Falkland Gold and Minerals Limited

16 November 2007

AUDITED PRELIMINARY RESULTS

for the year ended 30 September 2007

Highlights of the Financial Period

- Completed the original work programme ahead of schedule;
- 9,894 metres drilled in the year to September 2007;
- Final work programme through to December 2007;
- Cash balances just under £4.2 million as at 30 September 2007.

Enquiries:

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Chairman’s Statement

Dear Shareholder

This year has been disappointing in that despite the application of much effort, analysis and thought, we have not as yet been able to identify the source of the coarse gold particles evident in some of the streams in East Falklands.

It is now evident that even if we should now achieve this objective, then the likely occurrence will be too small to exploit economically. We are currently carrying out seismic studies to see if we can identify below the peat, the small saddle reef structures which are possible hosts to the gold.

Derek Reeves’s operational report outlines in greater detail the work that has been carried out this year. He will continue with this until the end of the year when the programmes are expected to be complete. This work has been rigorous and detailed and the results have been shared with our consultants who have not been able to fault its range and scope.

I am satisfied that we have fulfilled our mandate in the Falklands and would like to express my appreciation to the Government and people of the Falklands for their support and encouragement over the past three years.

Your Directors have decided that if by the year end no economically significant mineralisation has been identified then they intend to deploy the remaining cash balances, expected to be in the region of £3.5 million, and a fully equipped and experienced exploration team with two drills and sample processing equipment to prospective areas elsewhere in the world.

This resource base will enable us to seek out projects that have high potential and are relatively early phase as this would complement our skills base. This also implies that we will probably seek projects that are in previously unexplored or lightly explored areas and that are relatively difficult to access.

From a commodity point of view we will actively seek gold and associated metals such as uranium but will not ignore any base metal opportunities that may present themselves.

This coming year may therefore see us acquiring new partners and tackling new targets with fresh eyes and eagerness together with some solid professional experience.

I am very excited by these concepts and anticipate an exciting year going forward.

In closing I would like to thank all our stakeholders, my colleagues for their continued support and Derek Reeves and his team for their dedication and commitment.

Richard Linnell
Executive Chairman

Operating Review

The exploration programme for the period 1 October 2006 to 30 September 2007 has involved:

- Drilling 84 holes across 6 key target areas (9,894 metres);
- Ground geophysical surveys;
- Structural interpretation and mapping;
- Data reviews by independent consultant;
- Soil geochemical sampling; and
- Ground radiometric surveys.

Drilling programme
In total we have drill tested 14 of the original 23 targets being T1N, T2N, T2S, T5, T6, T7, T8W, T8E, T9N, T10, T11, T12, T15E and T20. This work and other exploration strategies down-graded the remainder of the original targets to non-drillable targets while new additional targets discovered and drilled being T22, T23, T24, T25, Black Shale Project, Lafonia A1 and Lafonia A2. Drilling of these targets identified structures and features that in conjunction with structural interpretation, mapping and data reviews by Professor Richard Viljoen have led the company to focus on key areas for the remainder of the work programme.

By the end of September 2007, a cumulative total of 27,289 metres of predominantly HQ core has been drilled and 11,604 samples had been sent for assaying.

Ground geophysics
The groundwork programme for this year has focused on Electro-Magnetic ("EM"), Induced Polarisation ("IP") and gravity surveys. Between September 2006 and January 2007, a total of 545 line-km of EM and 30 line-km of IP were collected from Target 25 and Target 11. Of the different methods trialed, EM proved to be the more applicable to detecting targets within the sediments on the target areas, while IP and gravity were less successful. The EM identified targets on T25 were subsequently and methodically tested by the drill and favourable structures were intersected, but these were devoid of significant mineralisation. For T11, EM detected several near surface targets (>100 m) while the IP although penetrating deeper, detected similar structures to that of those detected by the EM. The T11 anomalies (EM and IP) were tested by the drill and narrow structures were intersected, but these were devoid of significant mineralisation.

Data review and structural mapping and interpretation
A review of all data and subsequent new structural mapping and interpretation identified that the alluvial gold recovered from the streams is associated with a zone of tight, east-west folding which has affected the Bluff Cove and Port Sussex formations other rock formations. These formations contain favourable interbedded shales and sandstone units that could, given the correct structural traps, be targets for Slate Belt type gold and in particular "Saddle Reef" styled mineralisation. Past drilling has drilled structures (i.e. T25) but these only contained weak or no mineralisation and the recent interpretation has focused on potential "Saddle Reef" locations to the east of T25 known as the Ceritos Project. In addition the interpretation identified structurally favourable targets in Lafonia (T11) that could be the source of the gold recovered in streams of which targets being A-1, A-2, and B-2 are currently the focus of work.

Soil and stream sampling
Geochemical data on the soil/clay horizon over targets T18 and T20 (West Falklands) resulted in an anomaly on T20 that was drilled while negative results from T18 down graded this target. The geochemical anomaly from T20 was attributed to a wide intrusive unit that was tested by the drill but though a significant geological intersection was identified it is devoid of mineralisation.

East Falklands target Lafonia A-2 was recently sampled with 1,196 soil samples collected from a grid that covers the identified structural system and even though the results are pending, initial sub-surface drilling targeting structures suggests that the intersected structures will not be mineralised.

Ground radiometric surveys
A review of the uranium potential within the licence identified a number of anomalies with the Karoo type sediments that were subsequently checked with a newly acquired modern scintillometer. A total of some 300 line-km of surveys were undertaken of which only minor uranium anomalies were encountered though none were of economic interest.

Review of prospects

The exploration work has been focused on the three key project areas – Black Shale Project, Ceritos Project and Lafonia targets A-1, A-2 and B-2 with a drilling programme designed to test for deposits of potential commercial interest scheduled for completion by end of 2007.

Black Shale Project

Following on from the work outlined last year, the exploration focus has been on nine key areas where structures (shears, faults and fractures) and dykes traverse the unique anomalous Carbonaceous Shale zone (“CSH”). Sub-peat soil sampling utilising the method pioneered by the Company has resulted in some 5,000 samples collected. All of the blocks sampled have identified key anomalies with the two more prospective blocks being B and E, with the Block E anomaly rated the higher (gold = 0.018 ppm). Drilling of the gold anomaly within Block E is under way to test for a deposit of commercial interest that if successful will also give encouragement to follow-up on the remainder of the Black Shale blocks where anomalies have been detected by this method.

Ceritos Project

The review highlighted that if bedrock gold is to be found then it is likely to conform to one of the various forms of gold vein emplacement styles found in “Slate Belt” goldfields. The alluvial gold recovered in the streams in the project area is associated with a zone of tight, east-west folding which has affected amongst other rock sequences the Bluff Cove and Port Sussex Formations and it is these formations that contain favourable interbedded shale’s and sandstone units that could, given the correct structural traps, be favourable targets for Slate Belt type gold, in particular “Saddle Reef” styled mineralisation. Gold veins associated with “Saddle Reefs” are to be found in the anticlinal hinges of tight folds in a sequence of alternating shale’s and sandstones which provide the competency contrast for the emplacement of the veins. An example of the proposed “Saddle Reef” styled environment was located at the L’Antioja Arroyo cutting to the east of the Ceritos Project confirming that the proposed model exits. This style of mineralisation is generally restricted to small localised areas of less than 25 metres width but “stacked” to give multiple mineralised zones.

In order to pin-point these potential “Saddle Reefs” within the anticlinal hinges beneath the peat and to test with the drill, the Company has commissioned geophysical contractors to acquire 4.2 line-km of ground reflection seismic within the Ceritos Project. Successful target generation by this method will see results of commercial interest if present, tested by year end.

Lafonia Project

Structural interpretation of the Lafonia region utilising satellite imagery, aerial magnetic data, aerial radiometrics and digital terrain models (DTM) matched with the study of the gold anomalies in the streams identified three structural corridors each with structural zones – The Eastern Structural Corridor comprising the Goose Green Fracture Zone (GGFZ), and Darwin Fracture Zone (DFZ); The Central Structural Corridor comprising the Central Fracture Zone (CFZ) and The Western Structural Corridor comprising the West One Fracture Zone and West Two Fracture Zone.

Within the Eastern Structural Corridor and Central Structural Corridor several targets were identified of which three targets are of priority these being A-1, A-2 and B-2.

Exploration work including drilling of structural features to test for commercial potential is scheduled for completion by the year’s end.

Derek Reeves
Operations Manager

Financial Review

Operating loss
The operating loss for the year under review was £3,995,347 (2006: £1,610,920). After interest and other income, the loss on ordinary activities before tax was £3,701,589 (2006: £1,325,811). The dramatic increase in the loss, as compared to 2006, arose because of the need to write off the Intangible Fixed Assets. The Company has a policy of capitalising costs associated with exploration projects. In the event of licence relinquishment, project abandonment or a project being assessed as having no further commercial value, the related costs must be written off. As there is insufficient evidence to suggest there is an economic mineral resource within the Company's licence area, the Board has written off all of the costs associated with the Falkland Islands exploration project. That write off amounted to £2,642,882 for the year to 30 September 2007 (2006: £208,224) and means the Company is no longer carrying an intangible asset in its balance sheet.

Cash flow
Despite the increase in the loss for the period, the year to 30 September 2007 has actually seen a reduction in the cash outflow being £1,605,740 as compared to £1,877,037 for the year to 30 September 2006. This resulted from three factors. First, there was a significant drop in the operational capital expenditure, because most of the operational equipment had been acquired in the prior periods. Second, the survey costs were not as high as in 2006 and third, the tax charge was lower (a direct result of the expected reduction in interest income).

Outlook
The Company still has valuable operational equipment and expertise. That, coupled with the cash resources available to it (£4,177,216 as at 30 September 2007) means FGML should be well placed to continue its exploration activity elsewhere. It is in this light that the Board continues to view the Company as a going concern.

Mark Fresson
Finance Director

Profit and Loss Account
for the year ended 30 September 2007

	Note	**Year ended 30.9.07 £**	Restated Year ended 30.9.06 £
Administrative expenses		**(3,995,347)**	(1,610,920)
Operating loss		**(3,995,347)**	(1,610,920)
Interest receivable and similar income		**257,612**	262,289
Other income		**36,146**	22,820
Loss on ordinary activities before taxation		**(3,701,589)**	(1,325,811)
Tax on loss on ordinary activities	*4*	**(48,935)**	(127,103)
Loss for the financial year after taxation		**(3,750,524)**	(1,452,914)
Loss for the year		**(3,750,524)**	(1,452,914)

		Year ended 30.9.07	Year ended 30.9.06
Loss per ordinary share basic and diluted	*2*	**(4.79)p**	(1.86)p

Continuing operations
None of the Company's activities were acquired or discontinued during the current year or previous period.

Total recognised gains and losses
The Company has no recognised gains or losses other than the losses for the current year or previous period.

Balance Sheet
at 30 September 2007

	At 30.9.07 £	At 30.9.07 £	Restated At 30.9.06 £	Restated At 30.9.06 £
Fixed assets				
Intangible assets		**-**		1,834,282
Tangible assets		**217,898**		442,132
		217,898		2,276,414
Current assets				
Debtors	**39,469**		35,771	
Cash at bank and in hand	**4,177,216**		5,782,956	
	4,216,685		5,818,727	
Creditors: amounts falling due within one year	**(140,273)**		(136,427)	
Net current assets		**4,076,412**		5,682,300
Net assets		**4,294,310**		7,958,714
Capital and reserves				
Called up share capital		**1,565**		1,565
Share premium		**10,209,182**		10,209,182
Other reserves		**242,080**		155,960
Profit and loss account		**(6,158,517)**		(2,407,993)
Shareholders' equity funds		**4,294,310**		7,958,714

Cash Flow Statement

for the year ended 30 September 2007

	Note	**Year ended 30.9.07 £**	Restated Year ended 30.9.06 £
Net cash flow from operating activities		**(916,577)**	(888,099)
Returns on investments and servicing of finance			
Interest received		**257,612**	262,289
Other income		**36,146**	22,820
Capital expenditure			
Purchase of intangible fixed assets		**(850,075)**	(963,699)
Purchase of tangible fixed assets		**(83,911)**	(183,245)
Cash outflow before financing		**(1,556,805)**	(1,749,934)
Taxation	*4*	**(48,935)**	(127,103)
(Decrease) in cash in the period		**(1,605,740)**	(1,877,037)

Reconciliation of operating loss to net cash outflow from operating activities

	Year ended 30.9.07 £	Restated Year ended 30.9.06 £
Operating loss	**(3,995,347)**	(1,610,920)
Share based payment	**86,120**	86,120
Depreciation, amortisation and impairment	**2,992,502**	566,686
(Increase)/decrease in debtors	**(3,698)**	25,230
Increase in creditors	**3,846**	44,785
Net cash outflow from operating activities	**(916,577)**	(888,099)

Reconciliation of movements in shareholders' equity funds

	Year ended 30.9.07 £	Restated Year ended 30.9.06 £
Loss for the financial year	**(3,750,524)**	(1,452,914)
Share based payment expense	**86,120**	86,120
Net reduction in equity	**(3,664,404)**	(1,366,794)
Opening shareholders' equity funds	**7,958,714**	9,325,508
Closing shareholders' equity funds	**4,294,310**	7,958,714

Notes to the Financial Statements
for the year ended 30 September 2007

1. Basis of preparation

The financial statements are prepared in accordance with UK accounting standards as adopted by the Company under the historical cost convention on a going concern basis.

Going concern

The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons. The Directors have decided that unless the remaining work program in the Falkland Islands identifies deposits likely to be of commercial interest by the end of 2007, it will cease its exploration activities in the Falklands. However, the Company will continue with its on going purpose of exploration activities and the Directors are actively pursuing and considering alternative prospects outside the Falkland Islands. The Company has a pool of staff with a good skill set and is well equipped with the appropriate hardware which can be deployed to other mineral prospects.

The Directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. If the decision is made to cease exploration in the Falkland Islands in December 2007, the Company will have cash balances of approximately £3.5 million. This would be sufficient to support an annual level of exploration activity, similar to what FGML has undertaken on the Falkland Islands over the last few years, for between 18 months and 2 years. Therefore, on the basis of this cash flow information, the Directors consider that the company will be able to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due. As is common with many exploration companies, the company may need to raise additional funds for exploration and capital projects as and when required.

However, there can be no certainty in relation to these matters, which may cast significant doubt on the company’s ability to continue as a going concern. The company may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business but the financial statements do not include any adjustments that might result from the basis of preparation being inappropriate.

2. Loss per share

The basic and diluted loss per ordinary share is based on losses of £3,750,524 (12 months to 30 September 2006: £1,452,914) and the weighted average number of ordinary shares outstanding of 78,250,000 (30 September 2006: 78,250,000).

3. Dividends

The Directors do not recommend payment of a dividend (2006: £nil).

4 Taxation

Analysis of the tax charge:

		Year ended 30.9.07 £	Year ended 30.9.06 £
Current tax:			
UK corporation tax	Current	**48,946**	49,761
	prior year	**(11)**	77,342
Tax on loss on ordinary activities		**48,935**	127,103

Factors that may affect future tax charges
The Company has accumulated pre-trading expenditure carried forward amounting to approximately £2.68m (2006: £1.81m).

This may affect future tax charges should the Company produce taxable trading profits in future periods.

5 Statutory information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 September 2006 and 2007 but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for 2007 will be delivered following the Company's Annual General Meeting. The auditors have reported on these accounts; their reports were unqualified and did not contain statements under the Falkland Islands Companies Act 1948.

Copies of the Annual Report and Accounts will be posted to all shareholders with the AGM circulars. Further copies will be available from the Company's head office at 5 Charterhouse Square, London, EC1M 6PX, United Kingdom. Telephone +44 (0) 20 7253 7670. The Report will also be published on the Corporate website at www.fgml.co.uk.