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Chairman's Statement

I am pleased to present this interim report for the six month period ended 30 June 2012.

It has been incredibly fulfilling to see the significant progress being made on the ground at Runruno. The construction work programme during the first half of 2012 has been focused upon fashioning the mine site and access roads and laying the foundations of the processing plant and camp and office areas. Corporately, the Company continued to seek the requisite funding to allow it to support the full construction of the Runruno Project. Since the end of the financial period I take great pleasure in reporting that Solomon Capital limited ("Solomon Capital") offered the Company loan facilities totalling US$105 million with overall terms more favourable than an alternative proposal previously being reviewed and negotiated by the Company. Certain shareholders including Solomon Capital agreed with the Company an equity subscription of US$25 million thereby providing sufficient funding to complete the construction of the mine. The Company's exploration work was concentrated on methodically assessing Runruno's Financial or Technical Assistance Agreement (FTAA) for additional gold mineralisation of the Runruno type and the potential for porphyry copper mineralisation. Activities during the period included diamond drilling using two diamond drill rigs, geological mapping and regional geochemistry.

Project Funding

Although agreed beyond the period end, I am delighted to report that the Company has obtained an offer (subject to contract) from one of the Company's major shareholders Solomon Capital to secure the necessary funding to commence full scale construction of the Runruno Project. Negotiations with our previously preferred debt provider had reached an advanced legal documentation stage by the end of the reporting period. Negotiations came to an end after difficulties were encountered when the previously preferred debt provider sought to modify the formerly agreed commercial terms and introduce new conditions that were less favourable to the Company and its shareholders. Discussions with our cornerstone investor, Solomon Capital, resulted in an alternative proposal being put to the Company. The decision was taken to cease documentation and negotiations with the previously preferred provider and proceed with the Solomon Capital debt facility.

The facility will have a four year team commencing at first use and an annual interest rate of 20 per cent. Repayment will be made by instalments matched to cashflow. Management expect to draw down the facility in stages and that the repayment schedules will be satisfied within the 4 year term. Interest will only accrue on outstanding funds.

In addition to the US$105 million debt facilities, the Company received pledges from Solomon Capital, Baker Steel Capital Managers and Runruno Holdings Limited for subscriptions totalling approximately US$25 million via the issue of 124,069,477 Place Shares at a price of 13 pence per Placing Share. The Equity Subscription was conditional on the passing of the necessary resolution by Shareholders at a general meeting. All resolutions were successful passed on Thursday 30 August 2012. The Placing Shares are expected to be allotted and issued on 28 September 2012 and it is expected that Admission to the London Alternative Investment Market will occur at 08h00 on 3 October 2012.

In the period elapsing since 30 June 2012 two warrants have been exercised resulting in six million new shares being issued and admitted for trading on the London Alternative Investment Market and cash receipts of £195,000 being received by the Company.

Site and Earth Works

A programme of early site works, which commenced in December 2011, designed to establish the infrastructure necessary to support full construction activities have progressed well over the first half of 2012. The programme of work has consisted of:

- General site earthworks;
- Processing plant pad earthworks;
- Construction camp and office;
- Construction power;
- Potable water system;
- Erection of a concrete batching plant; and
- Acquisition of selected units of the mobile fleet.

Having mobilised the full fleet of earthmoving equipment by the middle of quarter one 2012 the Company made considerable headway and by the end of the first half of the year the batch plant, a 650 person accommodation camp, office, mine and site access road-works and supporting infrastructure were well advanced and the processing plant pad and detailed engineering design works on the processing plant were near complete. The earthworks and camp packages were competitively tendered and subsequently awarded to Filipino domestic contractors.

One of the key aspects of the processing plant pad works involved building a seven metre high gabion wall along the edge of the plant-site adjacent to the Sulong River. Again, I am pleased that we were able to use local contractors for this task and the quality of work has been exceptionally high. Leighton Contractors (Asia) Limited ("Leighton"), the selected EC&P contractor responsible for the design and construction of the processing plant, designed the pad and specified the pad construction parameters. A concrete batching plant has been purchased and is currently being erected. Work on the establishment of supporting infrastructure including power, potable water and sewage plant is on-going.

EC&P – GMP contract

In December, a Letter of Intent ("LOI") was signed with Leighton to enter into an Engineering and Construct contract and a Procurement Agency Agreement contract ("EC&P") to design and construct the processing plant once the requisite funding to commence full scale construction became available. The LOI was issued against Leighton's offer of a Guaranteed Maximum Price ("GMP") of US$95.1 million to build the processing plant. The LOI was accepted by Leighton and a detailed engineering work programme to de-risk the project has taken place throughout the first half of 2012 and is now near complete. The GMP is currently being revalidated following this de-risking exercise.

Mining

Mining planning including the detailed layout of the mine access roads and the starter pit have been achieved. The mining fleet needed for when mining operations begin has been identified and the initial orders placed. The balance of the fleet will be ordered on the conclusion of the debt and equity funding.

Government

During the reporting period, the Philippine Government released details of a policy statement which deals with reforms in the mining sector. The Executive Order 79 ("EO") is essentially a policy statement that directs modifications in the mining sector through a number of policies and guidelines intended at responsible mining, including environmental performance, resource utilisation and a more equitable sharing of the benefits. Importantly the EO 79 upholds the superiority of national laws in managing the mining sector and is seen by many as a forward looking document which at this point in time is not anticipated to impact on the Company or our Runruno Project which is held under a FTAA.

Regional Exploration

Continued regional exploration activities has shown some success with the delineation of an initial inferred mineral resource resulting from the exploration activities undertaken in the Malilibeg South area.

The JORC categorised Mineral Resource for the Malilibeg South Deposit has been classified by the Company's resource consultant 'Mining Associates' in the inferred confidence category on a spatial, areal and zone basis and are compiled in following table.

Malilibeg South Mineral Resource Estimate, 30 June 2012					
Resource		Grades		Contained Metal	
Category	M Tonnes	Au g/t	Mo ppm	Au M oz	Mo M lb
Inferred	3.45	1.7	1,859	0.19	14.1

These results are very encouraging and confirm the potential for further mineral resources within the Runruno FTAA. The zone remains open along strike both to the north and south and will be further tested for additional resources by the ongoing drill program. The discovery of additional mineral resource bodes well for the longevity of the planned Runruno project.

In the south of the FTAA area at Magnetite Creek, drilling to test for porphyry copper styled mineralisation continued to return encouraging anomalous results with a number of zones of strong copper and gold mineralisation intersected which are interpreted as being indicative of close proximity to a significant mineralising system. At this time and prior to any further drilling in the Magnetite Creek locality it is planned to complete a full review of exploration data generated to date and validate the current exploration model to better target future drilling.

Elsewhere in the FTAA area a number of soil and rock chip zones anomalous for gold and/or copper and geophysical anomalous zones have been outlined which will be progressively tested by drilling.

I R Holzberger

Executive Chairman

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME for the six months ended 30 June 2012

	Note	*6 month period ended 30 June 2012 (unaudited)* £	*6 month period ended 30 June 2011 (unaudited)* £	*year ended 31 December 2011 (audited)* £
Continuing operations				
Revenue		–	–	–
Cost of sales		–	–	–
Gross loss		–	–	–
Administrative expenses		(1,547,112)	(1,551,197)	(2,153,356)
Operating loss		(1,547,112)	(1,551,197)	(2,153,356)
Finance income		2,714	4,055	13,372
Finance costs		(2,939)	(227,784)	(210,996)
Loss before taxation		(1,547,337)	(1,774,926)	(2,350,980)
Taxation		–	–	–
Loss for the period		(1,547,337)	(1,774,926)	(2,350,980)
Other comprehensive income/(costs):				
Exchange differences on translating foreign operations	3	392,770	(574,132)	211,011
Total comprehensive loss for the period		(1,154,567)	(2,349,058)	(2,139,969)
Loss for the period attributable to:				
Equity holders of the parent		(1,547,337)	(1,742,146)	(2,263,426)
Non-controlling interests		-	(32,780)	(87,554)
		(1,547,337)	(1,774,926)	(2,350,980)
Total comprehensive loss attributable to:				
Equity holders of the parent		(1,154,567)	(2,215,175)	(2,103,872)
Non-controlling interests		-	(133,883)	(36,097)
		(1,154,567)	(2,349,058)	(2,139,969)
Loss per share:				
Basic and diluted	4	(0.23)p	(0.48)p	(0.446)p

CONSOLIDATED INTERIM BALANCE SHEET as at 30 June 2012

	As at 30 June 2012	*As at 30 June 2011*	*As at 31 December 2011*
	(unaudited)	*(unaudited)*	*(audited)*
	£	*£*	*£*
Non-current assets			
Property, plant and equipment	32,676,902	779,412	27,677,577
Goodwill	1,010,816	1,010,816	1,010,816
Other intangible assets	6,586,768	27,171,894	5,267,991
Trade and other receivables	-	-	28.879
	40,274,486	28,962,122	33,985,263
Current assets			
Trade and other receivables	260,585	239,027	214,643
Cash and cash equivalents	28,772,213	17,047,931	36,242,408
	29,032,798	17,286,958	36,457,051
Current liabilities			
Trade and other payables	(1,198,426)	(591,623)	(1,308,889)
Short-term borrowings	-	(2,000,000)	-
	(1,198,426)	(2,591,623)	(1,308,889)
Net assets	68,108,858	43,657,457	69,133,425
Equity			
Share capital	6.986,736	4,623,740	6,946,736
Share premium account	77,922,313	50,955,930	77,832,313
Shares to be issued reserve	3,652,155	3,575,064	3,652,155
Acquisition of non-controlling interest reserve	(3,785,077)	-	(3,785,077)
Translation reserve	4,412,356	3,387,003	4,019,586
Profit and loss account	(21,079,625)	(19,011,008)	(19,532,288)
Equity attributable to equity holders of the parent	68,108,858	43,530,729	69,133,425
Non-controlling interests	-	126,728	-
Total equity	68,108,858	43,657,457	69,133,425

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2012

	Share capital	*Share premium account*	*Shares to be issued reserve*	*Translation reserve*	*Acquisition of non-controlling interest reserve*	*Profit and loss account*	*Total equity*
	£	£	£	£	£	£	£
Balance as at 1 January 2012	6,946,736	77,832,313	3,652,155	4,019,586	(3,785,077)	(19,532,288)	69,133,425
Exchange differences on translating foreign operations	-	-	-	392,770	-	-	392,770
Loss for the year	-	-	-	-	-	(1,547,337)	(1,547,337)
Total comprehensive income/(loss) for the period	-	-	-	392,770	-	(1,547,337)	(1,154,567)
Movement in share based payments	-	-	-	-	-	-	-
Issue of equity share capital	40,000	90,000	-	-	-	-	130,000
Share issue expenses	-	-	-	-	-	-	-
Balance as at 30 June 2012 (unaudited)	6,986,736	77,922,313	3,652,155	4,412,356	(3,785,077)	(21,079,625)	68,108,858

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.
- Acquisition of non-controlling interests reserve; being an acquisition of 15% of FCF Minerals Corporation's shares after previous acquisitions which had provided the Group with control of the board of the subsidiary company.
- Profit and loss account; being the cumulative loss attributable to equity shareholders.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2011

	Share capital	*Share premium account*	*Shares to be issued reserve*	*Translation reserve*	*Profit and loss account*	*Non controlling interest*	*Total equity*
	£	£	£	£	£	£	£
Balance as at 1 January 2011	2,697,163	28,783,007	3,114,509	3,860,032	(17,268,862)	260,611	21,446,460
Exchange differences on translating foreign operations	-	-	-	(473,029)	-	(101,103)	(574,132)
Loss for the year	-	-	-	-	(1,742,146)	(32,780)	(1,774,926)
Total comprehensive loss for the period	-	-	-	(473,029)	(1,742,146)	(133,883)	(2,349,058)
Movement in share based payments	-	-	460,555	-	-	-	460,555
Issue of equity share capital	1,926,577	23,115,423	-	-	-	-	25,042,000
Share issue expenses	-	(942,500)	-	-	-	-	(942,500)
Balance as at 30 June 2011 (unaudited)	4,623,740	50,955,930	3,575,064	3,387,003	(19,011,008)	126,728	43,657,457

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.
- Acquisition of non-controlling interests reserve; being an acquisition of 15% of FCF Minerals Corporation's shares after previous acquisitions which had provided the Group with control of the board of the subsidiary company.
- Profit and loss account; being the cumulative loss attributable to equity shareholders.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY for the year ended 31 DECEMBER 2011

	Share capital	Share premium account	Shares to be issued reserve	Translation reserve	Acquisition of non-controlling interest reserve	Profit and loss account	Non controlling interest	Total equity
	£	£	£	£	£	£	£	£
Balance as at 1 January 2011	2,697,163	28,783,007	3,114,509	3,860,032	-	(17,268,862)	260,611	21,446,460
Exchange differences on translating foreign operations	-	-	-	159,554	-	-	51,457	211,011
Loss for the year	-	-	-	-	-	(2,263,426)	(87,554)	(2,350,980)
Total comprehensive loss for the year	-	-	-	159,554	-	(2,263,426)	(36,097)	(2,139,969)
Acquisition of non-controlling interest in subsidiary	-	-	-	-	(3,785,077)	-	(224,514)	(4,009,591)
Movement in share based payments	-	-	537,646	-	-	-	-	537,646
Issue of equity share capital	4,249,573	50,893,874	-	-	-	-	-	55,143,447
Share issue expenses	-	(1,844,568)	-	-	-	-	-	(1,844,568)
Balance as at 31 December 2011	6,946,736	77,832,313	3,652,155	4,019,586	(3,785,077)	(19,532,288)	-	69,133,425

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.
- Acquisition of non-controlling interest reserve; being an acquisition of 15% of FCF Minerals Corporation's shares after previous acquisitions which had provided the Group with control of the board of the subsidiary company.
- Profit and loss account; being the cumulative loss attributable to equity shareholders.

CONSOLIDATED INTERIM CASH FLOW STATEMENT for the period ended 30 June 2012

	6 month period ended 30 June 2012 (unaudited)	*6 month period ended 30 June 2011 (unaudited)*	*year ended 31 December 2011 (audited)*
Operating activities	£	£	£
Loss after taxation	(1,547,337)	(1,774,926)	(2,350,980)
Depreciation	186,411	178,768	341,277
Amortisation	51,505	6,429	58,154
Share based payment expense	-	460,555	537,646
Net interest (receivable)/payable	(2,636)	218,441	188,230
(Increase) in receivables	(17,063)	(7,365)	(11,809)
(Decrease)/increase in payables	(110,464)	(232,114)	485,102
Foreign exchange differences	(144,978)	170,990	124,186
Cash used in operations	(1,584,562)	(979,222)	(628,194)
Interest received	2,714	4,055	13,372
Interest paid	(78)	(222,496)	(201,602)
Net cash (used) in operating activities	(1,581,926)	(1,197,663)	(816,424)
Investing activities			
Purchase of intangible assets	(1,247,481)	(2,883,597)	(6,142,471)
Purchase of property, plant and equipment	(4,536,117)	(16,534)	(1,280,875)
Net cash used in investing activities	(5,783,598)	(2,900,131)	(7,423,346)
Financing activities			
Proceeds from issue of share capital	130,000	24,099,500	42,143,446
Share issue costs incurred	-	-	(1,844,568)
Acquisition of non-controlling interests	-	-	(4,009,591)
Proceeds from short-term borrowings	-	-	9,000,000
Repayment of from short term borrowings	-	(4,000,000)	(2,000,000)
Net cash from financing activities	130,000	20,099,500	43,289,287
Net (decrease)/increase in cash and cash equivalents	(7,235,524)	16,001,706	35,049,517
Cash and cash equivalents at beginning of period	36,242,408	1,192,667	1,192,667
Foreign exchange differences	(234,672)	(146,442)	224
Cash and cash equivalents at end of period	28,772,213	17,047,931	36,242,408

Notes to the consolidated interim financial statements

1. General information

Metals Exploration plc is the parent company of the Group. Its shares are listed on the AIM market of the London Stock Exchange. The registered address of Metals Exploration plc is 200 Strand, London, WC2R 1DJ.

These consolidated interim financial statements were approved by the Board of Directors on 19 September, 2011.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory accounts for the year ended 31 December 2011 which were prepared under International Financial Reporting Standards ("IFRS") as adopted for use in the European Union, were filed with the Registrar of Companies. The auditors reported on these accounts, their report was unqualified and did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statements under Section 498 (2) or Section 498 (3) of the Companies Act 2006.

2. Basis of preparation

These consolidated interim financial statements are for the six month period ended 30 June 2012. They have been prepared in accordance with IFRS as adopted for use in the European Union with the exception of IAS 34: Interim Financial Reporting. IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Board of Directors expect to be applicable as at 31 December 2012.

These financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

3. Foreign exchange gains and losses

Foreign exchange gains and losses on intercompany balances between the Company and its subsidiaries are taken to the translation reserve within equity on consolidation.

Notes to the consolidated interim financial statements (continued)

4. Loss per share

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.

	6 month period ended 30 June 2012 (unaudited) £	*6 month period ended 30 June 2011 (unaudited)* £	*year ended 31 December 2011 (audited)* £
Loss			
Net loss attributable to equity shareholders for the purpose of basic and diluted loss per share	(1,547,337)	(1,742,146)	(2,263,426)
Number of shares			
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	672,812,460	362,885,062	507,534,203
Basic and diluted loss per share	(0.23)p	(0.48)p	(0.446)p

The basic and diluted loss per share is the same, as the exercise of staff share options and warrants would reduce the loss per share and therefore, are anti-dilutive.