METALS EXPLORATION PLC

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DIRECTORS AND ADVISERS

Directors	I. R. Holzberger	(Executive Chairman)
	T. J. Dean	(Non-Executive Director)
	E. F. Parsons	(Non-Executive Director) resigned 1 August 2013
	G. R. Walker	(Non-Executive Director)
	C. G. Whitehouse	(Non-Executive Director)
	J.G. Wilson	(Non-Executive Director) appointed 1 August 2013
	J.W.D. Ayre	(Non-Executive Director) appointed 6 March 2014

Company Secretary	L. A. Ruddy
Registered office	200 Strand London WC2R 1DJ
Bankers	HSBC Bank plc 70 Pall Mall London SW1Y 5EZ
Auditors	Nexia Smith & Williamson Audit Limited Chartered Accountants 25 Moorgate London EC2R 6AY
Nominated Advisor	Westhouse Securities Limited One Angel Court London EC2R 7HJ
Broker	S.P. Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP
Solicitors	Kerman & Co LLP 200 Strand London WC2R 1DJ
Registrars	Capita Registrars Limited 40 Dukes Place London EC3A 7NH
Company's registered number	05098945

CHAIRMAN'S STATEMENT

Dear Shareholder,

I am pleased to present Metals Exploration plc's (the 'Group') audited financial results and Annual Report for its ninth year ended 31 December 2013. I include a report on the progress and developments of the Group for the year and including the period subsequent to the financial year-end.

During the year the Group undertook a major 'Share Placing' to fund its ongoing Philippine Operations at Runruno with the five principal shareholding groups contributing gross equity of £38,152,313 before expenses (equivalent of US $57.7m). This was complemented by an 'Open Offer' of ordinary shares to all other shareholders on the same commercial terms as the Share Placing. Both offers were successfully executed and the contributions raised enabled the Group to commit to the full development of the Runruno project whilst simultaneously raising a debt funding package to complete the build and commissioning of the Runruno project. Early in the year, management recommended a change in the Runruno construction paradigm from an Engineering, Procure and Construct single contract approach for the processing plant to a strategy of self-managing the Engineering Design, Procurement and Construction. The Group's Board of Directors endorsed management's recommendation in March 2013.

The formal commencement of construction of the processing plant was announced on 1 July 2013 with the Group's 'Owners Team' acting as the principal contractor for all of the construction works following a recruitment drive to build an experienced and capable construction team with various strengths and specialities. The project continues to take shape and is quickly evolving towards being a gold producer with commissioning of the plant forecast for Q1 2015. A tree cutting permit was successfully applied for which allowed the commencement of the early stages of mining operations, preparing the haul road into the starter pit and the construction of the Residual Storage Impoundment. In its capacity as a responsible and forward looking mining company, the environment and local communities are uppermost in the Group's considerations of the impact of mining. The Group continues to support various local aid programs, has a positive recruitment policy to engage as many employees from the local barangays as possible, is an equal opportunities employer with no sexual discrimination in recruitment, actively seeks to adopt best practice health and safety policies driven by a zero harm approach towards workplace accidents, and continues to progressively rehabilitate the surrounding landscapes as quickly and effectively as possible.

2013 was a year of great development and achievement evidenced by the rapidly changing site as infrastructure elements are completed and the processing plant takes shape. This momentum has continued into 2014. During the year the Group also successfully defended a second frivolous major court action against the development of the project, a writ of Kalikasan action brought jointly against its Philippine wholly owned subsidiary FCF Minerals Corporation, the presiding judge of the Panel of Arbitrators in the Philippines and the Department of Environment and Natural Resources ("DENR"). The Group also successfully defended a number of lesser challenges made against it during the year which stands testament to the responsible manner in which it undertakes its business.

Commencing in the second half of the reporting period management has been heavily engaged with an international resource bank to provide a level of debt funding which will enable completion of the Processing plant and bring the project into commercial production. This process involved the Runruno project and the Group's business and systems passing a very exacting program of due diligence assessment which verified the quality of the Group's work and assets. At the time of publishing this report the proposed debt facility is being documented with completion expected in the near term. Management is currently reviewing the legal documentation prior to submission to the Board for approval.

Chairman's Statement (continued)

Equity funding

The Group has five principal shareholders that are committed to the project and have demonstrated this through its various stages of development. In 2012 discussions with a gold hedge fund to provide debt funding terminated after the already agreed commercial terms were re-sculpted by the Fund to the detriment of the shareholders. As the first step in refinancing the development of Runruno an equity share placement was agreed by the five principal shareholders of the company and announced to the market on 26 March 2013. The main commercial terms of the placement were to raise an equivalent gross equity contribution of £38.15m (equivalent of US $57.7m) before expenses, through the placement of 545,033,044 new ordinary 1p shares on a pro rata existing shareholding basis, at a placing price of 7p per new share to be issued in three separate placings on 23 April 2013, 18 June 2013, and 15 October 2013. This funding provided sufficient funds to complete up to US $112.7m of its total US $182.8m capital expenditure program with the balance to be provided by a tranche of debt funding, still to be secured.

In addition to the share placement to the five principal shareholders an Open Offer was designed to include all other shareholders on equivalent commercial terms. The Group secured waivers from each of its five principal shareholders not to participate in the Open Offer. The Open Offer was initially announced to the market on 26 March 2013 with the specific commercial terms of the offer announced on 10 May 2013. The contributions raised by way of the Open Offer were not critical to the process plant construction project and could not be relied upon to be fully raised. The intention was to provide opportunity for the existing qualifying shareholders to participate on a pro rata shareholding basis under equivalent commercial terms as the Share Placing to the five principal shareholders. The Open Offer had the potential to issue a further 55 million new ordinary 1p shares at an offer price of 7p per share. The offer was premised upon issuing 65 Open Offer shares for every 100 existing ordinary shares held. On 5 June 2013 the group announced the results of the Open Offer being the successful application and issue of 5,195,877 new ordinary 1p shares resulting in contributions of £363,711 being received.

The support of all of our shareholders has been much appreciated and has strengthened our resolve to bring the project into commercial operations as quickly and efficiently as possible.

Debt funding

Throughout the second half of 2013 and into Q2 2014 management has been intensely involved in debt funding negotiations with a major international resource bank and subsequently a second partner international resource bank. The legal documentation of the proposed facility is significantly advanced with no major impediments identified at the time of preparing this report. Were it to transpire there is a delay in finalisation of the facility documentation the impact of this would affect the project schedule by slowing down project progression.

Development and construction works

The various areas of stage 1 infrastructure and support facilities to enable the construction of the process plant were materially completed by Q3 2013 and in line with budget. The base camp, access roads, water and sanitation, vehicle workshops, fuel farm and on site electrical power reticulation were all completed by year end and handed over to operations progressively during the last half of the year and into Q1 2014. It was during this phase that management developed a more complete appreciation of the ability of local Philippine contractors and the surrounding labour force, together with its own capabilities to plan, undertake, manage and execute construction works. Early in 2013 after discussions with a leading Philippine experienced construction company, who had been previously proposed as the Engineering, Procure and Construct Contractor for the processing plant component of the project, stalled on commercial and technical grounds, the Group leveraged off its experience and determined to self-execute the entire Runruno project. At the

Chairman's Statement (continued)

time various experienced construction personnel required to compliment the Group's core Owner's Team to execute such a strategy were found to be available which strengthened the Group's decision.

A seasoned procurement team was recruited to commence construction proceedings by competitively tendering each of the long lead items of equipment, awarding the packages, engaging the suppliers and contractors into contract, and scheduling deliveries on CIF Incoterms. Almost all of the main items of equipment have been secured by contract and are in various stages of supply. The procurement team has developed the logistics procedures for bringing goods to the project site once they have arrived at port or at the airport in Manila.

Specialist consultants are engaged in the process plant engineering design, construction scheduling, project management, Biox© process design and development, and equipment integration. Each consultant has various experience of constructing similar process plants and adds a dimension of confidence to the decision to self-manage the build project.

Regional exploration

Despite the Group's principle focus being the development of the Runruno project exploration in the surrounding FTAA area has continued all be it at a reduced level whilst the available resources have been focused on the development activities. Various programs of work including diamond drilling using one of the Groups drilling rigs resulted in an upgrade mineral resource base and identification of a new zone of gold mineralisation south of the Runruno pit area. This work continues to reinforce the potential of the Runruno FTAA for further commercially recoverable gold mineralisation outside of the mineral reserves currently under development.

Cash Position and Project Finance

As at 31 December 2013 the Group's cash at bank position was £31,947,096. With the anticipated banks' facility this provides sufficient funding to successfully complete the construction of the process plant, commission the various elements of the plant, and bring the project into a position of commercial recovery of gold. As previously highlighted, a delay in completing the facility is likely to result in a slowdown of construction activities.

Board changes

The Board of the Company has seen Mr Ed Parsons step down as a Non-Executive Director and replaced with Mr Julian Wilson and in March 2014 the election to the Board of Mr Jeremy Ayre, a mining engineer who brings with him over 25 years of technical and financial experience in the industry. I welcome the appointments to the board and their input to the Company going forward.

Customs Duties and VAT on imported capital mining equipment

As a privilege of the Financial and Technical Assistance Agreement ("FTAA") certain fiscal incentives are granted to FCF Minerals Corporation ("FCF"), as the Contractor of the mining operations in Runruno, by the government of the Republic of the Philippines. The FTAA is a contract in law with the Republic of the Philippines represented by the Executive Secretary acting on the authority of the President and entered into on 19 September 2009.

The FTAA defines a recovery period which allows FCF to recover its pre-operating expenses before making additional government contributions after local, provincial and national taxes are accounted for. During the recovery period the FTAA provides for certain fiscal incentives which include non-payment of 'customs duties and fees on imported capital equipment' and the non- payment of 'value added tax on imported goods and services'. In the process of importing capital mining equipment during the year the Bureau of Customs ruled that they did not have the appropriate implementing rules and regulations to provide for the equipment

Chairman's Statement (continued)

to be imported free of the customs duties and value added tax. FCF appealed to the Bureau of Internal Revenue ("BIR") to opine on the matter and the Commissioner of the BIR denied FCF any fiscal incentives through the issuance of Revenue Memorandum Circular No. 17-2013 ("RMC17"). RMC17 is a circular issued by the office of the BIR to 'clarify the taxes due from Financial or Technical Assistance Agreement (FTAA) Contractors during "Recovery Periods" ' and dated 15 February 2013, which clarified that FTAA contractors are liable to pay the taxes due under the Tax Code and existing rules and regulations during and after their "recovery period." It was ruled by the BIR that this payment is in the nature of compliance with tax obligations and not in the nature of settling the "government share" under the FTAA.

The Company strongly disagrees with RMC 17 on the following grounds:

a) RMC No. 017-2013 contravenes Section 81 of Philippine Mining Act
b) The Supreme Court has upheld with finality the validity of FTAAs for large-scale exploration, development, and utilization of minerals
c) The FTAA is a binding contract between FCF and the Republic of the Philippines

On this basis FCF has challenged this ruling by appealing to the higher body, the Department of Finance ("DoF") but the DoF have been slow to reply to the challenges. In the interim FCF has been clearing its capital mining equipment through customs but having to pay the required customs fees and value added tax payments. Each of these payments has been paid 'under protest' and the Company is pursuing the payment protests through the appropriate legal channels available to it.

It is estimated these costs will amount to US $5m and is not expected to have a detrimental impact of the full capital expenditure amount of US $182.8m

Writ of Kalikasan

In October 2013 the Company announced that The Presiding Judge of RTC-Branch 28, Bayombong, Nueva Vizcaya, FCF Minerals Corporation and The Department of Environment and Natural Resources had jointly been served with an application for a Writ of Kalikasan and a Temporary Environment Protection Order. It is a right of every Philippine citizen to apply for an issuance of a Writ of Kalikasan as a recourse action against violations and violators of the environment provided it can be proven the violations encompass an area enjoining two or more provinces. Earlier in the year the Company successfully defended itself against a similar Writ of Kalikasan and Temporary Restraining Order served on it in November 2012.

The second writ included no further evidence to suggest there was environmental damage extending to the two province rule and was dismissed on this basis by the Court of Appeals as deputised by the Supreme Court of the Philippines. This action and its predecessor were seriously flawed from the beginning and had no substance or mitigating evidence to suggest or indict FCF Minerals Corporation for being irresponsible in its approach to mining. They were both motivated to inflict the maximum amount of damage possible to the operations at Runruno on the pretext of an environmental catastrophe.

The Resolution of the Court of Appeals was delivered on 28 February 2014 and the petition for the issuance of the Writ of Kalikasan was dismissed. The Court ruled that all other issues raised by the petitioners were dismissed too and concluded that "Upon careful scrutiny of the petition before Us, the Court is convinced that there exists no legal basis to issue the writ being prayed for."

Chairman's Statement (continued)

Corporate responsibility and environment

The Group prides itself on being a responsible operator and works diligently at reinforcing this position. Core programs in support of its aspirations include:

- maintenance of strong active social programs including health, education, infrastructure and capacity building;
- continuous Information Education and Communication programmes with all stakeholder groups;
- greening of the Philippines. The Group has planted and donated around 1.1 million trees and coffee seedling in various local and regional programs. This work is ongoing;
- minimising its environmental footprint through considered design and implementation of its works;
- supporting various local and regional aid programs;
- positive recruitment policy to engage with as many employees from the local barangays as possible;
- active training and up-skilling of the Groups workforce and the local community;
- promoting equal opportunities in employment;
- practicing no sexual discrimination in recruitment;
- implementing its health and safety policies with a zero harm approach to work place accidents; and
- progressive rehabilitation of all of its working areas and the surrounding landscapes as quickly and effectively as possible. The Group has received a number of award in recognition of its work the most recent being a Mining Forrest Award during 2013.

Summary

The year just ended was another year of rapid change, exciting challenges and a growing construction workforce with each being carefully managed in an evolving corporate culture. Real measurable advance has been achieved in the Group achieving its immediate objective of becoming a producer of gold and realising value for its shareholders.

I R Holzberger
Executive Chairman

21 May 2014

CORPORATE GOVERNANCE STATEMENT

In 2013, the Quoted Companies Alliance published the Corporate Governance Code for Small and Mid-sized Quoted Companies. The Company's Board of Directors has complied with these guidelines during the year, except where stated below.

Directors

The Board of Directors is responsible for the overall control of the Company and Group.

For most of the year ended 31 December 2013 the Board consisted of one executive Director and four non-executive Directors. The executive Director in office throughout the whole of the year was Mr. I. R. Holzberger. The non-executive Directors in office throughout the whole of the year were Mr. T. J. Dean, Mr C. G. Whitehouse, who were nominated to the Board by the major shareholder Solomon Capital Limited and Mr G. R. Walker who was nominated to the Board by a significant shareholder, Runruno Holdings Limited. Mr E. F. Parsons (resigned 1 August 2013) and was replaced by Mr J. G. Wilson (appointed 1 August 2013), a nominee to the board by Solomon Capital Limited.

The Board meets regularly, usually on a six-weekly term basis, to discuss a range of significant matters specifically reserved for its decision making including strategy, fund-raising and financial performance. The executive Director also gives an appraisal of the current status and short term plans for operational and construction activities. The latest management and financial information is circulated to the Directors in advance of meetings.

All Directors are subject to the re-election provisions of the Articles of Association, which requires one third of the Board to retire by rotation at every annual general meeting and for each Director to offer himself for re-election at least once every three years.

The Directors have delegated some of their responsibilities to various Committees, which operate within specific terms of reference. In the event of a proposal to appoint a new Director, this would be discussed at a Board meeting, with each Director being given the opportunity to meet the candidate prior to any formal decision being taken. Due to the small size of the Group in 2013, no Nomination Committee has been established.

Audit and Remuneration Committees

During the year ended 31 December 2013, the Audit Committee consisted of two Directors, Mr. C. G. Whitehouse and Mr. G. R. Walker. There is no independent Director on the Board of the Audit Committee. Mr. C. G. Whitehouse and Mr. G. R. Walker have relevant financial experience. The Audit Committee is responsible for the relationship with the Company's external auditors, the in-depth review of the Group's financial statements and the review of the Group's internal financial controls. The Committee meets at least twice a year, prior to the issue of the annual and interim financial statements and should it be necessary, will convene at other times.

During the year ended 31 December 2013, the Remuneration Committee mainly consisted of three Directors, Mr. I. R. Holzberger, Mr. T. J. Dean and Mr. G. R. Walker, pending the appointment of at least one independent non-executive Director. The Remuneration Committee is responsible for remuneration policy and setting remuneration for Directors. Directors' remuneration has historically consisted of a package of basic salary and share options and warrants linked to corporate and individual performance achievements. At the time of writing this report no current directors have any warrants in their remuneration package. The Committee meets when necessary.

Corporate Governance Statement (continued)

Communication with shareholders

The annual general meeting, annual report and financial statements, the interim financial statements at each half-year, and quarterly operational updates are the primary vehicles for communication with shareholders. The Company also issues announcements to the public on significant transactions and events within the Group, through the Regulatory News Service.

Under AIM Rule 26, AIM companies must maintain a website on which certain information is to be made available to the public free of charge. This information is currently available on the Company's website; www.metalsexploration.com.

Shareholders who have any queries relating to their shareholdings or to the general affairs of the Company are invited to contact the Company by post or email.

Internal controls

The Group operates an appropriate system of internal financial, operational and compliance controls, which are designed to ensure that the possibilities of misstatement or loss are kept to a minimum. The Board receives regular management and financial reports to enable it to assess potential risks and take any necessary action.

Incorporation

The Company was incorporated in the UK as a public limited company on 8 April 2004 under the Companies Act 1985. On 22 October 2004 the Company was admitted to the Alternative Investment Market in the UK for the trading of its ordinary shares.

Going concern

Based on the Group's cash flow projections, but subject to a successful completion of the funding facility and which management do not foresee any reason for this not to happen or be delayed, the Directors are satisfied that the business is a going concern. On this basis, the Board has a reasonable expectation that the Group has adequate cash resources to continue in existence for the foreseeable future and therefore the accounts are prepared on a going concern basis.

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

Ian R Holzberg

I R Holzberger
Executive Chairman

21 May 2014

STRATEGIC REPORT

The Strategic Review is to be read in conjunction with the Chairman's Statement and Directors' Report.

The Runruno project entered into full construction during the year with commencement of works on the processing plant and in the Residual Storage Impoundment. Elsewhere at Runruno work continued on the establishment of the infrastructure in support of the planned gold mining and processing and the early work in the planned mine area. Exploratory drilling has been maintained throughout the year in a limited capacity but has yielded some potentially interesting results.

Runruno Gold-Molybdenum Project

1. Background Information on the Project

The Company's principal investment is in the barangay of Runruno, Municipality of Quezon, located in the Province of Nueva Vizcaya on the central region of the Island of Luzon in the Republic of the Philippines. The capital city of the Philippines is Manila and Runruno is located 320km north of Manila by road access. The investment is held by a 100% owned subsidiary company, FCF Minerals Corporation ('FCF'). FCF is a corporation duly incorporated, organized and validly subsisting under the laws of the Philippines whose primary purpose and business is to engage in mining operations. The Runruno project is FCF's main operations to date and FCF is the main operating company of the wider Metals Exploration plc group.

FCF agreed to enter into a Financial or Technical Assistance Agreement ('FTAA') with the Republic of the Philippines on 19 September 2009. The FTAA is a contract involving financial or technical assistance for large-scale exploration, development and utilization of mineral resources which has been particularly crafted for FCF and legalized in a document titled 'FTAA No. 04-2009-II' signed by the office of the President. Under the FTAA, FCF is deemed to be the Contractor to which a Contract Area of 3,091 hectares in Runruno has been designated to it such that FCF 'desires to join and assist the Government in the large-scale exploration, development and commercial utilization of Minerals in the Contract Area, for which purpose the Contractor desires to obtain the exclusive right to conduct Mining Operations therein'.

It should be noted that foreign corporations such as Metals Exploration plc investing in the Philippines are not entitled to hold a majority ownership of land or property in the Philippines. However, through FCF being a Qualified Person to hold an FTAA, it is possible for Metals Exploration plc to own and invest in the project.

Having secured the FTAA contract FCF undertook the processes to comply with all of the requirements which would allow it to be able to execute mining operations. The Runruno Declaration of Mining Project Feasibility ('DMPF') was granted to FCF Minerals Corporation (the Company's wholly owned Philippine operating subsidiary for the Runruno project) late in 2011. The DMPF is authority allowing FCF to design and construct the processing plant at Runruno.

2. Estimated Cash Requirements and Capital Expenditure Budget

Capital Expenditure	**£m**
Capital Expenditure at 31 March 2014	**52.5**
Capital Expenditure Commitments Outstanding	**14.6**
Capital Expenditure yet to be committed	**41.6**
Total Capital Expenditure	**108.7**(1)

(1) (US$182.8m equivalent @ GBP:US$1.68092 as at 31 March 2014 www.oanda.com)

Strategic Report (continued)

In addition it is forecast that working capital requirements through to commencement of commercial gold recovery are estimated at £3.6m.

The capital expenditure yet to be committed will be funded from the expected loan facility.

The Group has available additional funds sufficient to meet the working capital requirement, exploration and other activities and non-project specific general operating costs.

3. Construction Works

Operational activities at the Gold-Molybdenum project site in Runruno in the Philippines increased in organized stages throughout 2013 and into Q1 2014. The site preparatory and development works were closed out or materially completed by Q3 2013, delivering a full suite of infrastructure which would allow commencement of construction and civil works on the processing site and in the residual storage impoundment.

It was announced as of 1 July 2013 that FCF Minerals Corporation ("FCF") had formally commenced construction works on the process site by initiating procurement of long lead time items of equipment. Experienced expatriate and Philippine construction personnel were recruited to provide the management and direction required to execute the self-managed strategy for the process plant and ancillary works. Several experienced consultants were engaged to prepare and deliver the construction schedule and design requirements on an ongoing basis. Capital expenditure reporting, weekly strategy meetings, cash flow forecasting, procurement reporting, and delivery scheduling were fully developed as fit for purpose of a self-managed construction project. Management's main focus was identifying the various areas of risk requiring managing and putting in place experienced personnel, systems and reporting to mitigate risk. Construction works progress is documented with full respect to the schedule and with the overall objective of commencing the commissioning of the plant in Q1 2015.

A. Project Infrastructure Off Site and Onsite

The site infrastructure works commenced in 2012 continued into Q3 2013 when they were materially completed. These works were largely managed by the Group's Owners Team using Philippine contractors or the Groups own employees. The strategy for undertaking the infrastructure works was to first identify the various packages of works and competitively tender these to Philippine contractors in the first instance. Taking advantage of a slow-down in construction work on a national basis, FCF was successful in being able to engage with suitable and experienced local contractors. Under the supervision of management and complimented by experienced and highly qualified expatriate personnel various local construction contractors were engaged on the project. In almost every engagement the contractor took some time to mobilize to site, understand the standard of work which was required, improve their performance to comply with FCF's health and safety standards, and observe management's work practice and behavioral requirements. However, once each contractor developed their understanding of FCF's expectations and requirements they delivered to a high standard and their rate of progress increased. This is to the benefit of the project as evidenced by both the Mines and Geosciences Bureau ("MGB") and the Department of Environment and Natural Resources ("DENR") being satisfied with the various outputs without any further qualifications leading to the issue of the permits and licenses required.

Strategic Report (continued)

Roads access to site and at site

A priority infrastructure component was the early upgrade to the main Solano to Runruno national road for the benefit of the project and the local residents and to improve safety on the road. The full length of the 30 kilometer route which was in various stages of decay and dilapidation has now been refurbished. The refurbishment and maintenance work undertaken by the Company has been complimented by significant construction and improvement works undertaken by the Department of Works and Highways. The combined works comprise surface compaction, re-alignment of dangerous corners, re-profiling of dangerously steep embankments bordering the road, replacement bridge accesses, drainage and culvert works surface concreting and resurfacing of the unsealed section. Currently only a single 8 kilometer stretch of the road remains unsealed. The Solano to Runruno road has now been established as a reliable all-weather access road to a standard which will support the local communities and the project during development and in operations.

A new controlled access road to site, from the local Runruno barangay road, has been pioneered and fully established by the Company. This road allows employees, contractors, agents and visitors access to the general office, camp and on into the mine and processing plant areas without having to travel along a narrow congested barangay road. This road is maintained by the Company for its benefit and to improve safety by decongesting the barangay road.

General Office and Camp Compound

An integral and vital component of the project during construction and thereafter in operations an 800 bed camp site which is now fully operational with ablutions, laundry, gymnasium, water, sanitation, and a fully equipped and functional mess hall all commissioned. The camp comprises concrete structures with stud partition wall separation. The permanent camp is designed to initially house construction personnel and will be reconfigured and refurbished at the end of the construction period to support ongoing operational requirements. A potable water plant has been constructed to deliver sufficient supplies of water to the camp administrative functions and operational aspects of the mine.

The Camp and Mess Hall is managed and operated by the Company through the site services team. The mess successfully serves well in excess of one thousand meals daily.

The site also benefits from an emergency services building complete with fully equipped ambulance and a fire truck. A stores facility has been constructed which will be a central location for receiving, warehousing and distribution of goods or items required during construction and in operations.

The General Office housing the site administrative functions and the processing plant construction group is complete and fully functional.

Maintenance workshops

A heavy vehicle workshop, a light vehicles workshop both of which are now occupied and fully functional and a process plant workshop (nearing completion) are intrinsic components of the mining and processing operations and prerequisites for keeping the mining and construction items of plant and equipment in good working order. These have been strategically positioned to give maximum support to the various support functions and equipped to a very high standard.

A self bunded fuel farm has been installed and fully commissioned near the mining support function area. This comprises two separately installed fuel storage tanks, each designed to hold 62,300 litres of diesel fuel primarily for the mining fleet of trucks, dozers and excavators. Two additional tanks will be added to support the operational phase of the project.

Strategic Report (continued)

During construction diesel fuel is being free issued for the benefit of contractors' plant and equipment under controlled conditions. This strategy ensures diesel fuel is supplied at cost to the construction project and the project will benefit by not having to pay a traditional overhead and profit component when fuel is supplied externally. The Company has entered into a diesel fuel supply agreement with the leading local fuel supplier in the Philippines, with pricing based upon the Mean of Platts Singapore pricing formula. The contract is for an initial three year term and commenced 1 November 2013.

Offsite power supply

Power is forecast to be the single largest cost component of operations and is a significant expenditure item during construction activities. It is expected that during the construction phase of operations the Company will have an average power draw of around 1.5 megawatts and in steady state operations around 10.5 megawatts.

A study of the Provincial power network during the project's feasibility study stage showed that the network was not capable of reliably supporting the operational and construction phases of the project but that the main 230 kV National Grid distributor running through the Province was in good order and reliable. It was determined that a new 37km power line would need to be constructed from the Bayombong switchyard on the National Power Grid to support the project's power requirements. Further a dedicated power line from the National Grid would allow the Company to purchase its electrical power requirements directly from an independent power producer.

The projected dedicated power line has been constructed in two stages, initially 22 km to the project from Maddiangat on the Runruno – Solano road where a more reliable connection at 13.9kV was available. This line was commissioned during the year and is supplying power to the project during construction. Stage two, which is nearing completion traverses a further 17 km from Maddiangat to the Bayombong switchyard. Once joined and commissioned stage one and two will carry power from the National Grid (230 kV) at the Bayombong switchyard to the project site at 69 kV to support the operational power requirements.

The Company is now licensed to purchase power from an independent power producer and is currently in discussions with the leading generators in the country to secure its power requirements. To facilitate the construction of the Runruno distribution line during the construction phase, the Company entered into an agreement with a local electricity supplier, Nuevelco, to make use of their land easements to erect new and more stable electricity utility poles and transmission lines. During the construction and operations phase of the project these will be maintained by the Company and will be handed over to Nuevelco at the end of operations.

Onsite power supply

During construction the project will draw grid electrical power at 13.9 kV. This will provide a substantial cost saving when compared to using diesel powered generators during construction.

Electrical power has been distributed throughout the process plant to each of the infrastructure sites including the general office and associated buildings, accommodation, mess hall, batch plant, mine office, heavy vehicle workshop and process plant areas. Temporary utility poles have been strategically erected to reticulate power from the permanent switchyard located in the processing plant area. Two 1,000kVA generator sets have been installed and commissioned at the permanent switchyard on the process plant to provide backup power during construction. A further 4,000 kVa back-up capacity will be installed to support operations.

Strategic Report (continued)

B. Process plant construction

Early in the year, management recommended a change in the Runruno construction paradigm from an Engineering, Procure and Construct single contract approach for the processing plant to a strategy of self-managing the Engineering Design, Procurement and Construction. The Group's Board of Directors endorsed management's recommendation in March 2013. This was a material shift in strategy trading off a higher risk profile for the ability to control the build schedule and the costs of design, procurement and construction. The dynamics of the construction industry in Asia had recently softened in favour of the contractor and the Company had sufficient comfort and belief that it could build an experienced and motivated construction team to oversee and manage the construction project in conjunction with management and local Philippine contractors. Certain specialist consultants have been engaged to drive the designs and operational aspects of construction. This has proved to be a successful decision to date and the company has been able to maintain its build within budget to date, and at this stage of construction the project is forecast to be in line with budget.

Specialist consultants

Contromation Energy Services ("CES") has been engaged to provide Engineering design, detailing procurement services and commissioning assistance for the project. CES are based in Jakarta, Indonesia and have been associated with the project since design inception. They have the design capabilities and in-country mining design experience required to provide detailed drawings which integrate and identify the specific equipment requirements. Where specialist skills are required or an area is judged to be a high design risk third party specialists are engaged under CES to provide design and engineering assistance.

Biomin is providing the licensed technology, BIOX®, for the biological leaching operations used in the processing flow sheet. Biomin strongly supports its technology with technical and design advice. Runruno in particular will benefit from significant improvements made recently by Biomin to the design and engineering of BIOX® component of the processing plant.

Plant & Infrastructure Engineering Pty Ltd ("PIE") is a Perth based company providing engineering, project management and commissioning services to the project. PIE are highly experienced with a specialty in mining, focused on developing the project in conjunction with senior management and adding substantial value in the process. PIE manages CES on a day to day basis providing strategic input and direction on procurement and construction. Management has embraced PIE's recommendation to contract with suppliers, manufacturers, contractors and consultants through a standard form of contract being an internationally recognized 'International Federation of Consulting Engineers' ("FIDIC") suite of contracts. Three FIDIC forms of contract are mainly in use depending upon the purpose and magnitude of the contract being procured:

- for major design and build contracts the 'Conditions of Contract for Plant and Design-Build' (the Yellow Book) is used;
- for similar design, build or supply contracts but of a lesser magnitude, the 'Short Form of Contract' (the Green Book) is used;
- for consultants the 'Client/Consulting Model Services Agreement' is used.

This standard form of contract captures all of the major procurement components and has standardized the way in which the company contracts with all of the main suppliers and contractors. The contracts are based upon Philippine law as the law of the contract and are entered into in the domestic or buying currency, generally on a fixed price basis.

Strategic Report (continued)

Procurement

The Company announced it had entered into the formal construction phase of the Process Plant as of 1 July 2013 and that it was self-managing the process, including procurement. The first formal activities of the formal construction phase were to order the long lead time items of equipment on a progressive basis. These were each procured under a particular FIDIC contract binding a particular supplier successful in a competitive bidding process. An experienced expatriate procurement manager with a specialist background in the engineering and construction field was recruited; the procurement team was further increased through the recruitment of specialist engineering buyers and a scheduler. The procurement team has come together extremely well and their performance has confirmed management's confidence in taking the correct decision to self-manage the build in a softening price market and having a price advantage in international purchasing.

The main long led items procured, being manufactured, assembled or already deliver to site comprise:

Contract Awarded	Contractor	Award date	Currency
SAG Mill	CITIC	25-May-13	USD
Fuel Storage	Petro Industrial	31-May-13	AUD
Thickeners and CCD	Takraf (Delcor)	21-Jun-13	USD
Project Management Consultancy	PIE	05-Jul-13	AUD
Intertank Screens	Kemix	05-Jul-13	ZAR
Agitators & Ancillary Equipment	Afromix	10-Jul-13	ZAR/EUR
Heavy Vehicle Workshop	RM Perez	05-Aug-13	PHP
Flotation Cells	Outotec	06-Aug-13	USD
Mineral Sizer	MMD	12-Aug-13	GBP
ROM Apron Feeder	Osborn	23-Aug-13	ZAR
ROM Apron Feeder	Osborn	23-Aug-13	EUR
ROM Apron Feeder	Osborn	23-Aug-13	USD
BIOX Blowers	Siemens	23-Aug-13	EUR
Vibrating Screens	Osborn	30-Aug-13	ZAR
Engineering Design Services	CES	06-Sep-13	USD
Limestone Package	Transmin	11-Sep-13	AUD
Plant Workshop (supply only)	GXD	12-Sep-13	USD
Cyclones Package	Weir	13-Sep-13	AUD
Gravity Package	Gekko	19-Sep-13	AUD
Plant Air System	Atlas Copco	20-Sep-13	USD
Cooling Towers	Tektower	16-Oct-13	ZAR
Variable Speed Drives	Danfoss	25-Oct-03	PHP
Floculant Plant	Ternova Delkor	25-Oct-13	USD
Elution Package	SGS Time Mining	04-Nov-13	USD
Pilot Plant	Biomin	18-Nov-13	ZAR
Lime Mixing	Transmin	05-Dec-13	AUD

Strategic Report (continued)

Contract Awarded	Contractor	Award date	Currency
Gold Room Safe and Vault Door	Solid Business Machines	09-Jan-14	PHP
Transformers	Fuji Haya	14-Jan-14	USD
Gold Room Pressure Filter	Intertek	30-Jan-14	PHP
Gold Room Drying Oven	Furnace Technology	07-Feb-14	AUD
Gold Room Tilting Furnace	Furnace Technology	07-Feb-14	AUD
Gold Room Fans	WH Smith	28-Feb-14	AUD
Sump Pumps	Metso	28-Feb-14	AUD
Slurry Pumps	Metso	28-Feb-14	AUD

Civils

An experienced team of expatriate and Philippine construction personnel has been recruited with specific Asia construction experience in mining. The Company has had the benefit of a slowing down of construction in the mining industry to recruit a highly skilled construction team, many of whom have Philippine construction experience and are adept in their knowledge of the Philippine construction contractors. The Company has taken great advantage of this knowledge and experience and where necessary will complement the team with further specialists.

Several civil packages and supply of construction materials for civil work have been awarded to qualified Philippine contractors with various work-fronts now active on site. The process plant is now under construction and is taking significant shape, from the various concrete slabs already poured and the fabrication, erection and installation of the site return water tank. Stainless steel tanks for the BIOX® circuit are currently being rolled and formed ahead of erection and the structural, mechanical and piping contract has been let.

A list of the civil contracts and materials contracts awarded to date is detailed below.

Contract Awarded	Contractor	Award date	Currency
Reinforcing Steel Supply	Pag-Asa Steel	30-Aug-13	PHP
Screw Piling	SFP	25-Sep-13	PHP
Stainless Steel Supply	Marubeni	28-Nov-13	USD
Site Return Water Tank	Witco	13-Dec-13	PHP
Civil Construction Package 1	Witco	24-Jan-14	PHP
Return Water Tank Slab and reagent store slab	Jann Norris	12-Feb-14	PHP
Fabrication & Erection of Tanks	EEI	28-Feb-14	PHP
Structural, Mechanical, Piping	Metaphil	26-Mar-14	PHP

C. Residual Storage Impoundment

A New Zealand based design consultant, Resource Development Consultants Ltd (RDCL) has been engaged to provide the detailed design and to overview the construction of the Residual Storage Impoundment ("RSI"). RDCL are supplementing their available resources by using other NZ based dam design experts. Ground work has commenced in the RSI with the establishment of early stage spillway cuts, the construction of a coffer dam to control water during the construction of the main dam and the preparation of the footprint for the main dam wall and clay core.

Strategic Report (continued)

The construction of access roads into the RSI and the redirecting of overburden from the mine haul road to the RSI has commenced in earnest with the Company's Komatsu mining fleet of trucks, dozers and excavators fully operational on this mining development project. The operators of the Company's fleet have in the main been recruited from the local Runruno barangay and trained by the project. Two female operators have now been fully trained and operating 100 tonne Komatsu dump trucks. When recruited several of the operators had not driven a motor vehicle and the skills now displayed by these employees is a testimony to the advanced training skills of our mining team.

After several months of applications and waiting the tree cutting permit enabling the RSI construction and the early stages of mining was finally obtained. The permit required a tree felling and replacement strategy paper to be prepared and supplied to the Community Environment and Natural Resources Office of the Department of Environment and Natural Resources. The paper was duly prepared and submitted and has been endorsed for implementation.

The construction plan is to complete the RSI by the end of 2014 and will introduce night shift working as part of the working pattern. A double shift system focusing on a 24 hour construction operation will be implemented in the coming months.

D. Mine

Access to the mine area is now fully established with high quality, all-weather roads constructed to support operations over the balance of the year, during the construction of the RSI and on into operations. In excess of 1.5 million tonnes of material has been removed from the mine area to date. Several ore-blocks have been exposed by this work. These have been found to correlate well with the ore block model developed from the in excess of 112km of drilling undertaken in the pit area during the exploration and feasibility stages of the project.

Mine Geology

Initial grade control systems are being established and will be implemented initially around the grade control and materials selection during the mining of the pit area for the materials to build the RSI. A reverse circulation grade control rig has been purchased and is available at site to support these operations.

Sampling and Quality Assurance protocols developed during the exploration phase will be maintained in grade control drilling activities.

Mapping, interpretation and development of structural, lithological and mineralisation models are continuing. Geologic mapping and channel sampling was conducted at Stage 1, Stage 2 and Stage 3 of the Runruno Surface Mine, along the developed Mine Haul Road and newly excavated areas around the Runruno Open Pit.

4. REGIONAL EXPLORATION

Despite the Group's principle focus being the development of the Runruno project exploration in the surrounding FTAA area has continued, all be it at a reduced level as key resources have been focused on development activity. Various programs of work including diamond drilling using one of the Groups drilling rigs resulted in an upgrade mineral resource base and identification of a new zone of gold mineralisation south of the Runruno pit area. This work continues to reinforce the potential of the Runruno FTAA for further commercially recoverable gold mineralisation outside of the mineral reserves currently under development.

Strategic Report (continued)

During Q1 2013 the Company announced a 78.9% uplift in the Inferred JORC Resource category from 190,000 ounces of gold to 340,000 ounces of gold at a grade of 1.4 grammes per tonne. When combined with the previous inferred JORC resource ounces the company announced that total compliant resource base had increased to 1.73 million ounces of gold with an average grade of 1.63 grammes per tonne from 1.58 million ounces of gold with an average grade of 1.69 grammes per tonne.

Drilling continued to systematically assess the mineralised structure towards the southern end of the pit straddling an area known as Malilibeg South. The focus of this drilling activity is on tracing a wide flat-dipping mineralised structure moving deeper as the strike length extends.

5. ENVIRONMENT

The Company has a responsibility to the community and environment in the barangay of Runruno and in particular to rehabilitate any areas of disturbance as quickly and effectively as possible. This responsibility is taken very seriously and the Company is cognisant of its obligations under the Financial and Technical Assistance Agreement for these affected areas.

Various programs are ongoing including rehabilitation, reforestation, environmental monitoring, waste management, submission of environmental reports, application and renewal of permits. This includes but is not limited to:

- Slope remediation and rehabilitation in the processing plant, batch plant, ROM pad, workshop areas and completed drill-pads.
- Mounting of coconut matting on disturbed slopes and planting of vetiver and napier grasses to prevent soil erosion.
- Construction of temporary siltation ponds / silt traps / drainage canals and installation of silt fences.
- Regular in-house environmental monitoring of water, effluent discharge, ambient noise and weather.
- Monthly water quality monitoring.
- Planting of endemic species of trees in the areas of its operations.

As part of the Mining Forest Program (MFP) activities a total of 72,906 trees have been planted to date in various areas within the FTAA contract area; at roadsides, within the community open spaces and other denuded areas. The total area reforested is 70.113 hectares. Other activities include:

- FCF was identified as one of the sites for the Bio-offsetting Project by the Mineral and Geosciences Bureau ("MGB") central office. This a 3-year joint project between FCF and MGB (its central office and its regional office 2). This project aims to conserve and protect existing biodiversity within the designated area allowing compensation of the unavoidable environmental impacts of the project with particular emphasis on the loss of vegetation. It ensures the protection and enhancement of the environment during commercial operations.
- Maintenance of the agro-forest and integrated reforestation projects located at Sitios Kinalabasa and Lintungan and also the previous plantations established in 2007.
- Maintenance of sapling nurseries at Sitios Lintungan and Kinalabasa and the main sapling nursery at Sitio Compound. This includes a care and maintenance program for the propagation of plant and tree seedlings, and soil cultivation.

Strategic Report (continued)

A summary of the highlights of the Community Relations programs ongoing throughout the year and continuing in 2014 are:

Health

- 2,128 direct beneficiaries of various health programs.
- Honorariums of 14 health professionals (on going).
- One Botika ng Barangay.
- Zero percent maternal mortality since 2007.
- Ongoing feeding program for malnourished children in the barangay of Runruno.

Education

- 46 university scholars sponsored, with 6 currently employed in mining activities with FCF.
- 24 teachers' honorariums including the Day Care Centre Staff.
- 3 classroom buildings.

Skills Enhancement and Training

- 2,169 total recipients of skills training at TESDA many of who now work for the Company.

Livelihood Projects

- Established 14 community organizations.
- Establishing 11 livelihood projects, 4 micro enterprises and 2 demonstration farms.

Community Infrastructure Projects

- Eleven Hanging Bridges.
- Five Potable Water Systems.
- Two Health Facilities.
- Ten Day Care Buildings.
- Nine Agricultural Production Facilities.
- School Facilities.
- Senior Citizen Building.
- Banana Chips Production Area.
- Twenty six Communal Comfort Rooms.
- Water Tank erected near the barangay Clinic.
- Significant rehabilitation of Lintungan-Busat Road.

6. Mineral Reserves and Resources

In March 2011, the Runruno resource was updated to 1.39Moz of gold, and 25.6Mlb of molybdenum, with 1,050,000oz gold reporting to the Measured and Indicated categories and 900,000oz gold within the Mining Proven & Probable Reserve category. This resource estimate was updated in March 2011 to include all drill holes completed and assays returned by the end of December 2010, comprising 807 drill holes for a total of 110,427m. The combined Measured and Indicated resource containing 1,050,000oz gold comprises 75% of the total resource.

Strategic Report (continued)

March 2011 Mining Reserve and Schedule Resource Runruno Gold Project					
Reserve Category	**Ore**	**Gold**		**Molybdenum**	
	Mt	**g/t**	**M Oz**	**ppm**	**M lbs**
Proven	10.2	1.90	0.62	616	13.9
Probable	4.8	1.77	0.27	414	4.4
2P Reserves	**15.0**	**1.85**	**0.90**	**603**	**18.3**
Additional Inferred Resource in-pit	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 100% of FCF.
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.

March 2011 Mineral Resources Runruno Gold Project					
Resource Category	**Ore**	**Gold**		**Molybdenum**	
	Mt	**g/t**	**M Oz**	**ppm**	**M lbs**
Measured	11.2	1.88	0.68	604	14.9
Probable	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**	**453**	**25.6**

Notes to accompany the resource estimate:
1. The tenement holder is FCF Minerals Corp ("FCF").
2. Metals Ex owns 100% of the FCF.
3. Resource estimate based on all drillholes completed and assays returned by 31 December 2010. The resource was estimated on the basis of 807 drillholes (110,427 metres) consisting of 485 diamond drillholes (65,517 metres) and 322 RC drillholes (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 drillholes.
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.

Strategic Report (continued)

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 Krige 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 Krige 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 information in this report that relates 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.

Malilibeg South Resource Estimate – March 2013					
Resource Category	**Ore**	**Gold**		**Molybdenum**	
	Mt	**g/t**	**M Oz**	**ppm**	**M lbs**
Measured					
Probable					
Inferred	7.55	1.4	0.34	1,200	19.98
Total					

Notes to accompany Malilibeg South Inferred Resource estimate

1. This information should be read in conjunction with Appendix 1 Table 1 of the report Runruno Project, Malilibeg South Resource prepared by Mining Associates which can be found on the Company's website as an appendix to the operational update.
2. The Runruno Project is located in the Nueva Viscaya Province, Philippines.
3. The Runruno project is operated by FCF Minerals Corporation ("FCF") under a Financial or Technical Assistance Agreement (FTAA) No 4-2009-II.
4. FCF is a Philippine incorporated company and a subsidiary of AIM (London) listed Metals Exploration plc ("MetalsEx"). MetalsEx owns 100% of FCF.
5. The resource estimate is based on diamond drilling results and assays received to the end of December 2012 in an area to the south of the existing Runruno resource.
6. Mineralisation style and lithologies are similar to the main Runruno deposit and drill holes have intersected the mineralised structures at depths predicted by the geological model.
7. A total of 30 diamond drillholes (7,220m) have been used to inform the estimate
8. All analyses undertaken by Intertek, an internationally accredited independent laboratory.
9. Gold analysis by classical 1kg screen fire assay analysis.
10. Molybdenum analysis by mixed acid digest and ICP-OES
11. Block model estimation block sizes of XYZ 20x20x5m. Sub-blocking for volumes only to 5x5x1.25m. Screened for topography by sub-block.
12. Geological model constrained by sub-block with 4 domains based on lithology, structure, alteration, and a minimum sample grade of 0.3 g/t Au, includes minor internal dilution. Each sub-block can only belong to one domain.
13. Drill intercepts within each domain flagged in a database table and composited 2m downhole giving 256 informing samples from 30 drillholes.
14. A gold grade cap was applied to informing 2 metre composites to remove minor outliers. Only the main structure had sufficient intercepts to determine a suitable grade capping strategy. Gold was capped at 9.5g/t (99.5%ile) and molybdenum was capped at 7090ppm (98%ile).

Strategic Report (continued)

15. Routine bulk density measurements undertaken on drill core by FCF show that it varies mainly according to weathering (fresh, transition, and oxidised) and lithology (crystal lithic tuff, tephrite porphyry, monzonite).
16. Grade interpolated into a constrained block model by domain using Ordinary Krige estimation in 2 passes with parameters based on variography by domain. Estimates validated against informing samples and with nearest neighbour and inverse distance squared block estimation on a global basis and by swath plots.
17. Resources have been classified in compliance with the JORC Code as Inferred. Geological evidence is sufficient to assume geological continuity. The drill density is insufficient to assure grade continuity though it is assumed and is based on limited sampling.
18. Lower cut-off grade of 0.5g/t gold applied to blocks in reporting the resource estimates.
19. Molybdenum grades are reported along with the gold grades by resource categories but a consistent laboratory bias low in molybdenum assay standards of 12% to 20% is recognised by FCF but has as yet not been addressed.
20. Drilling, logging, sampling, and assaying techniques used were similar to those used to produce the Runruno deposit resource and reserve estimate of March 2011.
21. Routine bulk density measurements (which show little variation according to oxidation state or lithology) were undertaken on drill core by FCF. The bulk density of 2.5 used for tonnage estimates was the same as that used to produce the Runruno resource and reserve estimate of March 2011.

The information in this report that relates to Mineral Resources and Ore Reserves is based on information compiled by Ian Taylor, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Taylor 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Taylor consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

7. Other Exploration Projects

The Company did not complete any work on its other exploration project outside the Runruno FTAA.

8. Approval

Mr. Ian Holzberger, a director of the Company, who has been involved in the mining industry for more than 40 years, is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists, has compiled, read and approved the technical disclosure in this regulatory announcement.

9. Forward Looking Statements

Statements relating to the estimated or expected future production, operating results, cash flows and costs and financial condition of Metals Explorations, planned work at the Company's projects and the expected results of such work are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by words such as the following: expects, plans, anticipates, forecasts, believes, intends, estimates, projects, assumes, potential and similar expressions. Forward-looking statements also include reference to events or conditions that will, would, may, could or should occur. Information concerning exploration results and mineral reserve and resource estimates may also be deemed to be forward-looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed.

Strategic Report (continued)

These forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable at the time they are made, are inherently subject to a variety of risks and uncertainties which could cause actual events or results to differ materially from those reflected in the forward-looking statements, including, without limitation: uncertainties related to raising sufficient financing to fund the planned work in a timely manner and on acceptable terms; changes in planned work resulting from logistical, technical or other factors; the possibility that results of work will not fulfil projections/expectations and realize the perceived potential of the Company's projects; uncertainties involved in the interpretation of drilling results and other tests and the estimation of gold reserves and resources; risk of accidents, equipment breakdowns and labour disputes or other unanticipated difficulties or interruptions; the possibility of environmental issues at the Company's projects; the possibility of cost overruns or unanticipated expenses in work programs; the need to obtain permits and comply with environmental laws and regulations and other government requirements; fluctuations in the price of gold and other risks and uncertainties.

10. Principal Risks and Uncertainties and Key Performance Indicators

A review of the Group's Principal Risks and Uncertainties and Key Performance Indicators is included in the Directors' Report.

DIRECTORS' REPORT

The Directors present their Annual Report together with the audited financial statements of Metals Exploration plc and its subsidiary undertakings (the 'Group') for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Group is to identify, acquire and develop mining and processing projects, mining companies, businesses or opportunities with particular emphasis on precious and base metals mining opportunities in the Western Pacific Rim region.

The Company was incorporated on 8 April, 2004 under the Companies Act 1985 and is registered in England and Wales with registered number 05098945.

The principal activity of the Company is that of a holding Company for its subsidiary undertakings, which is set out in Note 13 of the financial statements.

Since the Company's admission to AIM in October 2004, the Group has focused efforts on the acquisition and development of exploration properties in South East Asia.

RESULTS AND DIVIDENDS

For the year ended 31 December 2013 the loss on ordinary activities of the Group was £5,234,995 (2012: loss of £4,369,744).

The Directors do not recommend the payment of a dividend for the year ended 31 December 2013 (2012: £nil).

BUSINESS REVIEW

A review of the current and future development of the Group's business is given in the Chairman's Statement on page 3 and the Strategic Report on page 10.

RISKS AND UNCERTAINTIES

The Board of Directors review the principal risks and uncertainties facing the Group on an ongoing and regular basis. Assessments are made as to how to manage these and mitigate as much risk as possible through various controls. The principal risks and uncertainties facing the Group are identified as follows:

Project management risks

The risk identified here is in each of the planning and implementation stages of the construction of the gold recovery processing plant. Effective decision making throughout the project lifecycle at the earliest possible occasion is the most significant element to influence the success of the project and protect value. This is most effective at the planning stages of the project and declines as the project moves towards completion. Although there has not been any material variances of the schedule and nothing has been forecast to date, there are no assurances that current or future planning and decision making implemented by the Group will continue to be successful. There are many unknowns and challenges yet to be encountered, assessed and managed but which may have a delay impact on project completion and the start of commercial operations involving increasing total costs of the construction project. Project Infrastructure and Engineering Pty Ltd are

Directors' Report (continued)

engaged as the project management consultant with great experience in managing mining construction projects with specialist knowledge of the plant and equipment required. The Group retains a number of experienced construction professionals in the management of the execution of the project build.

Engineering design risks

Having the benefit of their experience of designing mine processing plant in Asia together with their technical and engineering capabilities, Contromation Energy Services (CES) as a central consultant in the construction project is a risk mitigant in design variations. CES are actively supported by a number of third party specialist design engineers in critical design area of the processing plant. The design team and the project management consultants are in daily contact to align the requirements and expectation of the Group with the design house's interpretation of these. The construction schedule is primarily dependent upon the design output and any misalignment in this area can compromise the final product and its functionality. Construction projects in general have an inherent high level of uncertainty in program scheduling and the quality of engineering design output can help mitigate but not eradicate this risk totally. Inevitably engineering design has a high level of influence on the cost estimation and costs incurred of the total project at every stage of development.

Construction risks

This risk is related to the physical construction activities of the processing plant at Runruno and includes a wide range of different elements such as unexpected technical problems, delays caused by irregular weather patterns, delays in supplies or potential delays due to supply issues, quality issues on critical items of equipment, project execution delays, erection issues, skilled and local labour availability and management. Construction is traditionally fraught with a wide spectrum of risks varying in degrees of difficulty and never specific to any project or circumstance, requiring a unique mix of highly skilled technical personnel to carefully manage the various individual components of construction. Experience, management, planning and technical skill are vitally important to any construction project but there are no guarantees that this will deliver a final product devoid of defects or ongoing operational and maintenance issues. The Group has recruited a highly skilled team of construction specialists with particular experience in mining projects and the Asia region and continues to identify specialist skills required for the Runruno project. In addition the Group routinely engages consultants and contractors with specialist knowledge and skills to undertake various aspects of the project.

Plant commissioning risks

Integrating each of the individual components and related infrastructure and utilities into a consolidated and fully workable single gold recovery processing plant capable of meeting the output design criteria cannot be guaranteed as an immediate result. Failure in any single component may have a significant impact on start-up of commercial production. Included in these risks is the robustness of warranties provided by overseas equipment suppliers and the efficiency within which any warranty issues may be cured.

Capital expenditure estimation risk

The Group's projections for its capital expenditure requirements to build the process plant, infrastructure and ancillary buildings involves a myriad of variables, professional judgement and careful monitoring. There is no assurance that current estimations will prevail throughout the construction period even though the

Company is currently performing in line with its cost estimations and has been able to enforce or better quotation prices for its major key items of equipment conveyed in the tender period. The risks it faces involve and are not limited to:

i. shipping or manufacturing delays to major key items of equipment
ii. engineering design changes
iii. price fluctuations of major commodities such as diesel, electricity, steel and cement
iv. assumptions governing foreign currency exchange rates
v. the ability to avail of certain fiscal incentives
vi. time delays in the construction of the process plant due to conditions out-with the Group's control

Several of these could involve cost overruns and delays to the planned timetable for commercial gold recovery operations.

To 31 December 2013 the Company had committed expenditure against the Construction Budget of 56%, excluding contingency, increasing to 72% by the end of April 2014. As contracts are awarded and milestones are met equipment and materials supply risk is progressively reduced, with on-time and on-budget delivery of construction contracts remaining a key focus for management. Intertek Industry and Certification Services Ltd has been engaged to undertake quality assurance inspection and monitoring services on equipment packages throughout key phases of manufacture and is a specific risk mitigant.

Nature of mining and resource estimation

Exploration and development of mineral deposits involve significant risks over an extended period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. Most mineral sites which are systematically explored are never developed beyond the exploration phase. Substantial benefits may be gained from the discovery of a promising mineralized deposit but it cannot be guaranteed this will result in profitable mining in commercial operations.

Resource estimation provides no assurance that the potential tonnage and grades will be achieved. The exploration of mineral rights is speculative in nature and any published results are expressions of judgement developed using industry tested measuring techniques, none of which can be relied upon with complete certainty. Each set of published results builds upon the previous published information and includes any new and reliable information from systematic drill results, and is independently verified by a qualified person. However, this still involves experience, judgement, skill and estimation, all of which are imprecise, interpretative and open to challenge. The actual results of mining may differ from the published reserves upon which the group relies upon in its business projections.

The size of the deposit, its grade, depth and type of orebody, are only some of the particular attributes which determine the costs and recovery methods that need to be employed. There is also the length of haul to the processing plant, age and maintenance programs for plant and equipment, land access, environmental protection and community relations, to identify but a few.

The quantities, costs and assumptions used to identify and interpret these variables can be modelled to the lowest level of detail possible but they do not provide absolute certainty that the expected cost of mining will be achieved.

Mining regulatory risk

Poor performance of the governance structures in the Philippine mining sector is behind the high level of regulatory risk for foreign mining investors. There are a wide array of 'rules and regulations' (the "Rules") that govern the regulatory regime for foreign mining investment in the Philippines and the Rules are created and enforced involving several layers of government and government agencies nationally, provincially and locally.

The main-rule makers in the Philippines for foreign mining investment regulation are:

- the House of Representatives of the Philippines
- the Senate of the Philippines
- the President
- the Supreme Court
- the Department of Energy and Natural Resources ("DENR"), which issues implementing rules and regulations
- the Mines and Geosciences Bureau ("MGB"), accountable to the DENR with responsibility for management, development and proper use of the country's mineral resources
- the National Economic and Development Agency (NEDA), which is responsible for formulating social and economic policies
- the Department of Finance which sets policy pertaining to investment and the economy. The Bureau of Internal Revenue and the Bureau of Customs are Agencies of the Department responsible for the collection of taxation and customs duties
- various local government units (LGUs), at provincial, municipal and barangay levels, and
- various other house and senate committees some with overlapping jurisdiction.

It is a complex web of regulators and governing rules which foreign investment mining companies are faced with to be compliant. To date the Company has complied with every department, rule, obligation and permit and although the past is a good guideline, the Company is not in control of what challenges it may face in this field in the future. The regulatory environment is a myriad of increasing bureaucracy and is potentially the greatest risk faced by the Company as it progresses the development of the operations in the Philippines. However, management is cognisant of the law and is respectful of its obligations.

Key personnel

The Group's future success is very dependent upon the continued service of senior management, and its highly skilled and trained personnel in all levels of management and exploration, the retention of which cannot be guaranteed. There can be no certainty that the Group can recruit suitably qualified or skilled employees in a highly skilled, specialist industry and there is every likelihood the Group will face periods of varying lengths of management and skills shortages. Where key personnel cannot be retained in the medium to long term the Groups commercial operations could be compromised at various intervals.

Environmental risk

Mining operations are by nature environmentally risky ventures. As a responsible miner the Group takes its environmental responsibilities very seriously and is subject to stringent rules and regulations before, during and after its period of exploration and mining development. Open pit mining is mining on a large-scale and has the capacity to become involved in environmental disputes. The Group employs every effort to avoid and mitigate even the most minor of damage to the environment but it is aware it will always be exposed to these risks for as long it is present at Runruno. Any breach of its environmental code or obligations to the environment as dictated in its FTAA may result in a temporary suspension of operations, fines, and even the possibility of closure of mining operations at Runruno.

Market risk

The profitability of the Group's development projects is impacted by the general risks associated with the gold market. Profitability is ultimately affected by factors beyond the Group's control, such as a prolonged decline in world gold prices. The Group regularly tracks gold prices and regularly refines its models on financial profitability in order to have available for the Board at all times, a current view on the future financial viability of its active projects.

The Group will be exposed to a dual currency risk in operations; (i) production currency risk, whereby its gold will be mined and recovered in the Philippines fundamentally in peso and (ii) sales currency risk, whereby its gold output will be sold in a different currency in a different country, expected to be US dollars. The peso:US dollar currency exposure requires careful management to maximise shareholder value but the exposure cannot be diversified away altogether.

Political and Country Risk

The Philippines is one of the most challenging places in Asia for foreign mining companies to succeed. During the early 70's mining accounted for nearly 20% of GDP of the country but after several decades of neglect by successive governments, mining now accounts for less than 2% of GDP. Political and country risk issues continue to hold back the development of a serious mining industry in the country. Since 1995 there have been a number of attempts to renew the development of the mining sector but bureaucracy and policy uncertainty has made a challenging climate for foreign investing mining companies. Provincial governments, regulators and the judiciary undermine confidence in the Philippines mining industry. These include:

- Several attempts to repeal the 1995 Mining Act;
- Recent environmental protection laws ('Writ of Kalikasan') and judicial procedures opening up the potential for mining opponents to delay mining projects unfairly; and
- Provincial level 'laws' banning open-cut mining, although the legal basis for doing so is questionable

The Group has no control or influence in these matters and these risks are a constant.

To mitigate this risk, the Group applied for and was granted a Financial or Technical Assistance Agreement ("FTAA"), a contract in law with the government. The 1995 Mining Act allows 100% foreign ownership of mining entities where there is a US$50million dollar investment or higher, through the ownership of a FTAA. Mines operating under a FTAA have recourse for disputes to be arbitrated offshore, avoiding the cumbersome Philippine legal system. Despite opposition to the Act successive Presidents have supported the framework.

KEY PERFORMANCE INDICATORS

The Directors monitor the performance of the Group through the following key performance indicators:

- Progression of the Runruno project through permitting according to pre-determined milestones. This programme requires a level of diligence and the Group has been successful to date and is confident of obtaining permits when and where required; particularly with respect to its construction project. The Group is also confident of its compliance obligations imposed in maintaining and renewing permits.

Directors' Report (continued)

- The outcome of technical work undertaken on the Company's projects measured against budgets, forecasts, expectations and industry benchmarks. This continues to be in line with expectation and there is no reason to believe this will not continue to be so.
- Resource measurement in compliance with JORC standards. The Group's latest resource update in March 2013 was JORC compliant which is Group standard practice and a prerequisite before announcing any updated results. The Group has no intentions of deviating from this standard and is comfortable with its current resource measurements and will maintain a consistent approach whilst striving to increase reserves through ongoing strategically focused and systematic drilling activities compliant with JORC standards.
- Project value based on dollar values of resource. Dollar values of resource have not fallen to levels at which the economic viability of the Group's projects is threatened. A detailed monthly review of actual expenditure and committed project costs is undertaken and projected costs to complete are re-forecast. The Directors have confidence in the current value of the project and in the foreseeable future.
- Cash flow forecast versus actual expenditure. The Group's actual expenditure has been largely consistent with forecast and includes completion of early works building infrastructure and ancillary buildings, and also includes several months of extensive capital works. Forecast project costs to complete, including key milestone and forecast delivery schedules, are used to project monthly cash forecasts to the end of the construction phase. This informs Directors of the level of commitments that the project can meet and to forecast future funding drawdown requirements to the end of the project construction. The Directors have confidence in the current forecasts.

SIGNIFICANT SHAREHOLDINGS

The Company has been notified or is aware of the following significant shareholder interests whereby their holding is at 3% and above of the total equity holding of the Company as at 31 December 2013.

Shareholder & connected persons	Number of ordinary shares	Percentage of issued share capital
Solomon Capital Limited & Shelfco724 Limited & Emily Crompton Candy	675,732,071	49.15%
Baker Steel Fund Managers	343,014,118	24.95%
Runruno Holdings Limited & Graham Edwards[1]	261,031,148	18.98%

[1] Subsequent to the balance sheet date these holdings have been consolidated under Runruno Holdings Limited.

DIRECTORS

The Directors of the Company during the year and since the year end were:

I. R. Holzberger	(Executive Chairman)	
T. J. Dean	(Non-Executive Director)	
E. F. Parsons	(Non-Executive Director)	Resigned 1 August 2013
G. R. Walker	(Non-Executive Director)	
C. G. Whitehouse	(Non-Executive Director)	
J. G. Wilson	(Non-Executive Director)	Appointed 1 August 2013
J. W. D. Ayre	(Non-Executive Director)	Appointed 6 March 2014

EVENTS AFTER THE BALANCE SHEET DATE

There were no material events after the balance sheet date to report.

CHARITABLE DONATIONS

During the year, the Group made charitable donations to the Runruno Livelihood Foundation in the Philippines totalling £8,738 (2012: £8,800) and £15,015 to the Dona Remedios Trinidad-Romualdez Medical Foundation Inc. Typhoon Yolanda Appeal in the Philippines.

SUPPLIER PAYMENT POLICY

The Group's policy is to make payments to suppliers in accordance with those terms and conditions agreed between the Group and its suppliers. At the year-end, the Group's trade creditors represented 27 days of annual purchases (2012: 45 days).

FINANCIAL RISK MANAGEMENT

Details of the Group's policies with respect to financial risk management are given in Note 24 to the financial statements.

Given the size of the Group the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The Group's finance departments implement policies set by the Board of Directors.

CORPORATE RESPONSIBILITY AND ENVIRONMENTAL POLICY

The Group's policy is to conduct operations in a safe and environmentally responsible manner to industry best practice standards, to respect the indigenous culture of the exploration provinces, to promote social and economic development for the traditional custodians and to offer employment and training opportunities to those who live in the exploration project areas.

It is a Human Resources policy to promote fair, equitable and non-discriminatory practices. This pervades throughout the Group which maintains an active policy of increasing the representation of females in its operations which is traditionally a male dominated industry. Currently females are employed across all facets of the Group from labourers to senior management and currently comprising 19% of the workforce. The Group continues to strive to increase the participation of women in its operational workforce with the next objective being 25%. Wherever possible subject to skills and skills training the Group employs from the population local to its operations. Mining is a particularly high security risk industry where malpractices and indiscipline can lead to serious injury and sometimes fatalities. The Group regards this area as a high sensitivity and it is uncompromising when recruiting and training personnel to the highest standards of safety and skilling possible. Although the Group does not and will not discriminate, neither does it have a positive discrimination policy in recruitment towards disabled, underprivileged, particular religious or ethnic groups because it ranks safety and welfare of each worker and the collective workforce as a much higher priority and determinant.

Directors' Report (continued)

DISCLOSURE OF INFORMATION TO THE AUDITORS

The Directors at the date of approval of this Annual Report individually confirm that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

A resolution to reappoint Nexia Smith & Williamson will be proposed at the forthcoming Annual General Meeting.

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

L. A. Ruddy
Company Secretary

21 May 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Nexia Smith & Williamson

Independent auditor's report to the members of Metals Exploration plc

We have audited the financial statements of Metals Exploration plc for the year ended 31 December 2013 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted in the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report (continued)

Emphasis of matter - Going concern

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the ability of the Group to continue as a going concern. The ability of the Group to meet its financial obligations and commitments is dependent on obtaining further debt or equity finance.

In the event that additional debt or equity finance is not raised and construction activities are not completed then the property, plant and equipment held by the Group at £65,202,837, the goodwill held at £1,010,816 and the other intangible assets held at £6,827,711 may be impaired and additional liabilities may arise.

These conditions indicate that there are material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Stephen Drew

Stephen Drew
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

21 May 2014

The maintenance and integrity of the Metals Exploration plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME for the year ended 31 DECEMBER 2013

	Notes	2013 £	2012 £
Continuing Operations			
Revenue		-	-
Cost of sales		-	-
Gross loss		-	-
Administrative expenses		(5,263,532)	(4,478,951)
Operating loss	3	**(5,263,532)**	**(4,478,951)**
Gain arising on group reorganisation	13	-	156,266
Finance income and similar items	7	21,974	4,292
Finance costs	7	(20,819)	(48,223)
Net finance gains		**1,155**	**112,335**
Share of gains/(losses) of associates	14	27,382	(3,128)
Losses before tax		**(5,234,995)**	**(4,369,744)**
Taxation	8	-	-
Losses from continuing operations		**(5,234,995)**	**(4,369,744)**
Other comprehensive income:			
Items that may be re-classified subsequently to Profit or Loss:			
Exchange differences on translating foreign operations		(7,539,789)	815,919
Total comprehensive loss for the period		**(12,774,784)**	**(3,553,825)**
Loss for the period attributable to:			
Equity holders of the parent		(5,234,995)	(4,369,744)
		(5,234,995)	**(4,369,744)**
Total comprehensive loss attributable to:			
Equity holders of the parent		(12,774,784)	(3,553,825)
		(12,774,784)	**(3,553,825)**
Loss per share:			
Basic and diluted	9	**(0.489)p**	**(0.599)p**

The Company has taken advantage of the exemption provided under section 408 of Companies Act 2006 not to publish an income statement. The loss for the year ended 31 December 2013 dealt with in the financial statements of the Company was £2,148,493 (2012: £2,833,516). The Company made no gains or losses which would be reported in other comprehensive income in the year ended 31 December 2013 (2012: £nil) and therefore the Company has not published its statement of total comprehensive income.

METALS EXPLORATION PLC

CONSOLIDATED BALANCE SHEET as at 31 DECEMBER 2013

	Notes	2013 £	2012 £
Non-current assets			
Property, plant and equipment	10	65,202,837	39,027,018
Goodwill	11	1,010,816	1,010,816
Other intangible assets	12	6,827,711	6,651,054
Investment in associate companies	14	54,428	27,326
Trade and other receivables	15	1,987,684	1,785,928
		75,083,476	**48,502,142**
Current assets			
Trade and other receivables	16	1,632,201	9,127,750
Cash and cash equivalents	17	31,947,096	26,275,022
		33,579,297	**35,402,772**
Current liabilities			
Trade and other payables	18	(2,296,214)	(2,493,325)
Net assets		**106,366,559**	**81,411,589**
Equity			
Share capital	19	13,749,721	8,247,431
Share premium account		124,591,071	92,363,607
Shares to be issued reserve		3,652,155	3,652,155
Acquisition of non-controlling interest reserve		(3,785,077)	(3,785,077)
Translation reserve		(2,704,284)	4,835,505
Profit and loss account		(29,137,027)	(23,902,032)
Equity attributable to equity holders of the parent		**106,366,559**	**81,411,589**

The financial statements were approved by the Board of Directors on 21 May 2014 and were signed on its behalf by:

Ian R. Holzberger
Executive chairman

21 May 2014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 DECEMBER 2013

	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 at 1 January 2013	8,247,431	92,363,607	3,652,155	4,835,505	(3,785,077)	(23,902,032)	81,411,589
Exchange differences on translating foreign operations	-	-	-	(7,539,789)	-	-	(7,539,789)
Loss for the year	-	-	-	-	-	(5,234,995)	(5,234,995)
Total comprehensive loss for the year	-	-	-	(7,539,789)	-	(5,234,995)	(12,774,784)
Issue of equity share capital	5,502,290	33,013,736	-	-	-	-	38,516,026
Share issue expenses	-	(786,272)	-	-	-	-	(786,272)
Balance at 31 December 2013	**13,749,721**	**124,591,071**	**3,652,155**	**(2,704,284)**	**(3,785,077)**	**(29,137,027)**	**106,366,559**

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 Statement of Total Comprehensive Income 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 in 2011 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. FCF Minerals Corporation is now 100% owned by Metals Exploration plc following this 15% acquisition.
- Profit and loss account; being the cumulative loss attributable to equity shareholders

METALS EXPLORATION PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 DECEMBER 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 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	-	-	-	815,919	-	-	815,919
Loss for the year	-	-	-	-	-	(4,369,744)	(4,369,744)
Total comprehensive loss for the year	-	-	-	815,919	-	(4,369,744)	(3,553,825)
Issue of equity share capital	1,300,695	15,023,337	-	-	-	-	16,324,032
Share issue expenses	-	(492,043)	-	-	-	-	(492,043)
Balance at 31 December 2012	**8,247,431**	**92,363,607**	**3,652,155**	**4,835,505**	**(3,785,077)**	**(23,902,032)**	**81,411,589**

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 DECEMBER 2013

	Notes	2013 £	2012 £ (restated)
Net cash used in operating activities	21	**(4,773,452)**	**(3,217,787)**
Investing activities			
Purchase of intangible assets		(817,300)	(2,244,126)
Purchase of property, plant and equipment		(22,346,530)	(11,559,422)
Third party deposit for acquisition of PPE		-	(7,746,899)
Net cash used in investing activities		**(23,163,830)**	**(21,550,447)**
Financing activities			
Proceeds from issue of share capital		38,516,026	16,324,032
Share issue costs incurred		(786,272)	(492,043)
Net cash arising from financing activities		**37,729,754**	**15,831,989**
Net increase/(decrease) in cash and cash equivalents		9,792,472	(8,936,245)
Cash and cash equivalents at beginning of year		26,275,022	36,242,408
Foreign exchange difference		(4,120,398)	(1,031,141)
Cash and cash equivalents at end of year		**31,947,096**	**26,275,022**

For the year ended 31 December 2012, £7,746,899 has been reclassified from cash used in operating activities to cash used in investing activities: being deposits committed and held by HSBC Bank plc (Philippines) in respect of property, plant and equipment as at 31 December 2012.

METALS EXPLORATION PLC

COMPANY BALANCE SHEET as at 31 DECEMBER 2013

	Notes	2013 £	2012 £
Non-current assets			
Property, plant and equipment	10	-	-
Other intangible assets	12	-	-
Investment in subsidiaries	13	6,023,886	6,141,842
Investment in associate companies	14	30,174	30,454
Trade and other receivables	15	87,144,349	57,747,010
		93,198,409	**63,919,306**
Current assets			
Trade and other receivables	16	407,006	39,832
Cash and cash equivalents	17	30,904,301	24,953,177
		31,311,307	**24,993,009**
Current liabilities			
Trade and other payables	18	(241,434)	(161,687)
Net assets		**124,268,282**	**88,750,628**
Equity			
Share capital	19	13,749,721	8,247,431
Share premium account		124,591,071	92,363,607
Shares to be issued reserve		3,652,155	3,652,155
Profit and loss account		(17,724,665)	(15,512,565)
Equity attributable to equity holders of the parent		**124,268,282**	**88,750,628**

The financial statements were approved by the Board of Directors on 21 May 2014 and were signed on its behalf by:

Ian R Holzberger

Executive Chairman

21 May 2014

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 DECEMBER 2013

	Share capital	*Share premium account*	*Shares to be issued reserve*	*Profit and loss account*	*Total equity*
	£	£	£	£	£
Balance at 1 January	6,946,736	77,832,313	3,652,155	(12,679,049)	75,752,155
Loss for the year	-	-	-	(2,833,516)	(2,833,516)
Total comprehensive loss for the year	-	-	-	(2,833,516)	(2,833,516)
Movement in share based payments					
Issue of equity share capital	1,300,695	15,023,337	-	-	16,324,032
Share issue expenses	-	(492,043)	-	-	(492,043)
Balance at 31 December 2012	**8,247,431**	**92,363,607**	**3,652,155**	**(15,512,565)**	**88,750,628**
Loss for the year	-	-	-	(2,148,493)	(2,148,493)
Exchange differences on translating foreign operations	-	-	-	(63,607)	(63,607)
Total comprehensive loss for the year	-	-	-	(2,212,100)	(2,212,100)
Issue of equity share capital	5,502,290	33,013,736	-	-	38,516,026
Share issue expenses	-	(786,272)	-	-	(786,272)
Balance at 31 December 2013	**13,749,721**	**124,591,071**	**3,652,155**	**(17,724,665)**	**124,268,282**

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 Statement of Total Comprehensive Income for share based remuneration
- Profit and loss account; being the cumulative loss attributable to equity shareholders

METALS EXPLORATION PLC

COMPANY CASH FLOW STATEMENT for the year ended 31 DECEMBER 2013

	Notes	2013 £	2012 £
Net cash used in operating activities	21	**(31,772,312)**	**(23,936,392)**
Investing activities			
Investment in subsidiary		(6,318)	-
Net cash used in investing activities		**(6,318)**	-
Financing activities			
Proceeds from issue of share capital		38,516,026	16,324,032
Share issue costs incurred		(786,272)	(492,043)
Net cash from financing activities		**37,729,754**	**15,831,989**
Net (decrease)/increase in cash and cash equivalents		5,951,124	(8,104,403)
Cash and cash equivalents at beginning of year		24,953,177	33,972,672
Foreign exchange difference		-	(915,092)
Cash and cash equivalents at end of year		**30,904,301**	**24,953,177**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period covered by these financial statements.

Basis of preparation
The financial information has been prepared on a historical cost basis and in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board. The information is also prepared in accordance with IFRS adopted by the European Union and, as regards the Parent Company financial statements, applied in accordance with the provisions of the Companies Act 2006.

Going Concern
The Group may face a going concern issue if it fails to secure sufficient funds to achieve its current construction programme. Management has no reason to believe that debt funding will not be secured in the immediate future and should this view change management will seek to secure alternative funding as quickly as possible. At the end of April 2014 net cash at bank was £17,091,983 which management forecast, based on its current cash projections, will deplete to zero by July 2014 or October 2014 by slowing down several of the major value contracts after giving thirty days notification to the contractors (as required by the terms of the contracts). The contracts cannot be terminated without penalty and without sufficient funding being secured no new major contracts will be entered into.

Very few mining opportunities reach commercial production because of the high costs as barriers of entry into the industry and the protracted timeline from inception, through exploration and drilling, then commercial feasibility studies to finally achieving a sustainable cash flow. FCF Minerals Corporation ("FCF") in the Philippines is not protected from the same risks profile faced by all mining companies and has survived for ten years as the main operating entity within the Group and totally dependent upon shareholders equity contributions. Although there are no plans for the shareholders to provide any further contributions it should be noted that the current level of equity contributions on the balance sheet of the Group is £138,340,792 of which FCF has been the beneficiary of £86,995,702. FCF requires a financial contribution of about £42.5m to complete the construction project and if provided as debt would result in a Group leverage ratio of 77:23 in favour of the shareholders. This is a project with a much reduced risk profile and especially attractive for a debt funder.

FCF has very recently undergone a rigorous due diligence programme including stress modeling of all major variables. These were undertaken by experienced independent mining consultants whose findings resulted in extremely positive reports highlighting the project as having no major flaws and being equator principal compliant. The process to date in securing debt funding has been slower than expected because of the vagaries of an over regulated jurisdiction in the Philippines and the extreme requirements of a developing country in perfecting a security package. However, management has provided the banks with all of their requirements to date and has had not one negative reaction from either's credit committee as the documents unfold and are nearing completion.

The directors accept that these circumstances represent a material uncertainty that casts significant doubt on the Group's ability to continue as a going concern. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have reasonable expectation that the Group will be able to secure adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. No adjustments that would result if the Group were unable to continue as a going concern have been made.

1. Accounting policies (continued)

New standards and interpretations

At the date of authorisation of these financial statements, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the Group. Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of, these consolidated financial statements; the following may have a material impact going forward.

> IFRS9 *Financial instruments - Classification and measurement of financial instruments*: effective for annual periods beginning on or after 1 January 2018 (not yet endorsed by the EU). IFRS9 is the first step in replacing IAS39 *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for classifying and measuring financial assets and financial liabilities. The International Accounting Standards Board intends to expand IFRS9 to add new requirements for impairment of financial assets measured at amortised cost, and hedge accounting. It is expected this first phase adoption of IFRS9 will have an impact on the measurement and disclosures of the Group's financial assets but will not impact its financial liabilities.
>
> IFRS10 – *Consolidated Financial Statements*: effective for annual periods beginning on or after 1 January 2014. The objective of IFRS10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. In particular the standard defines the principle of control, and establishes control as the basis for consolidation. It sets out the accounting requirements for the preparation of consolidated financial statements. Metals Exploration plc has several entities comprising its group and will require management to exercise judgement in determining to what extent entities are controlled and therefore to be included in consolidation.
>
> IFRS12 – *Disclosure of Interests in Other Entities:* effective for annual periods beginning on or after 1 January 2014. This standard applies where an entity has an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The entity is required to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. Management will be required to use significant judgement to identify and evaluate certain risks in its various entities, and disclose these in future financial statements.
>
> IAS27 (revised 2011) – *Separate Financial Statements:* effective for annual periods beginning on or after 1 January 2014. Includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
>
> IAS28 (revised 2011) – *Associates and Joint Ventures:* effective for annual periods beginning on or after 1 January 2014. Includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2013. A subsidiary is an entity controlled, directly or indirectly, by the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiary companies have been included in the Group's financial statements from the date of acquisition when control was passed to the Group using the acquisition method of accounting. The Group financial statements include the results of the Company and its subsidiaries as if they were a single reporting entity. On consolidation, intra-Group transactions and balances are eliminated.

1. Accounting policies (continued)

Business combinations and goodwill

On acquisition, the assets, liabilities and contingent liabilities of the Company's subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Goodwill arising on consolidation is recognised as an asset in the consolidated balance sheet and tested annually for impairment and any impairment is accounted for as a reduction in the value of the asset. Goodwill is considered to have an indefinite useful life.

Where there is an acquisition of an increased share of an existing subsidiary's net assets after the Company has previously gained or had effective control of the decision making of the subsidiary, such that there is no dilution or loss of effective control in the subsidiary, then the transaction is accounted for in equity and reserves in the consolidated balance sheet. This particular type of acquisition transaction does not add to the value of goodwill on consolidation.

Foreign currency

The individual financial statements of the Company and its subsidiaries are presented in their functional currencies which are the currencies of the primary economic environments in which the entities operate. The Group financial statements are presented in Pounds Sterling which is the presentation currency for the Group and Company financial statements.

Transactions in currencies different to the Company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange gains and losses on the settlement of monetary items are recognised in the statement of total comprehensive income.

On consolidation, the assets and liabilities of foreign subsidiaries are translated to Pounds Sterling at the rates prevailing at the balance sheet date. Income and expenses are translated at the average exchange rates for the period. Exchange differences are recognised within other comprehensive income in the consolidated statement of total comprehensive income.

Taxation

Current tax is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the statement of total comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been substantively enacted by the balance sheet date.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the statement of total comprehensive income, except when it relates to items charged or credited directly to other comprehensive income in which case, the deferred tax is also dealt with in the statement of total comprehensive income.

1. Accounting policies (continued)

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

Share based payments
The Company enters into equity-settled share based compensation plans for the employees of its subsidiaries and enters into equity-settled share based transactions with its Directors, in which the counterparty provides services to the Company in exchange for remuneration in the form of certain equity instruments of the Company. The equity instruments comprise warrants and share options.

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

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

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

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

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

Capitalised exploration costs are reclassified to tangible assets once technical feasibility and commercial viability of extracting a mineral resource are demonstrable. The capitalised exploration costs are tested for impairment annually.

Where exploration costs have been incurred and capitalised for a specific tenement and the commercial and technical requirements to demonstrate positive economic returns using approved mining techniques has not been established, the Company recognises these costs as an intangible asset and tests these costs annually for impairment.

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

1. Accounting policies (continued)

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

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

Buildings	10 years	Straight-line
Drilling equipment	5 years	Straight-line
Motor vehicles	5 years	Straight-line
Leasehold improvements	5 years	Straight-line
Fixtures, fittings and equipment	3 years	Straight-line
Freehold land		this is not a depreciable asset.
Construction in progress	these costs are depreciated over the useful life of the mine at the point of commissioning the mining process plant applying the units of production method.	
Mining properties	these costs are depreciated over the useful life of the mine at the point of commissioning the mining process plant applying the units of production method.	

Mining Properties costs have arisen entirely as a result of a reclassification of the intangible assets deferred exploration costs, advances to surface occupants, and mining licenses. As of 20 October 2011 the extraction of gold from the Runruno site has been assessed as being both technically feasible and commercially viable. Further costs since this date have been capitalized straight to mining properties.

Construction in Progress tangible assets have been incurred after 1 December 2011, the date the board of directors announced that the Group had moved into the capital construction phase of its development. The costs were substantially incurred throughout 2012 and 2013.

The recovery of the Mining Property and Construction in Progress costs is dependent upon achieving the commercial mining economics as outlined in the feasibility study approved by the Mines and Geosciences Bureau, and the Company's ability to raise sufficient debt funding to build a processing plant, supporting infrastructure and ancillary buildings.

Mining Property costs will be depreciated over the useful life of the mine once the process plant has been commissioned and the process of recovery of gold from mineral ore has commenced.

Construction in Progress costs will be appropriately identified and allocated to a particular Property, Plant and Equipment tangible asset category, once the processing plant has been commissioned and the process of recovery of gold from mineral ore has commenced. The costs will be treated as being reclassified and will be depreciated according to the adopted method of the appropriate asset category.

Investments
Investments in subsidiaries and investment in associates are recognised at cost less any impairment losses in the Company accounts.

Equity accounting is applied to investments in associates on a Group basis. Investments in associates are recognised at the cost of investment as adjusted for post-acquisition changes in the Group's share of net assets of the associate. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

1. Accounting policies (continued)

Financial instruments
Financial instruments are recognised as assets, liabilities or within equity in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets of the Group comprise cash and cash equivalents and other receivables. The Group's financial liabilities comprise trade and other payables.

Cash and cash equivalents include cash in hand and short-term bank deposits. Other receivables are measured at amortised cost.

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost. Fair value usually equates to the proceeds received. Finance costs are accrued for in the statement of total comprehensive income to the extent that they are unpaid.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates, assumptions and judgements that affect the application of policies, and reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from reported amounts in the financial statements.

The estimates, assumptions and judgements which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are:

Impairment of tangible and intangible assets
Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

Depreciation of tangible assets
Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives. The selection of these residual values and estimated lives requires the exercise of management judgement.

Functional currency of group companies
The Group comprises several entities in three different countries; Philippines, Indonesia and United Kingdom. The financial statements of each entity are prepared using the functional currency of the country where it is registered to do business. On preparation of Group consolidated financial statements, management chooses an appropriate exchange rate to translate each of the functional currencies to Pounds Sterling. The Group financial statements are presented in the functional currency of the parent company. This judgement may change if future events dictate a more appropriate presentational currency should be adopted.

Recovery of intercompany receivable accounts - Company
The recoverability of amounts due to the Company from other Group entities is assessed on an annual basis and is determined from value-in-use calculations. The key assumptions for these value-in-use calculations are those regarding discount rates, the estimated changes in the price of gold, increments in the resource statements and forecast changes in direct costs to reflect the operational gearing of the business, the ability of the entity to renew its mining permit(s) and comply with annual required levels of expenditure.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

The carrying amount of the Company's intercompany receivable non-current asset at 31 December 2013 was £88,520,804 (2012: £57,747,010) which excludes an amount of £701,652 (2012: £701,652) as a result of impairment reviews performed on all Group entities in the year. This reflects the impairment of the Indonesian entity's recoverable amount.

Impairment of intangible assets and tangible assets
The Group tests whether the carrying values of its intangible assets and tangible assets have suffered any impairment, at least annually using the same value-in-use determinations above.

If the actual performance of a Group entity becomes materially worse compared to the performance based on the estimates, possible impairment losses could arise, or could deviate from previously detected impairment losses. This impairment loss or deviation could have a material effect on the carrying amounts of the intangible or tangible assets.

The estimated value in use of the Group's entities did not indicate any deterioration in an entity's carrying values for its intangible assets or tangible assets for the year ended 31 December 2013.

3. **Operating loss** for the year is stated after charging:

	2013	*2012*
	£	*£*
Depreciation of property, plant and equipment	441,951	359,942
Amortisation	48,382	69,927
Foreign exchange losses	1,144,049	1,031,141
Staff costs (see note 6)	1,295,440	1,045,954
Auditors remuneration (see note 4)	85,134	50,705

4. Auditor's remuneration

	2013	*2012*
	£	*£*
Fees payable to the Group and Company's auditor for the audit of the Group and Company's accounts	35,250	39,775
Fees payable to the Company's auditor and its associates for non-audit related services	2,900	4,530
Taxation compliance services	5,950	6,400
Taxation advice services	23,898	-
	67,998	**50,705**

5. Segmental analysis

Operating segments have been identified on the basis of the Group's internal reporting to the Chief Operating Decision Maker ('CODM') and in particular the components of the Group which are regularly reviewed by the CODM. The operating segments included in internal reports are determined on the basis of their significance to the Group. The CODM has been determined to be the Board of Directors as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments. The primary segments have been identified into three geographic areas of the UK, Philippines and Indonesia. The CODM uses 'Loss before tax' and 'Cash & cash equivalents' as the key measures of the segments' results and these measures reflect the segments' underlying performance for the period under evaluation. Major customers are not identifiable or reported as the Group's mining operations are not yet operating in a production capacity. Mining construction commenced in 2013 and it is expected that mining production will commence in Q1 2015. It is because of this status that most expenditure is of a capital nature.

The segment results for the year ended 31 December 2013, for the year ended 31 December 2012 and the reconciliation of the segment measures to the respective statutory items in the consolidated financial information are as follows:

Year ended 31 December 2013	UK	Philippines	Indonesia	Consolidation adjustments	Total
	£	£	£	£	£
Segment results					
Group operating loss	(2,221,106)	(3,020,451)	(21,975)	-	(5,263,532)
Finance income & similar items	20,612	1,351	11	-	21,974
Finance costs	(11,606)	(9,072)	(141)	-	(20,819)
Operating loss	(2,212,100)	(3,028,172)	(22,105)	-	(5,262,377)
Share of losses of associates	-	-	-	27,382	27,382
Losses from continuing operations	**(2,212,100)**	**(3,028,172)**	**(22,105)**	**27,382**	**(5,234,995)**

Year ended 31 December 2012	UK	Philippines	Indonesia	Consolidation adjustments	Total
	£	£	£	£	£
Segment results					
Group operating loss	(2,833,604)	(1,613,368)	(35,829)	3,850	(4,478,951)
Finance income & similar items	3,390	894	8	-	4,292
Finance costs	(3,302)	(44,795)	(126)	-	(48,223)
Operating loss	(2,833,516)	(1,657,269)	(35,947)	3,850	(4,522,882)
Gain arising on group reorganisation	-	156,266	-	-	156,266
Share of losses of associates	-	-	-	(3,128)	(3,128)
Losses from continuing operations	**(2,833,516)**	**(1,501,003)**	**(35,947)**	**722**	**(4,369,744)**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

5. Segmental analysis (continued)

Year ended 31 December 2013	UK	Philippines	Indonesia	Consolidation adjustments	Total
	£	£	£	£	£
Segment assets					
Segment tangibles & intangibles	-	73,039,309	2,055	-	73,041,364
Segment trade & other receivables	222,887	3,396,998	-	-	3,619,885
Segment cash	30,910,618	1,033,046	3,432	-	31,947,096
Total segment assets	31,133,505	77,469,353	5,487	-	108,608,345
Segment trade & other payables	(241,434)	(2,049,713)	(5,067)	-	(2,296,214)
Total segment liabilities	(241,434)	(2,049,713)	(5,067)	-	(2,296,214)
Equity-accounted investees	54,428	-	-	-	54,428
Total segment net assets	**30,946,499**	**75,419,640**	**420**	**-**	**106,366,559**

Year ended 31 December 2012	UK	Philippines	Indonesia	Consolidation adjustments	Total
	£	£	£	£	£
Segment assets					
Segment tangibles & intangibles	-	46,686,024	2,864	-	46,688,888
Segment trade & other receivables	39,831	10,873,847	-	-	10,913,678
Segment cash	24,953,177	1,320,981	864	-	26,275,022
Total segment assets	24,993,008	58,880,852	3,728	-	83,877,588
Segment trade & other payables	(161,687)	(2,325,083)	(6,555)	-	(2,493,325)
Total segment liabilities	(161,687)	(2,325,083)	(6,555)	-	(2,493,325)
Equity-accounted investees	30,454	-	-	(3,128)	27,326
Total segment net assets/(liabilities)	**24,861,775**	**56,555,769**	**(2,827)**	**(3,128)**	**81,411,589**

Segment net assets are analysed net of intercompany transactions.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

5. Segmental analysis (continued)

Year ended 31 December 2013	UK	Philippines	Indonesia	Total
	£	£	£	£
Segment other information				
Amortisation of intangible assets	-	(48,382)	-	(48,382)
Depreciation of property, plant and equipment	-	(441,793)	(158)	(441,951)
Additions to non-current assets	-	30,093,429	-	30,093,429

Year ended 31 December 2012	UK	Philippines	Indonesia	Total
	£	£	£	£
Segment other information				
Amortisation of intangible assets	(41,222)	(28,706)	-	(69,928)
Depreciation of property, plant and equipment	-	(353,624)	(6,318)	(359,942)
Additions to non-current assets	-	13,423,837	-	13,423,837

The results of each segment have been prepared using accounting policies consistent with those of the Group as a whole.

6. Staff numbers and costs

	2013	*2012*
The average number of persons, including Directors, was:	*Number*	*Number*
Administration	33	21
Exploration	111	145
Construction & development	453	224
	597	**390**

	2013	*2012*
Staff costs of the above persons were:	*£*	*£*
Wages and salaries	1,213,129	973,589
Social security costs	4,190	5,370
Pension costs	15,877	17,258
Termination benefits	62,244	49,737
	1,295,440	**1,045,954**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

6. Staff numbers and costs (continued)

Directors' emoluments:	*2013*
	£
Directors	
I.R. Holzberger	356,055
Sums paid to third parties in respect of directors	
Solomon Capital Limited – T.J. Dean	24,000
Solomon Capital Limited – E. F. Parsons	16,000
Solomon Capital Limited – C. G. Whitehouse	24,000
Solomon Capital Limited – J. G Wilson	8,000
Runruno Holdings Limited – G. R. Walker	40,000
	112,000
	468,055

The Directors are considered to be the only members of key management personnel.

Pursuant to the Subscription and Shareholders' Agreement of 8 March 2011, Solomon Capital Limited and Runruno Holdings Limited subsequently entered into separate Services Agreements which detailed the terms of remuneration each of these companies receives for the supply of their nominated directors. Solomon Capital Limited nominee directors are Mr Edward Parsons (resigned 1 August 2013), Mr Chris Whitehouse, Mr Julian Wilson (appointed 1 August 2013) and Mr Tim Dean. Runruno Holdings Limited nominee director is Mr Guy Walker. The Services Agreement for Solomon Capital Limited does not directly apply to Mr Tim Dean but it is acknowledged that his remunerative terms follow the convention for Mr Whitehouse and Mr Wilson as detailed in the agreement. Mr Jeremy Ayre was appointed on 6 March 2014 as an independent non-executive director to complement the board.

a) warrants held by Director:

Warrant holder	*Grant date*	*Number of warrants*	*Exercise price*	*Earliest vesting date or rate per month*	*Expired*
I. R. Holzberger	08-Jul-08	1,000,000	£0.20000	08-Jul-08	30-Jun-13
	08-Jul-08	1,000,000	£0.40000	04-May-10	30-Jun-13

b) Share options held by Director:

Option holder	*Grant date*	*Number of warrants*	*Exercise price*	*Earliest vesting date or rate per month*	*Expiry date*
I. R. Holzberger	18-Mar-10	6,000,000	£0.25000	18-Mar-12	17-Mar-17

Further details relating to key management are given in note 23 to the financial statements.

7. Finance costs and income

	2013	*2012*
	£	*£*
Loan interest payable	(6,165)	(41,834)
Bank interest and charges payable	(14,654)	(6,389)
Finance costs	**(20,819)**	**(48,223)**
Bank interest receivable	21,974	4,292
Finance income and similar items	**21,974**	**4,292**

8. Taxation

	2013	**2012**
	£	*£*
Loss before tax	(5,234,995)	(4,369,744)
Tax on loss on ordinary activities at standard UK corporation tax rate of 23% (2012: 24%)	(1,204,049)	(1,048,739)
Effects of:		
Overseas expenses not taxable for tax purposes	965,712	380,052
Expenses not deductible for tax purposes	67,046	42,903
Short-term timing differences	12,068	5,329
Losses carried forward	159,223	620,455
Total tax expense for the period	-	-

For the year ended 31 December 2013 the Company has an unprovided deferred tax liability of £777,034 for the accumulated costs associated with share based payments through previous years' statements of comprehensive income.

For the year ended 31 December 2013 the Group has net unused tax losses available for offset against future profits as follows:

	2013	**2012**
	£	*£*
UK	10,872,307	9,325,103
Philippines	3,712,056	3,638,403
Indonesia	-	-
Group unused tax losses available	**14,584,363**	**12,963,506**

The losses incurred by the Indonesian entity, PT Cupati are not recognised in calculating deferred tax as the results of PT Cupati have been impaired in the Group financial statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

8. Taxation (continued)

However, due to the Group's ongoing tax losses situation, the deferred tax asset has not been recognised on the Balance Sheet due to uncertainty over its future reversal.

On 21 March 2013 the Government announced a number of changes to the UK corporation tax system, including a reduction of the main rate of corporation tax from 24% to 23% with effect from 1 April 2013. This change of rate became substantively enacted for the purposes of IAS12; Income Taxes, on 26 March 2013 by passing a resolution to this effect under the Provisional Collection of Taxes Act 1968.

The Company has recalculated its un-provided UK deferred tax assets at the end of the reporting period using the most recently substantively enacted corporation tax rate of 21% (2012: 23%), and the deferred tax asset is estimated to be £2,273,103 (2012: £2,133,732).

On 20 March 2013 the Government also announced the intention to reduce the rate of UK corporation tax to 20% by 1 April 2015. As these changes have not been substantively enacted at 31 December 2013, they have not been recognised in these financial statements. Had these changes been enacted, then the cumulative effects would have been a reduction in the deferred tax asset of £98,641.

9. Loss per share

	2013 £	*2012* £
Loss		
Net loss attributable to equity shareholders for the purpose of basic and diluted loss per share	(5,234,995)	(4,369,744)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,070,031,076	729,458,242
Basic and diluted loss per share	(0.489)p	(0.599)p

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	15,013,333	27,827,083

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

10. Property, plant and equipment – Group

	Leasehold improvements	Motor vehicles	Fixtures, fittings & equipment	Land & buildings	Drilling equipment	Construction in progress	Mining properties	*Total*
	£	£	£	£	£	£	£	£
Cost								
As at 1 January 2012	230,765	216,766	549,548	1,331,371	914,902	-	25,771,751	29,015,103
Additions	6,700	164,551	736,922	-	-	9,412,838	1,238,410	11,559,421
Reclassification of cost	-	-	-	(405,403)	-	405,403	503,117	503,117
Disposals on group reconstruction	-	-	-	(925,809)	-	-	-	(925,809)
Foreign exchange differences	(125)	4,567	9,241	(159)	19,278	-	543,030	575,832
As at 31 December 2012	237,340	385,884	1,295,711	-	934,180	9,818,241	28,056,308	40,727,664
Additions	-	317,066	8,166,293	6,575	102,610	11,733,563	9,767,322	30,093,429
Foreign exchange differences	(26,864)	(34,361)	(117,065)	-	(83,187)	(874,291)	(2,498,345)	(3,634,113)
As at 31 December 2013	**210,476**	**668,589**	**9,344,939**	**6,575**	**953,603**	**20,677,513**	**35,325,285**	**67,186,980**
Depreciation								
As at 1 January 2012	(157,966)	(150,095)	(411,526)	(18,395)	(599,544)	-	-	(1,337,526)
Charge for the period	(41,710)	(44,678)	(86,719)	-	(186,835)	-	-	(359,942)
Disposals on group reconstruction	-	-	-	18,349	-	-	-	18,349
Foreign exchange differences	802	(3,163)	(6,579)	46	(12,633)	-	-	(21,527)
As at 31 December 2012	**(198,874)**	**(197,936)**	**(504,824)**	-	**(799,012)**	-	-	**(1,700,646)**
Charge for the period	(25,986)	(74,334)	(224,496)	-	(117,135)	-	-	(441,951)
Foreign exchange differences	23,260	17,625	46,419	-	71,150	-	-	158,454
As at 31 December 2013	**(201,600)**	**(254,645)**	**(682,901)**	-	**(844,997)**	-	-	**(1,984,143)**
Net book value								
As at 31 December 2013	**8,876**	**413,944**	**8,662,038**	**6,575**	**108,606**	**20,677,513**	**35,325,285**	**65,202,837**
As at 31 December 2012	38,466	187,948	790,887	-	135,168	9,818,241	28,056,308	39,027,018
As at 1 January 2012	72,799	66,671	138,022	1,312,976	315,358	-	25,771,751	27,677,577

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

10. Property, plant and equipment – Group (continued)

As of 1 December 2011 the Board of Directors approved the transition for FCF Minerals Corporation to commit expenditure towards the construction of a mining process plant at Runruno. Historical costs incurred at Runruno to gain access rights over land were previously accumulated and reported as intangible assets, but as of 1 January 2012 have been reclassified by transferring these costs into the Property, plant and equipment category of tangible assets.

10. Property, plant and equipment - Company

	Fixtures, fittings & equipment £
Cost	
As at 1 January 2012	8,825
Additions	-
As at 31 December 2012	8,825
Additions	-
As at 31 December 2013	**8,825**
Depreciation	
As at 1 January 2012	(8,825)
Charge for the period	-
As at 31 December 2012	(8,825)
Charge for the period	-
As at 31 December 2013	**(8,825)**
Net book value	
As at 31 December 2013	-
As at 31 December 2012	-
As at 1 January 2012	-

11. Goodwill

	2013	*2012*
	£	*£*
Cost and net book value	1,010,816	1,010,816

Goodwill has arisen from the acquisition of a 70% share in FCF Minerals Corporation in February 2005, and a further 15% in August 2007. Following the adoption of IAS27; *Consolidated and Separate Financial Statements (revised 2008)*, no goodwill was recognised on the acquisition of the remaining 15% shareholding in FCF Minerals Corporation in 2011. Instead, the fair value of the consideration less the value of the non-controlling interest was accounted for in equity reserves as the 'Acquisition of Non-Controlling Interest Reserve' in the consolidated balance sheet.

Under IAS36 - *Impairment of Assets*, a cash generating unit to which goodwill has been allocated should be tested annually for impairment. The Company assesses the recoverable amount of the cash generating unit based on the value in use of the Runruno project using cash flow projections over the expected life of the mine of 10 years and discount rates of 5%, 10% and 20%. The cash flow projections are based on the current resource estimate of 1m ounces of gold and include estimated capital expenditure and annual operating costs using externally sourced price forecasts for gold. The estimated value-in-use exceeded the aggregate of the carrying values of the Group's intangible assets, including goodwill, therefore no impairment was made.

Goodwill is not annually translated to the closing rate at the balance sheet date as any foreign exchange movements on this balance would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

12. Other intangible assets – Group

	Cost of Exploration	*Licences*	*Software*	*Total*
	£	£	£	£
Cost				
As at 1 January 2012	192,057	5,423,862	118,515	5,734,434
Additions	2,160,766	-	83,360	2,244,126
Disposals on group reconstruction	-	(379,551)	-	(379,551)
Foreign exchange differences	-	(503,117)	-	(503,117)
Reclassification of costs incurred	4,047	90,846	2,497	97,390
As at 31 December 2012	2,356,870	4,632,040	204,372	7,193,282
Additions	777,938	-	39,362	817,300
Foreign exchange differences	(209,874)	(412,472)	(18,199)	(640,545)
As at 31 December 2013	**2,924,934**	**4,219,568**	**225,535**	**7,370,037**
Impairment				
As at 1 January 2012	(192,057)	-	-	(192,057)
Foreign exchange differences	(4,047)	-	-	(4,047)
As at 31 December 2012	(196,104)	-	-	(196,104)
Foreign exchange differences	17,463	-	-	17,463
As at 31 December 2013	**(178,641)**	-	-	**(178,641)**
Amortisation				
As at 1 January 2012	-	(188,497)	(85,890)	(274,387)
Charge for the period	-	(41,222)	(28,705)	(69,927)
Foreign exchange differences	-	-	(1,810)	(1,810)
As at 31 December 2012	-	**(229,719)**	**(116,405)**	**(346,124)**
Charge for the period	-	-	(48,382)	(48,382)
Foreign exchange differences	-	20,456	10,365	30,821
As at 31 December 2013	-	**(209,263)**	**(154,422)**	**(363,685)**
Net Book Value				
As at 31 December 2013	**2,746,293**	**4,010,305**	**71,113**	**6,827,711**
As at 31 December 2012	**2,160,766**	**4,402,321**	**87,967**	**6,651,054**
As at 1 January 2012	-	**5,235,365**	**32,626**	**5,267,991**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

12. Other intangible assets – Company

	Licences
	£
Cost	
As at 1 January 2012	229,719
Additions	-
As at 31 December 2012	229,719
Foreign exchange differences	(20,456)
As at 31 December 2013	**209,263**
Amortisation	
As at 1 January 2012	(188,497)
Charge for the period	(41,222)
As at 31 December 2012	(229,719)
Foreign exchange differences	20,456
As at 31 December 2013	**(209,263)**
Net Book Value	
As at 31 December 2013	-
As at 31 December 2012	-
As at 1 January 2012	41,222

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

13. Investments in subsidiaries - Company

	£
Cost	
As at 1 January 2012	6,594,168
Additions	-
As at 31 December 2012	6,594,168
Additions	6,318
As at 31 December 2013	**6,600,486**
Impairment	
As at 1 January 2012	(452,326)
Charge for the period	-
As at 31 December 2012	(452,326)
Charge for the period	(124,274)
As at 31 December 2013	**(576,600)**
Net book value	
As at 31 December 2013	**6,023,886**
As at 31 December 2012	**6,141,842**
As at 1 January 2012	**6,141,842**

FCF Minerals Corporation, PT Cupati and MTL Philippines Inc are direct subsidiaries of the Company.

The investments in subsidiaries are as follows:

Company	*Country of registration*	*Percentage holding*	*Nature of business*
FCF Minerals Corporation	Philippines	100%	Holder of mining rights
MTL Philippines Inc	Philippines	100%	Holder of exploration permits
PT Cupati	Indonesia	96%	Holder of mining rights
Metals Exploration Pte Ltd	Singapore	100%	Holding investment company

13. Investments in subsidiaries – Company (continued)

Metals Exploration plc ROHQ established in the Philippines is an overseas branch of the Company and therefore its results are reported together with the Company's.

Metals Exploration Pte Ltd, established in Singapore, is a wholly owned subsidiary of Metals Exploration plc created for the sole purpose of perfecting a security package for an imminent debt facility to be provided to the group.

14. Investments in associates

	Group	Company £
Cost of investment in associates	30,454	30,454
Share of gains/(losses) (retained by associate companies) (2013: 27,035; 2012: (3,128))	23,907	-
Impairment	347	-
Foreign exchange differences	(280)	(280)
	54,428	**30,174**

Associate company	Domicile	Assets £	Liabilities £	P&L reserves Deficit at 31 Dec 13 £	Sales £	Gaines/(Losses) £	Ownership %
Cupati Holdings Corporation	Philippines	1,749,559	(1,769,688)	123,926	-	41,754	40%
Woggle Corporation	Philippines	157,158	(197,173)	40,688	-	(14,719)	40%

15. Trade and other receivables due in more than one year – Group

	2013 £	*2012* £
Amounts owed by associates	**1,987,684**	**1,785,928**

15. Trade and other receivables due in more than one year – Company

	2013 £	*2012* £
Amounts due from group undertakings	**87,144,349**	**57,747,010**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

16. Trade and other receivables due in less than one year – Group

	2013	*2012*
	£	*£*
Other receivables	1,312,746	8,977,364
Prepayments	319,455	150,386
	1,632,201	**9,127,750**

16. Trade and other receivables due in less than one year - Company

	2013	*2012*
	£	*£*
Other receivables	397,342	10,174
Prepayments	9,664	29,658
	407,006	**39,832**

17. Cash and cash equivalents – Group

	2013	*2012*
	£	*£*
Cash on hand	10,000	7,970
Current accounts	26,286,256	3,632,180
Time deposit and call accounts	5,650,840	22,634,872
	31,947,096	**26,275,022**

17. Cash and cash equivalents – Company

	2013	*2012*
	£	*£*
Current accounts	25,253,461	2,318,305
Time deposit and call accounts	5,650,840	22,634,872
	30,904,301	**24,953,177**

18. Trade and other payables – Group

	2013	*2012*
	£	*£*
Trade payables	1,425,852	1,693,283
Other payables	587,987	430,860
Other tax and social security payable	93,109	82,709
Accruals	189,266	286,473
	2,296,214	**2,493,325**

18. Trade and other payables - Company

	2013	*2012*
	£	£
Trade payables	122,039	68,966
Other tax and social security payable	57,692	56,245
Accruals	61,703	36,476
	241,434	**161,687**

19. Called up share capital

	2013	*2012*
	£	£
Allotted, called up and fully paid at 1 January	8,247,431	6,946,736
Shares issued and fully paid during the year	5,502,290	1,300,695
Allotted, called up and fully paid at 31 December	**13,749,721**	**8,247,431**

On 26 March 2013 the Company announced that it had obtained commitments to raise approximately US$57.7 million (US$56.55 net of expenses) from its five principal shareholders. This involved issuing a total of 545,033,044 new ordinary shares of 1 pence each in the Company at a price of 7 pence per new ordinary share. It was also announced the Company had entered into discussions to raise approximately US$70 million in debt funding for the purposes of constructing its Runruno gold mine with an international resource bank. The Company expects that following receipt of funds from the issue and the proposed debt funding, it will have in place sufficient capital to complete the construction of the mine at its Runruno Project and the acquisition of a mining fleet for post construction operations at Runruno.

The issue of the shares was allotted and issued in three stages on each of the dates of 22 April 2013, 17 June 2013 and 14 October 2013 and admitted to trading on the London Alternative Investment Market at 8.00 a.m. on each of the dates 23 April 2013, 18 June 2013 and 15 October 2013.

The total issues to each of the five principal shareholders in aggregate for each of the three stages was as follows:

(i) Solomon Capital Limited was issued with 285,787,493 new shares at a purchase price of 7p per share equivalent to gross capital contribution of £20,005,124.54. A 2% commission equivalent to £400,102.49 was paid to Solomon Capital Limited.

(ii) Baker Steel Capital Managers LLP (acting on behalf of various Funds for which it acts as full discretionary Investment Manager) was issued with 145,071,026 new shares at a purchase price of 7p per share equivalent to gross capital contribution of £10,154,971.84. A 2% commission equivalent to £203,099.44 was paid to Baker Steel Capital Managers LLP (acting on behalf of various Funds for which it acts as full discretionary Investment Manager).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

19. Called up share capital (continued)

(iii) Runruno Holding Limited was issued with 96,471,588 new shares at a purchase price of 7p per share equivalent to gross capital contribution of £6,753,011.12. A 2% commission equivalent to £135,060.22 was paid to the Runruno Holdings Limited entities.

(iv) Mr. Graham Edwards was issued with 13,926,365 new shares at a purchase price of 7p per share equivalent to gross capital contribution of £974,845.60. A 2% commission equivalent to £19,496.91 was paid to the Mr. Graham Edwards.

(v) Investec Investment Wealth & Investment Ltd investors were issued with 3,776,572 new shares at a purchase price of 7p per share equivalent to gross capital contribution of £264,360.04. A 2% commission equivalent to £5,287.20 was paid to Investec Investment Wealth & Investment Ltd investors.

In the same announcement of 26 March 2013 it was further announced the Company would provide existing Shareholders with the opportunity to subscribe for new ordinary shares at a price of 7 pence pro rata to their shareholdings in the Company up to a maximum of approximately €4.5 million through an Open Offer and the issue of up to 55 million new shares. The four principal shareholders subscribing to the issue provided the Company with irrevocable undertakings to waive their respective rights to participate in the Open Offer.

The Board did not believe the funds raised by way of the Open Offer are critical to the construction of the Runruno Project and plans to fund the construction using the share issue proceeds and by agreeing debt arrangements with third party debt providers. Regardless of the take up of the Open Offer, the Board was delighted to afford all qualifying shareholders the opportunity to increase their shareholding in the Company at a time when the Company has already benefitted from the considerable financial support of the four principal shareholders on equivalent terms.

The Company made the Open Offer to qualifying shareholders on a pre-emptive basis. The proposed offer price was 7 pence per Open Offer share which is the same price as the price at which the earlier placed shares were issued. However, the Open Offer was not conditional upon completion of the earlier placing or the level of applications made to subscribe under the Open Offer. Qualifying shareholders were invited to apply for Open Offer Shares under the Open Offer at a price of 7p per Open Offer Share, payable in full on application and free of all expenses, pro rata to their existing shareholdings on the basis of '65 Open Offer Shares for every 100 Existing Ordinary Shares'. The Open Offer Shares after being issued and fully paid, ranked pari passu in all respects with the Existing Ordinary Shares and the placing shares, including the right to receive all dividends and other distributions declared, made or paid after the date of Admission.

On 5 June 2013 the Company announced that it has received valid applications for a total of 5,195,877 new ordinary shares of 1p each in the Company ("Ordinary Shares") under the Open Offer that closed on 31 May 2013, raising a total of £363,711.39 for the Company and representing approximately 9.6 per cent of the amount available for acceptance under the Open Offer. Of the shares applied for, acceptances in respect of 4,921,771 shares represented shareholders' basic entitlements and the balance of 274,106 shares were applied for by shareholders in excess of their basic entitlements. The shares were admitted for trading on the market on 6 June 2013.

Following the close of the Open Offer and the share placing the Company had issued 1,374,972,025 Ordinary Shares of 1 pence each in issue with each share carrying the right to one vote. There were and are no shares held in treasury. The total number of voting rights in the Company is 1,374,972,025 as at the Balance Sheet date.

20. Share based payments

Share options

The Group operates a share option scheme named the Unapproved Share Option Scheme 2007 ('Share Option Scheme') adopted on 29 March 2007.

Under the Group's Share Option Scheme, options are generally exercisable after 3 years from the issue date at a price equal to the quoted market price of the Company's shares on the date of grant. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding are as follows:

	Year ended 31 December 2013		Year ended 31 December 2012	
	Number of share options	Weighted average exercise price *p*	Number of share options	Weighted average exercise price *P*
Outstanding at the beginning of the period	14,275,000	25.35	14,725,000	25.45
Exercised during the period	-	-	-	-
Expired during the period	(7,000,000)	25.36	(450,000)	28.88
Outstanding at the end of the period	**7,275,000**	**25.33**	**14,275,000**	**25.35**
Exercisable at the end of the period	7,275,000	25.33	14,275,000	25.35

The share options outstanding had a range of exercise prices as follows:

	Year ended 31 December 2013			Year ended 31 December 2012		
	Number of share options	exercise price *p*	weighted average remaining contractual life *(months)*	Number of share options	exercise price *P*	weighted average remaining contractual life *(months)*
	150,000	12.00	27	150,000	12.00	39
	500,000	15.00	26	500,000	15.00	38
	6,000,000	25.00	38	11,000,000	25.00	50
	-	26.25	-	2,000,000	26.25	52
	625,000	40.00	46	625,000	40.00	58
Outstanding at the end of the period	**7,275,000**	**25.33**	**43**	**14,275,000**	**25.35**	**55**

During the year, an expense of £nil was recognised in the statement of total comprehensive income (2012: £nil).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

20. Share based payments (continued)

Warrants

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

Details of the warrants outstanding are as follows:

	Year ended 31 December 2013		Year ended 31 December 2012	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		p		*p*
Outstanding at the beginning of the period	5,510,000	31.23	17,010,000	14.80
Exercised during the period	-	-	(6,000,000)	3.25
Granted during the period	-	-	-	-
Expired during the period	(3,010,000)	26.64	(5,500,000)	25.82
Outstanding at the end of the period	**2,500,000**	**36.75**	**5,510,000**	**31.23**
Exercisable at the end of the period	2,500,000	36.75	5,510,000	31.23

The warrants outstanding had a range of exercise prices as follows:

	Year ended 31 December 2013			Year ended 31 December 2012		
	Number of warrants	exercise price *P*	weighted average remaining contractual life *(months)*	Number of warrants	exercise price *p*	weighted average remaining contractual life *(months)*
	-	20.00	-	2,010,000	20.00	6
	1,000,000	26.25	4	1,000,000	26.25	16
	1,000,000	39.38	4	1,000,000	39.38	16
	-	40.00	-	1,000,000	40.00	6
	500,000	52.50	4	500,000	52.50	16
Outstanding at the end of the period	**2,500,000**	**31.23**	**4**	**5,510,000**	**31.23**	**10**

During the year, a £nil charge was recognised in the statement of total comprehensive income (2012: £nil).

21. Net cash used in operating activities – Group

	2013 £	*2012* £ *(restated)*
Loss before tax	(5,234,995)	(4,369,744)
Depreciation	441,951	359,942
Amortisation	48,382	69,927
Provisions	-	23,746
Share of (gains)/losses of associates	(27,102)	3,128
Net interest (receivable)/payable	(1,155)	43,931
Decrease/(increase) in receivables	439,151	(1,451,165)
(Decrease)/increase in payables	(440,839)	1,115,237
Foreign exchange difference	-	1,031,141
Cash used in operations	**(4,774,607)**	**(3,173,856)**
Interest received	21,974	4,292
Interest paid	(20,819)	(48,223)
Net cash used in operating activities	**(4,773,452)**	**(3,217,787)**

For the year ended 31 December 2012, £7,746,899 has been reclassified from cash used in operating activities to cash used in investing activities: being deposits committed and held by HSBC Bank plc (Philippines) in respect of property, plant and equipment as at 31 December 2012.

21. Net cash used in operating activities - Company

	2013 £	*2012* £
Loss before tax	(2,212,100)	(2,833,516)
Impairment of investment in subsidiary	124,274	-
Amortisation	-	41,222
Provision for doubtful intercompany receivable	-	18,965
Net interest receivable	(14,446)	(3,390)
Increase in receivables	(29,764,513)	(22,119,356)
Increase in payables	80,027	41,201
Foreign exchange differences	-	915,092
Cash used in operations	**(31,786,758)**	**(23,939,782)**
Interest received	20,611	3,390
Interest paid	(6,165)	-
Net cash used in operating activities	**(31,772,312)**	**(23,936,392)**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

22. Capital commitments

As at 31 December 2013 the Group had £8,993,240 of outstanding capital commitments (31 December 2012 £9,047,523) for the purchase of property, plant and equipment.

23. Related party transactions

Only members of the Board of Directors of Metals Exploration plc are deemed to be key management personnel. This Board has responsibility for planning, controlling and directing the activities of the Group. Key management compensation is disclosed in Note 6, Directors' emoluments section. Other transactions with key management personnel are described below:

	Number of key management personnel	*Share Based payments charge*
		£
As at 31 December 2013	5	-
As at 31 December 2012	5	-

During the year to 31 December 2013, the Company recognised a provision of £25,482 in respect of a doubtful receivable balance owed by subsidiary company, PT Cupati (2012: £18,965).

During the year, the Company paid £29,105,862 to its subsidiaries to fund operations and purchase property, plant and equipment (2012: £22,972,929). At the year end, the Company was owed £88,520,804 by its subsidiaries (2012: £57,747,011).

During the year, the Company paid £148,647 to Woggle Corporation, an associated company, to fund operations and purchase property, plant and equipment (2012: £nil). At the year end, the Company was owed £148,647 by its subsidiaries (2012: £nil).

24. Financial instruments

The Group's financial instruments comprise cash and cash equivalents and items such as trade payables and other receivables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The directors consider that the carrying amount of these assets and liabilities is a reasonable approximation of their fair value.

The carrying values of the Group's financial assets at the year-end are as follows:

Group	***Cash & cash equivalents***	***Owed by associates***	***Other receivables***	***Total***
	£	**£**	**£**	**£**
As at 31 December 2013	31,947,096	1,987,684	1,632,201	35,566,981
As at 31 December 2012	26,275,022	1,785,928	9,127,750	37,188,700

Other receivables, amounts owed by associate companies, and cash & cash equivalents are measured at amortised cost.

24. Financial instruments (continued)

The Company's financial assets comprise cash & cash equivalents of £30,904,301 (2012: £24,953,177) and trade and other receivables of £88,927,810 (2012: £57,786,842).

The carrying values of the Group's financial liabilities at the year-end are as follows:

Group	***Trade payables***	***Accruals***	***Other payables***	***Total***
	£	£	£	£
As at 31 December 2013	1,425,852	189,266	681,096	2,296,214
As at 31 December 2012	1,693,283	286,473	513,569	2,493,325

Trade payables, accruals and other payables are measured at amortised cost.

The Company's financial liabilities comprise trade payables of £120,881 (2012: £68,966), accruals of £61,703 (2012: £36,476), and other payables of £58,850 (2012: £56,245).

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

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

The contractual maturities of the financial liabilities at the year-end which are measured at amortised cost are as follows:

Group	***Trade payables***	***Accruals and other payables***	***Total***
	£	**£**	**£**
As at 31 December 2013			
1 month or less	1,425,852	870,362	2,296,214
2 – 6 months	-	-	-
6 – 12 months	-	-	-
1 – 2 years	-	-	-
Total contractual cash flows	1,425,852	870,362	2,296,214
As at 31 December 2012			
1 month or less	1,693,283	800,042	2,493,325
2 – 6 months	-	-	-
6 – 12 months	-	-	-
1 – 2 years	-	-	-
Total contractual cash flows	1,693,283	800,042	2,493,325

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

24. Financial instruments (continued)

Company	*Trade payables*	*Accruals and other payables*	*Total*
	£	£	£
As at 31 December 2013			
1 month or less	120,881	120,553	241,434
2 – 6 months	-	-	-
6 – 12 months	-	-	-
1 – 2 years	-	-	-
Total contractual cash flows	120,881	120,553	241,434
As at 31 December 2012			
1 month or less	117,412	44,275	161,687
2 – 6 months	-	-	-
6 – 12 months	-	-	-
1 – 2 years	-	-	-
Total contractual cash flows	117,412	44,275	161,687

Credit risk
Credit risk is the risk of financial loss to the Group or Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Group and Company are exposed to credit risk attributable to its cash balances however, this risk is limited because the counterparties are large international banks.

The Group is exposed to credit risk for other receivables due from third parties. This risk is limited because the Group has not yet commenced sales operations.

The Company is exposed to credit risk to the extent that amounts owed by its subsidiaries may not be recoverable in the future. PT Cupati, a subsidiary based in Indonesia, has incurred inter-company debts which the Group review for impairment each year. During 2013 it incurred debts of £25,482 (2012: £18,965) with Metals Exploration plc and which have been fully provided for in both years. MTL Philippines, Inc.'s, a subsidiary in the Philippines, investment (£124,274) and debt (£1,376,455) with Metals Exploration plc were fully impaired in the Company in 2013.

As at 31 December 2013, none of the other receivables were found to be impaired (2012: £nil). No unimpaired other receivables are past due as at 31 December 2013 (2012: £nil).

The maximum exposure to credit risk at the year-end is best represented by the carrying amounts of other receivables and cash and cash equivalents.

MTL Philippines, Inc.'s, a subsidiary in the Philippines, investment (£124,274) and debt (£1,376,455) with Metals Exploration plc were fully impaired in the Company in 2013.

24. Financial instruments (continued)

Market risk and sensitivity analysis

Foreign currency exchange rate risk
The Group and Company are exposed to foreign currency exchange rate risk due to funds raised in Pounds Sterling but trade payables being predominantly settled in US Dollars and Philippine Pesos. The Group monitors exchange rates actively and converts funds raised to other currencies when deemed appropriate in order to meet expected future foreign currency commitments.
The Group is also exposed to translation risk due to the accounts of the Group's subsidiaries being in different currencies to the Company's. On consolidation, the subsidiary accounts are translated to Pounds Sterling. The impact on the reported net assets at the year-end is a separate reserve of £2,232,948 (2012: £4,885,953).

The company held a number of foreign currency balances at year end. A 5% movement in the exchange rate would have resulted in the following Pound Sterling losses for the year:

Currency	*2013*	*2012*	*GBP loss £m*
USD	26,367,537	33,912,598	(0.68)
AUD	1,751,305	-	(0.05)
EURO	1,309,212	-	(0.05)
ZAR	34,195,999	-	(0.09)
PHP	501,866,734	-	(0.33)

Interest rate risk
The Group has interest bearing assets comprising cash and cash equivalents which earn interest at a variable rate. The Company's deposit account cash balances earned interest at an annual rate in the year up to:

Currency	*2013*	*2012*
GBP	0.07%	1.15%
AUD	0.50%	-
ZAR	2.85%	-

The impact on the reported loss for the year is net interest income on cash of £21,974 (2012: £4,292).

The Group has interest bearing liabilities on its overdraft facilities and the impact on the reported loss for the year is a net interest expense of £6,165 (2012: £48,223).

25. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital.

The Group defines capital as being share capital plus reserves. The Board of Directors monitors the level of capital as compared to the Group's long term debt commitments.

The Group is not subject to any externally imposed capital requirements.

26. Contingent liabilities

The Group has no contingent liabilities identified as at 31 December 2013 (2012:nil).

27. Post balance sheet events

There were no material post balance sheet events to report.

28. Ultimate controlling party

The Company has no ultimate controlling party.