

Monterrico Metals plc
23 April 2009

Preliminary Results for the Year ended 31 December 2008

HIGHLIGHTS 2008/9

- New Chairman appointed in June 2008
- Management in Peru strengthened with New Social Manager appointed
- New management commenced review of Rio Blanco Detailed Feasibility Study (“DFS”) work and completed the Trade-off study to evaluate the alternative technical options for the development of Rio Blanco by maximizing the value from the total resources (1,257Mt) and optimizing the economics of the Project, whilst improving environmental and social aspects
- The Environmental and Social Impact Assessment (“ESIA”) continues
- 20% conditional warrants issued to Peruvian investors to increase local participation
- The Company strengthens its Social Programme and expands and improves communications with local and regional communities
- Peruvian Government approved the request to acquire an additional buffer zone around the eight core mining concessions of Rio Blanco Project (“Rio Blanco” or the “Project”)
- The Company’s Head Office moved to Hong Kong
- Plan to delist from the AIM in 2009

REPORT FROM THE CHIEF EXECUTIVE OFFICER

Executive Summary

I am pleased to report that in 2008, Monterrico Metals plc has taken significant steps towards becoming a producing mining company. In line with management’s philosophy, vision and mission, the Company is approaching the final definition of technology and layout for our flagship Rio Blanco Project following an exhaustive evaluation of development alternatives designed to maximize the economic, environmental and social feasibility of the Project. The Company continues to focus on improving relations with local communities around Rio Blanco. While maintaining stable operations, Monterrico has achieved a higher level of integration and improvement in the Company’s management systems through the development and advancement of appropriate operating standards, processes and procedures.

The Board of Monterrico has today announced that it intends to seek its shareholders’ approval to cancel admission of the ordinary shares of Monterrico to trading on AIM. A circular containing details of the proposed de-listing is being sent to shareholders today to seek shareholders’ approval at the forthcoming annual general meeting to be held on Friday 22 May 2009. Copies of the circular will be shortly made available from Monterrico’s website, www.monterrico.com. For details of the proposed de-listing, please refer to the circular.

I would like to thank all directors and employees of Monterrico and its subsidiaries for their valuable contribution for the year’s achievements.

Xiaodong Huang
Chief Executive Officer 23 April 2009

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Project Development Optimization Programme

The Project is located in steep, geographically complex terrain subject to moderate rainfall. As a result, management considered that the technology and layout chosen for the development of Rio Blanco should be designed in strict compliance with Peruvian legislation and include forest conservation initiatives, process water recycling, and integrated site specific water management technologies to guarantee maintenance of existing water quality in local water sources. At the same time management required design considerations to rationalize mine operation parameters and process flow to minimize overall operating costs.

Following these considerations by management, and using the 2007 feasibility study as a base, in March 2008 Chinese engineers from Monterrico's main shareholding companies reviewed and evaluated the overall project layout paying special attention to alternatives for the Tailings Storage Facility, processing of Potential Acid Generating (PAG) material and concentrate transport. Based on this work a new trade off study was commissioned and completed in October 2008 by Hatch Engineering (Chile) and in December 2008 was subject to final review by engineers from the main shareholding companies.

The most favourable alternative considers a 500 million tonne operation producing 191,000 tonnes of copper in concentrate and 2,180 tonnes of molybdenum in concentrate. Design considerations allow for mine expansion to adjacent resources and ore processing capacity can be managed to extend or increase production depending on market conditions. Advanced technologies are also being applied in the design in order to manage all risks associated with PAG materials both with respect to waste rock and mine closure to ensure maintenance of current water quality in the environment.

In early 2009, a decision will be made on final project design parameters, which will in turn be used to complete a Feasibility Study by the third quarter of 2009. These parameters will also be used to make appropriate adjustments to the Environmental and Social Impact Assessment ("ESIA") which is expected to be completed in the fourth quarter of 2009.

Internal Management

1. Core Sample Warehouse

In March 2008, the Company completed reorganizing and cataloguing 58,000 meters of diamond drilling samples from the Project in a warehouse in Peru's capital, Lima, which guarantees the safety and longevity of these samples while providing ease of access for future technical study.

2. Exploration site management and rehabilitation planning of the Project

Following the sanction by the Peruvian Government's independent exploration and mining supervising authority, OSINERGMIN, the Company has complied with all resolutions which addressed certain historical site management issues between 2004 and 2006. The rehabilitation of the exploration site and environmental monitoring are also proceeding normally in accordance with Peruvian legislation and the special requirements imposed by OSINERGMIN.

3. Team Building

The Company has been actively focused on the construction of a sound technical team suitable for taking Rio Blanco forward through final feasibility, permitting and into construction and has employed a number of excellent

mining and environmental professionals which strengthen the company's human resource capacity in mining development, environmental protection and safety.

4. Management Systems

The Company has undertaken preliminary establishment of procedures compliant with the ISO9000 series management system in the areas of financial budgeting, human resources management, procurement and information management.

Stakeholder Relations

Challenges related to local communities are at the forefront of mining development in South America where all mining enterprises must actively manage community issues in order to prosper. Rio Blanco is no exception, and the Company has been very active in 2008 focusing on initiatives that bring detailed and accurate information about the Company and the project to all stakeholders, both close to the project and throughout the northern region of Peru. These initiatives range from dedicated information office installations, through printed and radio media information, to door to door promotion and relationship building.

Since its inception in September of 2007, our interactive information office in the city of Piura has received close to 50,000 visitors, and has played a key role in gaining the support of regional opinion leaders, politicians, students, universities, media and other members of society. Similar installations in rural areas have also received much attention, and will continue to be a vital instrument in maintaining the population informed of the inevitable developments related to Rio Blanco in the future.

Our community relations programme continues to focus on promoting economic development for local communities with the Company's involvement aimed at modernizing existing local productive activities such as agriculture, textiles, coffee, dairy and tourism. Programmes to improve health and education in the local communities also continue to build confidence and trust between the Company and local people.

The Company will continue to participate in and strengthen communication with local families and community leaders at all levels, firm in the belief that communication strengthens understanding, and that understanding promotes trust. There are still some difficult challenges ahead with some of our local relationships, but in general we are progressing actively and constructively with a significant proportion of local people participating harmoniously with the Company in development activities.

I am also pleased to report the clear and strong support for mining investment in general, and for Rio Blanco in particular, expressed by the Peruvian Central Government and by the Regional Government of Piura. Most notably was the support towards mining investment in Peru, expressed during the APEC summit held in Lima in November 2008. Peru's Constitutional President, Alan Garcia continues to actively promote foreign investment and especially that of Chinese origin in mining.

We have well developed relationships with many Peruvian State and other institutions such as NGO's, the church and media, and are further developing our relationships with investors and potential investors following the successful relocation of our corporate headquarters from London to Hong Kong.

Outlook for 2009

The global financial crisis continues to evolve following the US sub-prime mortgage crisis and ensuing global stock market collapse and is having far reaching impacts on the global economy. Developed countries are entering into recession and the strong growth enjoyed by many developing nations is now showing clear signs of slowing significantly. Confidence in global markets has been severely affected with stocks around the world being devalued across all economic sectors and demand for manufactured products and commodities shrinking, leading the world into the most serious economic crisis since 1929.

The rapid and drastic fall in commodity prices has led the global mining industry into what we believe will be a long period of very difficult conditions with the possibility of further falls in commodity prices that will threaten the viability

of many existing mining operations. The prospect of obtaining finance for mining projects in different stages of development and for exploration projects is extremely poor, which will delay significantly many projects coming into production around the world; perhaps the only real indicator that commodity prices will recover as supply becomes restricted.

Facing these difficulties, our priority is to maintain a good cash flow to ensure that all Monterrico's projects will come safely through this crisis. Since the third quarter of 2008, the Company began merging departments, cancelling or postponing non-urgent projects, and reducing management costs. We are also strictly controlling expenditure in the 2009 budget. Xiamen Zijin Tongguan Investment Development Co., Ltd. (the "Zijin Consortium") has agreed to provide financial support to Monterrico for the foreseeable future.

Despite this very negative outlook, the global crisis also presents a number of significant long term opportunities as the demand for metals generated by continued economic growth in emerging countries remains positive, albeit reduced. The decline in commodity prices will reduce capital costs for project development, particularly those related to infrastructure and transport. The cancellation of a number of projects worldwide has already begun to reduce lead times on critical equipment, and at the same time the recent shortages of qualified professionals will be alleviated. I believe Monterrico is uniquely placed to seize and take full advantage of these opportunities.

The Board of Monterrico has today announced that it intends to seek its shareholders' approval to cancel admission of the ordinary shares of 10 pence each in Monterrico to trading on AIM. A circular containing details of the proposed de-listing is being sent to shareholders today to seek shareholders' approval at the forthcoming annual general meeting to be held on Friday 22 May 2009. Copies of the circular will be shortly made available from Monterrico's website, www.monterrico.com. For details of the proposed de-listing, please refer to the circular.

In China we have a saying: "If winter comes, can spring be far behind?". However, we must also think of adversity when in prosperity, and make the enterprise more open, integrated and competitive in the long term. We will continue to work hard, and ensure we maximize the interests of Peru, local communities, and you our shareholders.

Financial Review

The Company and its subsidiaries (collectively as "the Group") incurred total expenses in the reporting period of US\$6,178,000 (2007 (restated): recurring expenses of US\$4,957,000 and non recurring expenses of US\$5,930,000) including the share-based payment expense for the warrants granted to the strategic partner of US\$2,736,000 (2007: US\$Nil). The non-recurring expenditure in 2007 related to the legal and professional service fee, and termination costs, associated with the Zijin Consortium's takeover of the Company in April 2007. The total capitalized expenditure for the Group amounted to US\$47,894,000 at the end of the period (2007 (restated): US\$40,780,000).

The total loss before tax incurred in 2008 for Monterrico is US\$10,911,000 (2007 (restated): US\$10,462,000) including the exchange loss of US\$4,337,000 associated with the shareholder loans from the Zijin Consortium.

The loan and interest the Group owed to the Zijin Consortium amounted to US\$20,552,000 at the end of 2008 (2007: US\$12,359,000).

The Company signed a loan facility agreement of US\$5,000,000 and £2,550,000 in February 2008 with the Zijin Consortium to meet the working capital requirements of the Group in 2008, of which its term was extended to 9 February 2010. In February 2009, the Company signed a further US\$5,000,000 loan agreement with the Zijin Consortium in meeting the forecast working capital requirement of the Group this year. The Company is also in discussion with the Zijin Consortium to extend the terms of the loans due to expire this year.

As at 31 December 2008, the Group had cash reserves of US\$2,787,000 (2007: US\$5,044,000).

**Consolidated income statement
for the year ended 31 December 2008**

	2008	2007
	<u>US\$'000</u>	<u>(restated) US\$'000</u>
Administrative and operating expenses	(6,178)	(4,957)
Non recurring administrative expenses	<u>-</u>	<u>(5,930)</u>
Operating loss	(6,178)	(10,887)
Finance revenue	207	1,038
Finance costs	<u>(4,940)</u>	<u>(613)</u>
Loss before income tax	(10,911)	(10,462)
Income tax	<u>-</u>	<u>-</u>
Loss for the year	<u>(10,911)</u>	<u>(10,462)</u>
Weighted average number of ordinary shares (number of shares)	26,306,068	26,306,068
Basic and diluted loss per ordinary share (US\$)	(0.41)	(0.40)

**Consolidated balance sheet
as at 31 December 2008**

	2008	2007
	<u>US\$'000</u>	<u>(restated) US\$'000</u>
Assets		
Non-current assets		
Exploration and evaluation assets (2007: Intangible assets)	47,894	40,780
Property, plant and equipment	655	283
Other receivables	3,398	2,969
Total non-current assets	<u>51,947</u>	<u>44,032</u>
Current assets		
Cash and cash equivalents	2,787	5,044
Other receivables and prepayments	356	350
Total current assets	<u>3,143</u>	<u>5,394</u>
Total assets	<u>55,090</u>	<u>49,426</u>
Equity and liabilities		
Shareholders' Equity		
Share capital	4,546	4,546
Share premium	50,178	50,178
Share option reserve	3,056	38
Foreign currency translation reserve	6,654	1,593
Accumulated losses	(30,777)	(20,065)
Total Shareholders' Equity	<u>33,657</u>	<u>36,290</u>
Current liabilities		
Other payable and accrued liabilities	881	777
Interest-bearing loans and borrowings	20,552	12,359
Total current liabilities	<u>21,433</u>	<u>13,136</u>
Total liabilities	<u>21,433</u>	<u>13,136</u>
Total liabilities and shareholders' equity	<u>55,090</u>	<u>49,426</u>

**Consolidated statement of changes in equity
for the year ended 31 December 2008**

	Share capital	Share premium	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2007	4,546	50,178	1,092	2,391	(9,136)	49,071
Prior period restatement	-	-	-	(991)	(1,974)	(2,965)
Balance at 1 January 2007 (restated)	<u>4,546</u>	<u>50,178</u>	<u>1,092</u>	<u>1,400</u>	<u>(11,110)</u>	<u>46,106</u>
Foreign currency translation	-	-	-	193	-	193
Total income recognised directly in equity	-	-	-	193	-	193
Loss for the year	-	-	-	-	(10,462)	(10,462)
Total recognised loss of the year	-	-	-	-	(10,462)	(10,462)
Credit arising on share options	-	-	453	-	-	453
Transfer to accumulated loss on expired share options	-	-	(1,507)	-	1,507	-
At 31 December 2007 (restated)	<u>4,546</u>	<u>50,178</u>	<u>38</u>	<u>1,593</u>	<u>(20,065)</u>	<u>36,290</u>
Balance at 1 January 2008	<u>4,546</u>	<u>50,178</u>	<u>38</u>	<u>3,213</u>	<u>(18,265)</u>	<u>(39,710)</u>
Prior period restatement	-	-	-	(1,620)	(1,800)	(3,420)
Balance at 1 January 2008 (restated)	<u>4,546</u>	<u>50,178</u>	<u>38</u>	<u>1,593</u>	<u>(20,065)</u>	<u>36,290</u>
Foreign currency translation	-	-	-	5,061	-	5,061
Total income recognised directly in equity	-	-	-	5,061	-	5,061
Loss for the year	-	-	-	-	(10,911)	(10,911)
Total recognised loss of the year	-	-	-	-	(10,911)	(10,911)
Credit arising on share options	-	-	3,217	-	-	3,217
Transfer to accumulated loss on expired share options	-	-	(199)	-	199	-
Balance at 31 December 2008	<u>4,546</u>	<u>50,178</u>	<u>3,056</u>	<u>6,654</u>	<u>(30,777)</u>	<u>33,657</u>

**Consolidated statement of cash flow
for the year ended 31 December 2008**

	2008	2007
	US\$'000	(restated) US\$'000
Cash flows from operating activities		
Loss before income tax	(10,911)	(10,462)
Adjustments for:		
Depreciation	103	97
Unwinding of discount on IGV receivables	(179)	(132)
Interest income	(28)	(332)
Discount on initial recognition of IGV receivables	42	229
Loan interest expenses	561	384
Loss on disposal of property, plant and equipment	6	-
Share-based payment	3,217	453
Unsuccessful exploration expenditure derecognised	-	495
Impairment provision for exploration and evaluation assets	293	25
Foreign exchange loss	3,870	147
Working capital adjustments		
(Increase)/decrease in other receivables and prepayments	(41)	281
Increase in long-term other receivables	(292)	(979)
Increase/(decrease) in other payables relating to operating activities	212	(801)
Net cash outflows for operating activities	(3,147)	(10,595)
Cash flows from investing activities		
Interest received	28	332
Purchase of property, plant and equipment	(486)	(77)
Investment in exploration and evaluation assets	(7,407)	(9,089)
Net cash outflow for investing activities	(7,865)	(8,834)
Cash flow from financing activities		
Proceeds from loans and borrowings	9,282	11,853
Net cash inflow from financing activities	9,282	11,853
Decrease in cash	(1,730)	(7,576)
Effect of exchange rate fluctuations	(527)	44
Cash and cash equivalents, beginning of year	5,044	12,576
Cash and cash equivalents, end of year	2,787	5,044

Disclosure of Major Accounting Policy

1. Accounting policies

Basis of preparation of financial statements

The accounting policies adopted in the preparation of the financial information are consistent with those applied to the year ended 31 December 2007 except for the adoption of new and amended standards. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group.

The consolidated financial statements are presented in US dollars and have been prepared on the historical cost basis.

Going concern

At 31 December 2008 the Company, and its subsidiaries, have net current liabilities totalling US\$18,290,000, which includes amounts owing to Xiamen Zijin Tongguan Investment Development Co., Ltd. ("Zijin Consortium") totalling US\$20,552,000. These loans, plus a further US\$5,000,000 loan facility granted by the Zijin Consortium in February 2009, are all due to be repaid to the Zijin Consortium before February 2010. The Directors have a reasonable expectation that the existing cash balance at 31 December 2008 of US\$2,787,000, coupled with the US\$5,000,000 loan facility granted in February 2009 and any further financial support which the Group may obtain from the Zijin Consortium, will provide sufficient cash to enable the Group to fund its working capital requirements, and the planned expenditures, over the next 12 months from the date of this report.

As the loans with the Zijin Consortium are due for repayment within the next twelve months, and given the Company has no other source of funding, the ability for the Company to continue as a going concern is dependent upon the ongoing support from the Zijin Consortium, and from the Zijin Consortium's three shareholders. A letter of support to this effect has been received by the Company from the Zijin Consortium, and from the Zijin Consortium's three shareholders, which confirms financial support until 31 December 2010. As a result the Directors have a reasonable expectation that the Company will continue to receive support from the Zijin Consortium, and the Zijin Consortium has the ability to continue to provide this support. The financial statements have therefore been prepared on a going concern basis.

2. Loss per share

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

The basic and diluted loss per share is the same as there are no dilutive effects on earnings as the effect on the exercise of share options would be to decrease the loss per share.

	2008	2007 (restated)
Net losses attributable to ordinary shareholders (US\$'000)	(10,911)	(10,462)
Weighted average number of ordinary shares (number of shares-thousand)	26,306	26,306
Basic and diluted loss per ordinary share (US\$)	(0.41)	(0.40)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

3. Post balance sheet events

On 9 February 2009, the Company entered into a loan facility agreement with the Zijin Consortium.

The loan facility is for an aggregate amount of up to US\$5 million at an interest rate of not greater than 1 percent

above LIBOR, as published by the British Bankers Association. The loan is repayable on 8 February 2010. No amount was drawn down after the facility agreement was signed.

The proceeds from the loan facility will be used to meet the working capital needs of the Group for 2009.

On the same day, the loan facility agreement with the Zijin Consortium of US\$5,000,000 and £2,550,000 which expires on 2 February 2009, was extended to 9 February 2010. The other terms of the loan facility remains unchanged.

4. Statutory Accounts

The financial information set out above does not constitute the Company's statutory accounts as defined in section 240 of the Companies Act 1985 for the year ended 31 December 2008. The financial information for the years ended 31 December 2008 and 2007 have been extracted from the consolidated financial statements of Monterrico Metals plc for the year ended 31 December 2008 which have been approved by the directors on 23 April 2009. The financial statements are produced in accordance with International Financial Reporting Standards, as adopted by the European Union ("EU"). The auditor's report on those financial statements was unqualified and did not contain a statement under section 237 of the Companies Act 1985.

Statutory accounts for 2008 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

5. Comparative financial information

The comparative financial information presented, which has been extracted from the audited 31 December 2008 financial statements differs to those figures presented in the 31 December 2007 financial statements due to the correction of certain prior year errors.

The net effect of these errors, which are set out in note 21 of the 31 December 2008 financial statements was to:

- Decrease the reported loss for the year ended 31 December 2007 from US\$10,636,000 to US\$10,462,000;
- Decrease total asset at 31 December 2007 from US\$52,846,000 to US\$49,426,000; and
- Decrease total equity from US\$39,710,000 to US\$36,290,000.