

METALS EXPLORATION PLC

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

Metals Exploration plc (AIM:MTL) (“Metals Ex” or the “Company”), the natural resources exploration and development company with assets in the Pacific Rim region, is pleased to announce its final results for the year ended 31 December 2010.

SNAPSHOT:

In the year ended 31 December 2010:

- Runruno Environmental Compliance Certificate awarded in February.
- Runruno definitive feasibility study published in May, confirmed the viability of a project producing an average of 96,700 oz of gold per annum over a mine life of 10.4 years at an average operating cost of US\$477/oz gold on a gold only basis.
- Project capital cost estimated to be US\$149.3 m in Q4 2009 dollars.
- Solomon Capital Limited (“Solomon”) announced a takeover offer for the Company on 23 July at 13p per share.
- Post feasibility infill diamond drilling commences.
- On 20 August Solomon revised the form of its offer in response to a Takeover Panel (“Panel”) determination.
- Solomon's offer declared unconditional on 6 September.
- During September a group of independent shareholders made a written submission to the Panel in relation to Solomon's offer.
- Pending the outcome of a Panel review of the shareholders’ submission, it was announced on 17 September that the Solomon offer was required to remain open.
- Managing Director Jonathan Beardsworth steps down from an executive role in October remaining as a Non-executive Director.
- Between 1 October and 16 November the Company is suspended from trading pending the publication of its interim accounts for the period ended 30 June 2010.
- Declaration of Mining Project Feasibility for the Runruno project submitted to the Mines and Geosciences Bureau for assessment and approval in November.
- Leighton Contractors (Asia) appointed to develop a Fixed Lump Sum Price for the Engineering, Procurement and Construction delivery mechanism for the Runruno process plant during November.
- Licence agreement signed with Biomin Technologies S.A. (“Biomin”), the legal and beneficial owner of the BIOX® Process, granting the Company a licence to use BIOX® at Runruno.

Post 31 December 2010:

- Mining Reserve increased by 15% to 900,000 ozs, representing 85% of the gold scheduled to be mined.
- Total in-pit scheduled Mining Reserve and Mineral Resource now contains 1.06 million ozs, representing a 10.3 year mine life.
- The mine pit re-optimised resulting in a substantial reduction in the operating strip ratio.
- Declaration of Mining Project Feasibility endorsed by the local Barangay, Municipal and Provincial levels of Government, and currently waiting sign-off from the Mines and Geosciences Bureau.
- Regional exploration recommenced.

- Two diamond drill rigs dedicated to step-out exploration drilling. The first hole, 100 metres south of the planned pit returns 17 metres grading 1.59 g/t Au and 1,319 ppm Mo.
- A Subscription and Shareholders Agreement (“SSA”) agreed providing a resolution to the Solomon takeover, a resolution to a dispute between Solomon and certain independent shareholders in relation to the offer and including a number of minority protections.
- The SSA completed on 5 April providing both ongoing direction, "continue working towards the construction of a mine at the Runruno Project with limited step out drilling" and funding to the Company, with £19.25 million raised.
- Through the SSA, Runruno Holdings Limited becomes a significant shareholder.
- The Board of the Company has been substantially restructured with a representative of Runruno Holdings Limited and two additional representatives of Solomon added.

CHAIRMAN'S STATEMENT

I am pleased to present this Annual Report for the financial year ended 31 December 2010.

Last year I reported that the timing of this Report was auspicious, as the Company had just announced the completion of the Runruno feasibility study. This year once again the timing of this Report is auspicious in that your Company is well funded to move ahead in pursuit of its objectives following the endorsement last month of the Subscription and Shareholders' Agreement (SSA) between Solomon Capital Limited (Solomon), certain of the Company's independent shareholders and the Company, which provided the resolution to Solomon's long running offer for the Company announced last July.

As a result of the SSA the Company raised £19.25 million (before costs) after all related party debt was retired. The Agreement was unanimously ratified by those shareholders who voted at the General Meeting.

A summary of the key elements of the SSA include:

- £12 million raised by placing 92,307,692 shares at 13p with Runruno Holdings Limited (RHL) and Williams de Broë Limited.
- A further £7.25 million contributed by Shelfco 724 Limited (a Solomon associate) by virtue of the Company drawing down the remaining balance of the £13 million convertible loan facility in exchange for converting the full facility at 13p per share into 100,000,000 shares in the Company.
- Solomon provided those shareholders who had accepted its offer at 13p with the opportunity to rescind their acceptances. This offer was taken up by shareholders representing 33,112,981 shares.
- Solomon closed its offer for all the Company's shares it did not own on 19 April 2011.

At the date of this report, the ownership of the Company is as follows:

- Solomon (and Shelfco 724 Limited): 247,604,617 shares, 53.55% of the issued capital.
- RHL (and Graham Edwards): 95,924,996 shares, 20.75% of the issued capital.
- Williams de Broë Limited: 37,661,445 shares, 8.14% of the issued capital.
- Baker Steel: 19,267,654 shares, 4.17% of the issued capital.
- Others: 61,915,324 shares, 13.39% of the issued capital.

Under the terms of the SSA the Company issued options at 13p to Solomon and RHL sufficient to maintain the Solomon group at 65%, and the RHL group at 18% following the rescission of shares by accepting shareholders. Neither Solomon nor RHL has been able to exercise any of their options while the Company has been in a close period pending the announcement of these results, nor has the Company received any firm indication to date of either Solomon's or RHL's intentions in this regard.

Should Solomon and RHL exercise their options to the limit of their rights it would result in the Company receiving a further £30.8 million before costs and the Company issuing a further 236,967,162 shares. In that event the resulting shareholdings would be:

- Solomon (and Shelfco 724 Limited): 454,571,779 shares, 65.00% of the issued capital
- RHL (and Graham Edwards): 125,924,996 shares, 18.00% of the issued capital
- Williams de Broë Limited: 37,661,445 shares, 5.39% of the issued capital
- Baker Steel: 19,267,654 shares, 2.76% of the issued capital
- Others: 61,915,324 shares, 8.85% of the issued capital

Solomon's and RHL's right to exercise their options expires on 19 August 2011.

The SSA also provided for minority protections to be incorporated into the Articles of Association of the Company, including restrictions on the manner in which the Board operates, with material decisions requiring the majority consent of the Board including the RHL director. These provisions remain in force subject to a number of tests including;

- RHL's and Solomon's (inclusive of their associates) absolute and relative (to each other) holdings in the Company,
- a change in control of RHL, Solomon or their associates,
- the combined share holding interest of RHL and Solomon and their associates falling below 50% of the Company,
- a share price test.

Finally, the SSA set the strategic direction of the Company, being the "development of a mine at Runruno" and provided that the Company will review whether to apply for the cancellation of its admission to trading on the AIM and re-register as a private limited company within three months from completion, or 5 July 2011.

I direct shareholders to our announcement dated 8 March 2011 for a more complete summary of the SSA.

By any measure the last year has been a checkered one for the Company. The nine month period commencing with Solomon's takeover offer on 23 July 2010 and ending on the completion of the SSA on 5 April 2011 was a period of considerable uncertainty as to the future direction and funding of the Company. This was manifest when trading in the Company's shares was temporarily suspended between 1 October and 16 November 2010 due to the Company being unable to publish its Interim Results for the six months ended 30 June 2010 by 30 September 2010 in accordance with the AIM Rules for Companies, as a result of uncertainty over the Company's future funding position. For much of the Solomon offer period the Company was funded by short and medium term loans made available by either Solomon or its associate Shelfco 724 Limited.

Whereas at the corporate level the attention was focused on the dispute between Solomon and certain independent shareholders, real progress was achieved on the ground with major milestones having been met in the finalisation of the full Feasibility Study on Runruno, the issue of the Runruno Environmental Compliance Certificate, further upgrading of the Runruno ore reserve by drilling, and continued strong progress in the permitting of the proposed development.

We continue to believe wholeheartedly in the potential of the Runruno project. The latest project study has further confirmed the technical and commercial viability of a mine producing approximately 100,000 ounces of gold a year. With the recent strength in the gold price the Project's commercial attraction has been further enhanced and we are fortunate to have this project established as "development ready".

Year 2010 and the recent completion of the SSA also saw a significant restructuring in the Executive and Board of the Company. In October 2010 Mr. Jonathan Beardsworth stepped down as Managing Director and Chief Executive Officer but remains on the Board as a Non Executive Director. Earlier in the year Mr. Tim Wheeler and Mr. Jonathan Pearson both left the Board. I take this opportunity to thank Jonathan, Tim and Jonathan for their contribution to the Company.

Following the completion of the SSA three new directors were appointed to the Board, two representing the Company's major shareholder Solomon, and one representing its new significant shareholder RHL.

The Board now comprises six directors; Mr. Ian Holzberger as Executive Chairman, Mr. Jonathan Beardsworth as a Non Executive Director, Messrs Tim Dean, Richard Williams and Edward Parsons as Non Executive Directors representing Solomon, and Mr. Guy Walker as a Non Executive Director representing RHL.

The completion of the SSA on 5 April 2011 provided both ongoing direction and funding to the Company. The Agreement commits the parties to “continue working towards the construction of the mine at the Runruno Project with limited step out drilling” to be undertaken in the surrounding area.

On the ground, we continue to work closely with the local communities amongst whom we operate and are involved in a variety of health, education, nutrition, skills development and infrastructure projects, as well as providing direct employment for a substantial number of the families in our immediate area.

In previous reports we have noted our pride and pleasure in our community efforts being recognised by both international and domestic agencies. This year continued to build on this desirable reputation with the Company receiving four major awards for its work in the areas of education, environment and reforestation, community programs and health and safety, culminating in a Platinum Award for the “Presidential - Mineral Industry Environment Award” and first runner up in the “Mining Forest Program”, Additionally twenty three other awards or certificates of recognition were presented to the Company recognising its social and environment work programs.

Management is now focused on delivering the Company's strategy of developing the Runruno mine with activities being ramped up on several fronts, including the approval of the Runruno Declaration of Mining Feasibility by the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, establishing a Fixed Lump Sum Price for an Engineering Procurement and Construction delivery mechanism for the process plant component of the Project, determining the financing options to fund the construction, and recruiting a team with the appropriate skills and experience to manage the construction phase of the development. Meanwhile we continue with resource and step-out drilling, and with molybdenum recovery testwork.

I look forward to being able to commence the construction of the Runruno project in the foreseeable future.

I R Holzberger
Executive Chairman

17 May 2011

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OPERATIONS REVIEW

The period from 1 January 2010 has been mixed for the Company. Early in the period the Feasibility Study was finalised confirming the commercial and technical viability of a project producing around 100,000 ounces of gold per year at Runruno. Since that time technical activities have continued to refine and enhance the Project. Permitting for the development is now at an advanced state. However, on the corporate front the nine month period commencing with Solomon Capital Limited's (Solomon) takeover offer and ending on the completion of the Subscription and Shareholder Agreement (SSA) was a period of considerable uncertainty.

On 23 July 2010, Solomon the Company's major shareholder announced a cash offer for the entire issued and to be issued share capital of the Company at 13p per Ordinary Share. On 20 August 2010, Solomon published its offer document setting out the formal terms of its offer, and on 6 September 2010, Solomon declared its offer wholly unconditional, holding (together with persons acting in concert with it) approximately 53.6 per cent of the entire issued share capital of the Company at that time.

On 17 September 2010, the Independent Director made a statement that he had been informed that certain Independent Shareholders had made a written submission to the Takeover Panel (Panel) expressing concerns relating to Solomon's offer. Pending the outcome of its review of the matter, the Panel required Solomon to make no purchases of the Company's shares (save in relation to valid acceptances of its offer) and that its offer should remain open for acceptances until further notice.

Pending the review and investigations of the shareholders submission by the Panel, discussions between Solomon, the representatives of the independent shareholders and the Company were held with a view to resolving the dispute. On 8 March 2011 the Company announced it had entered into the SSA with Solomon, Runruno Holdings Limited (RHL) and certain of the Company's independent shareholders which on completion would resolve the dispute between the shareholders and re-fund the Company. The Agreement was put to a vote at a general meeting of shareholders on 4 April 2011 and unanimously ratified by the voting shareholders. The SSA completed on 5 April 2011.

As a result of the SSA the Company raised £19.25 million (before costs) after all related party debt was retired.

A summary of the key elements of the SSA include:

- £12 million raised by placing 92,307,692 shares at 13p with RHL and Williams de Broë Limited.
- A further £7.25 million was contributed by Shelfco 724 Limited (a Solomon associate) by virtue of the Company drawing down the remaining balance of a £13 million convertible loan facility provided by Shelfco 724 Limited in exchange for converting the full facility at 13p per share into 100,000,000 shares in the Company.
- Solomon provided those shareholders who had accepted its 23 July 2010 offer at 13p the opportunity to rescind their acceptances. This offer was taken up by shareholders representing 33,112,981 shares.
- Solomon closed its offer for all the Company's shares it did not own on 19 April 2011.

In satisfaction of the SSA, the Company issued 192,307,692 new Ordinary Shares at 13p to Shelfco 724 Limited, RHL and Williams de Broë Limited and 236,967,162 options over Ordinary Shares to Solomon and RHL exercisable at 13p on or before 19 August 2011. The reader is referred to the Chairman's statement, which forms part of this report, for a more comprehensive breakdown of the SSA and the current and possible future capital structure of the Company should all of the options be issued.

Management is now focused delivering the Company’s strategy of developing the Runruno mine and looks forward to creating value for shareholders by commencing the construction of the Runruno project.

Runruno Mineral Resource and Mining Reserve Estimate

Both the Mineral Resource and the Mining Reserve were updated by Mining Associates to include 13,400 metres of infill drilling completed during the year post the finalisation of the feasibility study. This work was designed to increase the portion of the mineral resource reporting in the 2P Reserve which required for the majority of the drilling to be undertaken within the proposed pit boundary and at the western edge of the resource area adjacent to the pit.

In March 2011 the Company released an updated resource and reserve statement to include the results of the drilling and the impact of a pit optimisation undertaken to determine the 2P Reserves. The current estimates show a substantial increase in the 2P Mining Reserves which is now estimated to contain 900,000 ounces of gold, a substantial increment from the 780,000 previously estimated. This currently represents 85% of the contained gold scheduled to be mined. The Mining Reserve and Mineral Resource estimates are shown below.

The JORC categorised Mineral Resources for the Runruno Project has been classified in the measured, indicated and inferred confidence categories on a spatial, areal and zone basis. The measured resource is generally based on 25 metre spaced drilling, indicated on 50 metre and inferred beyond this to the limit of the geology model. The strong statistical measures, close comparison with informing raw drill data and close drill spacing support the robust nature of the estimates.

Runruno Resource Estimate – March 2011

Resource Category	Ore	Gold		Molybdenum	
	Mt	g/t	M Oz	ppm	M lbs
measured	11.2	1.88	0.68	604	14.9
indicated	7.0	1.64	0.37	425	6.5
inferred	7.5	1.44	0.35	253	4.2
Total	25.7	1.69	1.39	470	25.6

Notes to accompany the resource estimate:

1. The tenement holder is FCF Minerals Corp (“FCF”).
2. Metals Ex currently holds 85% of FCF, with an option to purchase the remaining 15% at its sole discretion and at any time it chooses, therefore the current net attributable resource to Metals Ex is 85%.
3. Resource estimate based on all drill holes completed and assays returned by 31 December 2010. The resource was estimated on the basis of 807 drill holes (110,427 metres) consisting of 485 diamond drill holes (65,517 metres) and 322 RC drill holes (45,911metres).
4. All analyses undertaken by Intertek, an internationally accredited independent laboratory.
5. Gold analysis by classical 1kg screen fire assay analysis.
6. Molybdenum analysis by mixed acid digest and ICP-OES.

7. Block model block sizes selection of XYZ 20x20x5m is based on Kriging Neighbourhood Analysis as reported in November 2009. Sub-blocking for volumes only to 5x5x1.25m. Screened for topography by sub-block.
8. Geological resource constrained by sub-block with 86 wireframes in 13 domains based on lithology, structure, alteration, artisanal surface workings and a minimum sample grade of 0.3 g/t Au, includes minor internal dilution. Each sub-block can only belong to one domain.
9. Drill intercepts within each domain flagged in a database table and composited to 2m downhole giving 6,439 informing samples from 687 drill holes.
10. A gold grade cap was applied to informing composites to remove minor outliers. Of the 20 composites capped to 12 g/t Au the maximum uncapped grade was 39.14 g/t Au. No grade cap was applied to molybdenum grades.
11. Routine bulk density measurements show little variation within rock types. An average bulk density based on rock type and oxidation state was assigned to resource model based on interpreted geological units and oxidation state.
12. Grade interpolated into a constrained block model by domain using Ordinary Kriging estimation in 4 passes with parameters based on variography by domain. Estimates validated against informing samples and with nearest neighbour and inverse distance squared block estimation.
13. Resources have been classified in compliance with the JORC Code as Measured, Indicated and Inferred. Categories allocated by block by domain, based on drill spacing and type, number of informing samples, fill pass and Kriging estimate confidence.
14. Lower cut off grade of 0.3g/t gold applied to blocks in reporting the resource estimates.
15. Molybdenum grades are reported along with the gold grades by resource categories but a consistent laboratory bias low in molybdenum assay standards of about 20% is recognised by FCF but has as yet not been addressed.

The Mineral Resource block model was interrogated using Whittle Optimization and FCF estimated costs and using a gold price of US\$1,000/oz to produce a set of pit shells and hence detailed mine design and production schedule as shown in the table and notes below. A small portion of the Inferred Mineral Resource is contained within this final pit shell and included in the production schedule and is also reported here with allowance for mining loss and dilution. The Inferred Mineral Resources estimates stated here are additional to the Ore Reserves but have not been aggregated with them as this not permitted under the JORC code.

Runruno Reserve Estimate - March 2011

Category	Tonnes	Gold		Molybdenum	
		g/t	Moz	ppm	Mlb
Proven	10.2	1.90	0.62	616	13.9
Probable	4.8	1.77	0.27	415	4.4
Total Reserve	15.0	1.85	0.9	603	18.3
Additional Inferred Resource in-pit1	2.9	1.73	0.16	258	1.7

Notes to accompany ore reserve statement:

1. Stated Inferred Resource is not included in reserves and is in addition to reserves within the defined pit limits and is included in the planned production schedule with a 5% mining loss applied.

2. The tenement holder is FCF Minerals Corp (“FCF”). Metals Ex currently holds 85% of FCF, with an option to purchase the remaining 15% at its sole discretion and at any time it chooses. This option has not been exercised so the current net attributable reserve to Metals Ex at the time of writing is 85%.
3. Reserve estimate are derived from the March 2011 MA Resource Estimate by application of Modifying Factors.
4. Cut-off grade of 0.3 g/tAu
5. Optimisation for final pit selection using Whittle Global Optimiser and following parameters.
 - a. Maximum material movement of 13Mtpa
 - b. Target of 1.75Mtpa delivered to mill
 - c. Mining Ore loss of 5%, Mining Dilution included in the resource estimates.
 - d. Mining costs varied by region from US\$1.11 to US\$1.22/tonne
 - e. Processing Costs of US\$14.45/tonne milled
 - f. Period Costs (including mining period costs) of US\$2.25/t milled
 - g. Gold recovery of 90.4%
 - h. Gold Price used of US\$1,000/ ounce
 - i. No value or process costs attributed to the Molybdenum
 - j. A discount rate of 10% pa for DCF and NPV
6. Scheduling of production using Gemcom Minesched within final Pit Shell.

The information in this report relating to Mineral Resources and Ore Reserves is based on information compiled by Mr. Andrew Vigar, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr. Vigar is an employee of Mining Associates Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr. Vigar consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Mineral Resource and Mining Reserve Grade Reconciliation

Gold grades determined from the extensive metallurgical testwork undertaken on the mining reserve sub-area of the mineral resource and the secondary composite sampling of ore intervals in the Runruno deposit have consistently demonstrated a gold grade uplift of between 7-10% when compared against the calculated sample grades determined from the primary 1 metre drill interval assays. This is found in both diamond drill core and reverse circulation drill chip samples alike. It is a very unusual characteristic as the interval assay work has been completed using the screen fire assay technique which is regarded in the industry as “best practice” and all quality control / quality assurance checks have been within permissible ranges.

It has been shown from the metallurgical testwork and associated mineral petrography and deportment studies that a significant proportion of the gold at Runruno reports as free gold in a 10-70 µm grain size range, which in itself is uncommon. This is considered to be the likely cause of the apparent underestimation of the primary sampling. However, this must be considered empirical data and as such it is not permissible to incorporate it into the Mineral Resources and Mining Reserves estimations.

Resource Potential

The Company continues to believe that there is significant potential to expand the resource at Runruno. Similarities with the Cripple Creek gold mine complex in Colorado were explored in detail by Dr Eric Jensen PhD during a site visit in early 2008 and reinforced by other work since that time.

The completion of resource and reserve drilling activities in December 2010 has now freed up resources to undertake a structured “step-out” drill programme and other geological activities to test the identified potential. A review of the existing geological, geochemical, and geophysical data within the rest of the FTAA has commenced under the management of a geologist, well experienced in similar geological systems, and additional geochemical sampling initiated. A preliminary interpretation has been received of the aeromagnetic and radiometric survey previously flown over the tenement.

Two diamond drill rigs have been assigned to regional exploration activities. One rig is testing for extensions to the resource area south of a fault which was previously interpreted to have cut-off the main Runruno mineralisation. The first line being tested by two drill holes is 100m south of the planned Runruno pit. The initial drill hole MXD 831 collared at 108 mN, 567 mE, 445 m RL (local grid) returned a 17m intersection grading 1.59 g/t Au and 1,319 ppm Mo from 114m down hole.

In the Tulingan area approximately 750m south east of the planned Runruno pit the second drill rig has commenced testing a gold soil geochemical anomaly in an area of structural complexity. Previous drilling to the east, reported in December 2009, returned promising intersections of gold-molybdenum mineralisation with similarities to the Runruno mineralisation. The first hole returned a 6.9 m intersection grading 2.81 g/t Au and 383 ppm Mo from 241 m down hole. The significance of this deep intersection will be tested by further drilling.

Elsewhere, several anomalous areas within the FTAA have been selected for follow-up exploration by ground geological mapping, geochemistry and diamond drilling.

Work is initially focused on the Magnetite Creek area, south-east of Runruno, where rock chip sampling has returned values of up to 2.04ppm Au and 0.72% Cu in potassic-altered monzonite rocks. The anomalous area is near the centre of a strong positive aeromagnetic anomaly and is believed to be highly prospective for porphyry Cu-Au style mineralisation.

At Bocboc, east of the Runruno resource area, further mapping and sampling is planned prior to drilling in the vicinity of an Au-Mo soil geochemical anomaly hosted by argillically-altered alkaline igneous rocks close to the contact with intrusive monzonites, a similar setting to the mineralisation at the Runruno deposit.

Runruno Development Project

Feasibility Study

The definitive feasibility study was reported on 4 May 2010. The study confirmed the technical and economic viability of a project producing an average of 96,700 ozs of gold per annum over a mine life of 10.4 years, with an average forecast operating cost of \$477/oz gold before any molybdenum credits. The capital cost was forecast to be US\$149.3 million, giving payback within 3.5 years at US\$1,000 gold and producing an ungeared, post-tax project IRR of 20% at \$1,000/oz gold. Further details are available on the Company website; www.metalsexploration.com.

The study which was estimated in Q4 2009 in US\$ is currently undergoing a revision to reflect the present world economic environment, equipment and commodity prices, exchange rates and manpower costs.

Since the finalisation of the Study, work has been undertaken to optimise the potential mine development with considerable success.

As reported above the Mining Reserve has been increased by drilling to now contain 900,000 ounces of gold representing 85% of the gold planned to be extraction in the initial operation.

Pit and Mining Schedule Optimisation

GEMCOM Professional Services was retained to review and optimise both the Runruno Pit and mine schedule using the March 2011 Mineral Resource and Whittle 4D optimisation studies as a base with a positive outcome. Both the overall size and strip ratio of the pit were reduced by around 10% with a minimal impact on the Mining Reserve. This is expected to positively impact the economics of the Project.

The key pit parameters between the March 2011 pit and the feasibility study pit are compared in the table below.

Description	March 2011 Pit	Feasibility Study Pit
Total Material to be moved	119.5 Mt	130.9 Mt
Ore	17.9 Mt	18.0 Mt
Waste	101.6 Mt	112.9 Mt
Operational strip ratio	5.2:1	5.9:1
Total strip ratio	5.7:1	6.3:1
TSF starter embankment	8.2 Mt	8.3 Mt
Average Mining Rate	10.9 Mtpa	12.2 Mtpa
Scheduled Mine Life	10.3 years	10.3 years

Metallurgical Testwork

The overall gold recovery circuit remains as it was defined in the Feasibility Study with only optimisation testwork being undertaken to provide information for design. This work allowed the flotation circuit, a component of the overall planned processing plant, to be simplified to a “rougher” circuit only with no “cleaner” circuit required. Simplifying this circuit will provide operational benefits.

Molybdenum testwork has been focused on an electro-winning and resin recovery process. The electro-winning and resin recovery work completed to date based on synthetic solutions is returning positive results. Testwork is ongoing.

Process Plant Construction Contract

In November the Company appointed Leighton Contractors (Asia) (Leighton) to develop a fixed lump sum priced (FLSP) in an “Open Book” environment for an engineering, procure and construct (EPC) delivery mechanism for the process plant component of the Runruno project.

Leighton has a strong track record of delivering projects on time and on budget.

At the date of this report this work is ongoing but is expected to be completed before mid year.

BIOX® Licence

In November 2010 the Company entered into a licence agreement with Biomin which provides for the use of the BIOX® technology at Runruno for the recovery of gold from refractory gold rich sulphide bearing ores. Biomin, a wholly owned subsidiary of Gold Fields Limited (“Gold Fields”) is the legal and beneficial owner of the BIOX® Process, and the licence agreement sets out the basis on which the Company may use BIOX® intellectual property

The precise terms of the licence are confidential, but are consistent with other agreements of this nature. The agreement manages the commercial relationship between the companies, protects Biomin’s intellectual property, provides various warranties and process guarantees, and obliges Biomin / Gold Fields to provide fee based technical support as required.

Permitting

Financial or Technical Assistance Agreement

The Runruno project is held under a Financial or Technical Assistance Agreement. Under the 1995 Philippine Mining Act the FTAA system provides a stable investment regime for the future development of the Project.

Under the FTAA, FCF Minerals Corporation (“FCF”) is granted the exclusive right for 25 years, renewable for a further period of up to 25 years, to explore, mine, process and export minerals and by-products from the project area. In exchange for this right, FCF is required to commit a minimum investment of USD 50 million in project development, much of which will be spent on local infrastructure benefiting local communities. In addition, the FTAA also grants other rights over the area, such as access, water use, occupation of the land as well as use of other natural materials within the contract area such as timber and limestone.

The FTAA sets out the rights and obligations of both parties with regard to reporting, expenditure requirements, project development phases and operation, work programmes, environmental and reclamation procedures, community development, repatriation of profits, termination, and other provisions normal for an agreement of this type.

It also defines the fiscal regime whereby FCF benefits from a tax holiday for a maximum of 5 years following the commencement of production until it has recovered its pre-operating expenses and investment. Thereafter the Government will receive a “Government Share” consisting of all direct taxes, withholding taxes, royalties, fees, and related payments (the FTAA lists 15 qualifying tax categories). If the resulting Government Share falls short of 50% of “Net Mining Revenue”, calculated after deduction of all mining, processing, administrative, environmental, community, royalty, sustaining capital and interest expenses, then the Government Share shall be increased until it represents 50% of Net Mining Revenue (the “Additional Government Share”).

In the event of a dispute that cannot be settled amicably between the Parties acting in good faith, both Parties have agreed to submit to binding arbitration in Singapore at the Singapore International Arbitration Centre (SIAC) under the United Nations Commission for International Trade Law (UNCITRAL) Arbitration Rules, or The Convention on the Settlement of Investment Disputes Between States and Nationals of Other States (the “Convention”) and the Rules of Procedure for the

Institution of Conciliation and Arbitration Proceedings issued by the International Centre for the Settlement of Investment Disputes (“ICSID”) plus the Rules of Procedure for Arbitration Proceedings issued by ICSID.

Declaration of Mining Project Feasibility

Under the terms of the FTAA the Company is required to submit a “Declaration of Mining Project Feasibility” (DMF) to the Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources MGB demonstrating by means of the feasibility study and other requirements listed in the FTAA that the project is viable using “internationally accepted sound mining practices”. To secure approval of the DMF a number of subsidiary plans must be prepared and approved which include but are not limited to:

- The Mining Feasibility Study.
- A three year work programme for the period following the grant of the DMF.
- Environmental Compliance Certificate.
- An Environment Protection and Enhancement Programme.
- Final Mine Rehabilitation and / or Decommissioning Plan.
- Social Development and Management Programme.
- Project approval / endorsement of two of the three Sanggunian (Local Level Governments, Barangay, Municipal and Provincial) concerned.
- Mineral Resource Validation - undertaken by the MGB.

The Company has made strong progress in having satisfied all of the requirements including achieving a positive endorsement for the project by the Boards of the three tiers of Local Level Government and a positive referral from the Region II office of the MGB to its Central Office in Manila.

The Company believes that it has satisfied all of the requirements for a positive determination of its application by the MGB.

Environmental Compliance Certificate

The Runruno Environmental Compliance Certificate (ECC) was awarded to FCF in February 2010 for the Runruno project. The ECC is a document issued jointly by the DENR and the Environmental Management Bureau (EMB) after a positive review of an ECC application, certifying that the proposed project will not cause significant negative environmental impact.

The ECC also certifies that the project has complied with all the requirements of the Philippine Environmental Impact Statement (“EIS”) System and that the Company has committed to implement its approved Environmental Management Plan. The EIS System is concerned primarily with assessing the direct and indirect impacts of a project on the biophysical and human environment and ensuring that these impacts are addressed by appropriate environmental protection and enhancement measures. Under the ECC the Company has committed to undertake the measures presented in the EIS to protect and mitigate against any adverse impacts on the health and welfare of community and on the environment.

The support the Company has enjoyed in advancing the Project to its current “near fully permitted” status demonstrates continued support from the Philippine Government and its agencies, the LLG’s and the local community for the project. This further confirms that the permitting and regulatory process in the Philippines is an effective process, and that the Company is able to operate effectively within it.

Environment & Community Relations

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

The Group supports and makes donations to the Runruno Livelihood Foundation, a non-profit organisation with a well staffed community relations group which works closely with the local communities 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.

Across the year FCF was the recipient of 24 awards, citations or Certificates of Recognition for the work it undertakes in the areas of education, environment and reforestation, community programs and health and safety, culminating in a Platinum Award in the “Presidential - Mineral Industry Environment Award” and first runner up in the “Mining Forest Program”. A selection of these awards includes:

- Certificate of Commendation for meritorious commitment and laudable participation as a partner of the Department of Education in the implementation of the Alternative Learning System programmes.
- Certificate of Commendation for the initiation and exemplary implementation of the Plant or Life Program particularly in engaging the participation of the academe, the LGUs and other government agency partners towards environmental enhancement, protection and development.
- Best Literacy Program Implementer in the Regional Level and 3rd place in the National Search.
- First mining company accredited as auxiliary member of the Provincial Disaster Coordinating Council Rescue Team 933.
- Award for achieving 1,000,000 man hours without a lost time industry, awarded by the Mining and Geosciences Bureau.
- Technical Education and Skills Development Authority awarded a Certificate of Recognition for continued participation in the establishment, promotion and sustainability of the Out of Work Youth's Skills Development and Placement Program. Over 1,000 youths have now been through this program with many finding employment in industry on completion.
- The prestigious Platinum Award in the “Presidential - Mineral Industry Environment Award”
- First runner up in the “Mining Forest Programme”.

Other Projects

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). The Dupax block contains a previously identified and partially mined open pit zinc-copper-gold massive sulphide deposit. Surface mapping

and geochemical and rock chip sampling by the Company has returned grades up to 45.7% zinc, 3.89% copper, and approximately 4 g/t gold from outcrop.

The mineralisation 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.

Drill targets have been defined on this project.

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.

The area is considered prospective for gold associated with a large gold-bearing vein-fault system and porphyry copper and gold mineralisation. The Company has undertaken surface mapping and geochemical sampling with some areas anomalous for gold being outlined.

Other Exploration Permit Applications

The Company also has an Exploration Permit Application ("EPA") covering the Worldwide project. Recently, applications that the Company had made over the Capaz, Puray areas were refused by the MGB as part of its current programme to "cleanse" its register of 2,000 dormant applications out of a current 2,700 applications. The MGB has also placed a 12 month moratorium on the application for new Exploration Permits.

Worldwide

The Worldwide project is located in the district of Northern Luzon, Philippines, adjoining the historic Santa Nino copper-gold producer. 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 1970's.

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 grade of 1.5% Ni, 0.13% Co and 37% Fe within the area (non-JORC compliant).

Financing

On 12 November 2010, the Company announced that it had entered into a £13 million convertible facility agreement with Shelfco 724 Limited, a related company of Solomon. Under the terms of the Loan Facility, Shelfco 724 Limited agreed to make available to the Company, subject to the terms therein, a convertible facility of up to £13 million, £2 million of which was to be used to repay a bridging loan facility provided by Solomon on 19 August 2010.

In April 2011, pursuant to the Subscription and Shareholder Agreement, the Company raised £19.25 million before costs through an issue of new ordinary shares at a price of 13 pence per share to raise £12.0 million and the drawdown of the unutilised £7.25 million balance of the Shelfco 724 Limited £13 million convertible facility, following which Shelfco 724 Limited immediately served notice on the Company to convert the entire loan into ordinary shares at 13p. In total 192,307,692 new ordinary 1p shares were issued pursuant to this agreement.

Glossary of Terms

JORC: the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 (the “JORC Code” or “the Code”). The Code sets out minimum standards.

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.

Mining Reserve: the part of a mineral resource which is economically and technically feasible to extract.

2P Mining Reserve: Proven and Probable Reserves.

**CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME for the year ended
31 DECEMBER 2010**

	<i>Notes</i>	<i>Year ended 31 December 2010</i>	<i>Year ended 31 December 2009</i>
		£	£
Continuing Operations			
Revenue		–	–
Cost of sales		–	–
		<hr/>	<hr/>
Gross loss		–	–
Administrative expenses		(4,270,826)	(4,319,534)
		<hr/>	<hr/>
Operating loss		(4,270,826)	(4,319,534)
Finance income and similar items		37,882	215,257
Finance costs		(293,928)	(191,932)
		<hr/>	<hr/>
Loss before taxation		(4,526,872)	(4,296,209)
Taxation		–	–
		<hr/>	<hr/>
Loss for the period		(4,526,872)	(4,296,209)
		<hr/>	<hr/>
Other comprehensive income:			
Exchange differences on translating foreign operations		820,987	487,479
		<hr/>	<hr/>
Total comprehensive loss for the period		(3,705,885)	(3,808,730)
		<hr/>	<hr/>
Loss for the period attributable to:			
Equity holders of the parent		(4,289,219)	(4,049,549)
Non controlling interest		(237,653)	(246,660)
		<hr/>	<hr/>
		(4,526,872)	(4,296,209)
		<hr/>	<hr/>
Total comprehensive loss attributable to:			
Equity holders of the parent		(3,587,145)	(3,639,617)
Non controlling interest		(118,740)	(169,113)
		<hr/>	<hr/>
		(3,705,885)	(3,808,730)
		<hr/>	<hr/>
Loss per share:			
Basic and diluted	1	(1.59)p	(1.87)p
		<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET as at 31 DECEMBER 2010

	<i>As at 31 December 2010</i>	<i>As at 31 December 2009</i>
	£	£
Non-current assets		
Property, plant and equipment	963,596	1,211,672
Goodwill	1,010,816	1,010,816
Other intangible assets	24,871,456	18,798,427
Trade and other receivables	-	541,007
	<hr/>	<hr/>
	26,845,868	21,561,922
Current assets		
Investments designated at fair value through profit and loss	-	405,396
Trade and other receivables	231,713	2,142,112
Cash and cash equivalents	1,192,667	3,403,812
	<hr/>	<hr/>
	1,424,380	5,951,320
Current liabilities		
Trade and other payables	(823,788)	(755,730)
Short-term borrowings	(6,000,000)	-
	<hr/>	<hr/>
	(6,823,788)	(755,730)
Non-current liabilities		
Long-term borrowings	-	(2,000,000)
	<hr/>	<hr/>
	-	(2,000,000)
Net assets	<hr/>	<hr/>
	21,446,460	24,757,512
Equity		
Share capital	2,697,163	2,697,163
Share premium account	28,783,007	28,783,007
Shares to be issued reserve	3,114,509	2,719,676
Translation reserve	3,860,032	3,157,958
Profit and loss account	(17,268,862)	(12,979,643)
	<hr/>	<hr/>
Equity attributable to equity holders of the parent	21,185,849	24,378,161
Non controlling interest	260,611	379,351
	<hr/>	<hr/>
	21,446,460	24,757,512

The financial statements were approved by the Board of Directors on 17 May 2011 and were signed on its behalf by:

Ian R. Holzberger
Executive chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 DECEMBER 2010

	<i>Share capital</i>	<i>Share premium account</i>	<i>Shares to be issued reserve</i>	<i>Translation reserve</i>	<i>Profit and loss account</i>	<i>Non controlling interest</i>	<i>Total equity</i>
	£	£	£	£	£	£	£
Balance as at 1 January 2010	2,697,163	28,783,007	2,719,676	3,157,958	(12,979,643)	379,351	24,757,512
Exchange differences on translating foreign operations	-	-	-	702,074	-	118,913	820,987
Loss for the year	-	-	-	-	(4,289,219)	(237,653)	(4,526,872)
Total comprehensive income/(loss) for the year	-	-	-	702,074	(4,289,219)	(118,740)	(3,705,885)
Movement in share based payments	-	-	394,833	-	-	-	394,833
Issue of equity share capital	-	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-
Balance as at 31 December 2010	2,697,163	28,783,007	3,114,509	3,860,032	(17,268,862)	260,611	21,446,460

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 credit side of the entry relating to the expense recognised in the income statement for share based remuneration
- Translation reserve; being the foreign exchange differences on the translation of foreign subsidiaries
- Non controlling interest; being the net assets attributable to non controlling shareholders
- Profit and loss account; being the cumulative loss attributable to equity shareholders

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 DECEMBER 2009

	<i>Share capital</i>	<i>Share premium account</i>	<i>Shares to be issued reserve</i>	<i>Translation reserve</i>	<i>Profit and loss account</i>	<i>Non controlling interest</i>	<i>Total equity</i>
	£	£	£	£	£	£	£
Balance as at 1 January 2009	1,122,838	15,503,969	2,287,969	2,748,026	(8,930,094)	548,464	13,281,172
Exchange differences on translating foreign operations	-	-	-	409,932	-	77,547	487,479
Loss for the year	-	-	-	-	(4,049,549)	(246,660)	(4,296,209)
Total comprehensive income/(loss) for the year	-	-	-	409,932	(4,049,549)	(169,113)	(3,803,730)
Movement in share based payments	-	-	431,707	-	-	-	431,707
Issue of equity share capital	1,574,325	14,132,105	-	-	-	-	15,706,430
Share issue expenses	-	(853,067)	-	-	-	-	(853,067)
Balance as at 31 December 2009	2,697,163	28,783,007	2,719,676	3,157,958	(12,979,643)	379,351	24,757,512

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 DECEMBER 2010

	<i>Year ended 31 December 2010</i>	<i>Year ended 31 December 2009</i>
	£	£
Net cash used in operating activities	(1,519,942)	(4,281,893)
Investing activities		
Purchase of intangible assets	(5,076,813)	(7,594,968)
Purchase of property, plant and equipment	(69,502)	(278,234)
Proceeds from sale of property, plant and equipment	-	30,571
Proceeds from sale of investment designated at fair value through profit or loss	442,753	-
Net cash used in investing activities	(4,703,562)	(7,842,631)
Financing activities		
Proceeds from issue of share capital	-	14,853,363
Proceeds from short-term borrowings	4,000,000	-
Net cash from financing activities	4,000,000	14,853,363
Net (decrease)/increase in cash and cash equivalents	(2,223,504)	2,728,841
Cash and cash equivalents at beginning of period	3,403,812	731,313
Foreign exchange differences	12,359	(56,342)
Cash and cash equivalents at end of period	<u>1,192,667</u>	<u>3,403,812</u>

Notes

1. Loss per share

	<i>Year ended 31 December 2010</i>	<i>Year ended 31 December 2009</i>
	£	£
Loss		
Net loss attributable to equity shareholders for the purpose of basic and diluted loss per share	(4,289,218)	(4,049,549)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>269,716,344</u>	<u>216,822,635</u>
Basic and diluted loss per share	<u>(1.59p)</u>	<u>(1.87p)</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, are anti-dilutive.

Weighted average number of potential ordinary shares that are not currently dilutive	<u>34,926,904</u>	<u>26,123,946</u>
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Annual report and accounts

A copy of the annual report and accounts will be sent to shareholders shortly and will also be available from the Company's registered office, 200 Strand, London WC2R IDJ, and on the Company's website; **www.metalsexploration.com**. Notice of an annual general meeting of the Company to be held on 16 June 2011 will be posted together with the annual report and accounts.

Financial Information

The financial information set out in this announcement does not comprise the Group's statutory accounts for the year ended 31 December 2010 or for the year ended 31 December 2009.

The financial information has been extracted from the statutory accounts of the Group for the year ended 31 December 2010 and the year ended 31 December 2009. The auditors reported on these accounts. Their reports were unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.

The statutory accounts for the year ended 31 December 2009 have been delivered to the Registrar of Companies, whereas those for the year ended 31 December 2010 will be delivered to the Registrar of Companies following the Company's annual general meeting.