>	<i>Prior period adjustment</i>	<i>IFRS</i>
	£	£	£	£	£	£
Revenue	–	–	–	–	–	–
Administrative expenses	(2,754,740)	70,568	(7,157)	251,045	348,270	(2,092,014)
Operating loss	(2,754,740)	70,568	(7,157)	251,045	348,270	(2,092,014)
Finance income	178,898	–	–	–	–	178,898
Finance costs	(33,260)	–	–	(251,045)	–	(284,305)
Loss before taxation	(2,609,102)	70,568	(7,157)	–	348,270	(2,197,421)
Taxation	–	–	–	–	–	–
Loss for the year	<u>(2,609,102)</u>	<u>70,568</u>	<u>(7,157)</u>	<u>–</u>	<u>348,270</u>	<u>(2,197,421)</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 SEPTEMBER 2008 (continued)**Explanation of effects on transition to IFRS on equity and profit**

- a) In accordance with IFRS 3, goodwill arising on the acquisition of a subsidiary is no longer amortised and therefore any adjustment to amortise goodwill under UK GAAP during the period since transition to IFRS has been reversed.
- b) IAS 19 requires the amount expected to be paid for services rendered by employees to be accrued. The adjustment made on transition to IFRS relates to holidays earned at the period ends but not taken.
- c) In accordance with IAS 21, foreign exchange differences on the translation of foreign subsidiaries have been reclassified to a separate reserve within equity.
- d) Under IFRS, capitalised software costs have been reclassified from property, plant and equipment to other intangible assets. The related depreciation charges have been reclassified as amortisation with no effect on the Group's income statement.
- e) IAS 39 requires gains and losses on financial assets and liabilities designated at fair value through profit and loss to be recognised as finance income and costs in the income statement.

Cash flow statement

The Group's consolidated cash flow statements are presented in accordance with IAS 7. The statements present substantially the same information as that required under UK GAAP.

