Contents

DIRECTORS AND ADVISERS

Directors	I.R. Holzberger (Executive Chairman) G.R. Walker (Non-Executive Director) L.E. Simovici (Non-Executive Director)
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	Canaccord Genuity Limited 88 Wood Street, London, EC2V 7QR
Broker	Canaccord Genuity Limited 88 Wood Street, London, EC2V 7QR
Solicitors	Kerman & Co LLP 200 Strand London WC2R 1DJ
Registrars	Link Asset Services Limited 65 Gresham Street London EC2V 7NQ
Company's registered number	05098945

CHAIRMAN'S STATEMENT

Dear Shareholder,

Since the 2017 half year accounts were published, your Company has achieved some significant milestones. These include receiving the tree cutting permit which allows for a more efficient mining operation due the relocation of waste dumps.

The year has also had its challenges, not least of which, has been the failure of the BIOX® circuit to perform to expectations. I am pleased to be able to report that, overall, the processing circuit is proving that it is capable of performing with the design throughput put rates or above and the circuit capable of achieving design of 91%. The overall circuit is fully integrated and now will be fine-tuned.

Your management team has spent significant time and effort to achieve operational performance improvements. Whilst we believe we have done a significant amount of work to ensure that the Company remains a low-cost operation, we have not neglected our Social licence to operate.

The Company has continued to invest in the local community through Social Development and Management programs, sponsorship of education and on the job training, stewardship of the natural environment and ensuring that we maintain strong relationships with all levels of the community. A significant portion of our workforce is employed from the local community and form the backbone of our operations.

We take protecting the environment seriously and this manifests itself through a number of programs that the company undertakes each year. Not only do we undertake mine rehabilitation as soon as practical after the extraction of the gold bearing ore, we also plant in excess of 150,000 trees annually with a total of almost two million new trees planted as a result of the Company's efforts or support to date. Our processing operations operate at a very high level of monitoring to ensure that its waste product that is released from the processing plant and deposited in the Residual Sediment Impoundment (RSI) is fully compliant with the Operation's Licencing conditions and is neither harmful nor toxic to the environment. The processing plant itself includes world leading practices and processes to ensure a performance that we can be proud of. Protection of the environment is a core value of the Company and its people.

The regulatory burden in the Philippines remains including some of the most stringent environmental covenants in the industry. The Company continues to successfully navigate this environment with the help and support of the staff of the many Government and regulatory bodies, which is greatly appreciated.

We have enjoyed the support of the senior lenders and shareholders, who have worked with the Company's management to ensure value is retained within the Company.

I look forward to an even better 2018 where we will further consolidate our position and will continue to focus on operational excellence.

Ian R. Holzberger
Executive Chairman

20 May 2018

CORPORATE GOVERNANCE STATEMENT

On 25 April 2018 the Quoted Companies Alliance published the QCA Corporate Governance Code. The Company's Board of Directors are currently in the process of reviewing this document in preparation for the changes to AIM Rule 26, under which the Company will be required to disclose the recognised corporate governance code that the Company has decided to apply.

Incorporation
The Company was incorporated in the UK as a public limited company on 8 April 2004 under the Companies Act 1985 (now Companies Act 2006). On 22 October 2004, the Company was admitted to the Alternative Investment Market in the UK for the trading of its ordinary shares.

Directors
For the year ended 31 December 2017 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 year were Mr. T.J. Dean, Mr. J.G. Wilson and Mr. L.E. Simovici who were nominated to the Board by the major shareholder MTL (Luxembourg) Sarl, Mr. G.R. Walker who was nominated to the Board by a significant shareholder, Runruno Holdings Limited. Mr. J.W.D. Ayre, an independent director, resigned as a Director of the Company on 7 April 2017.

The Board undertakes full agenda meetings 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 development activities. The latest management and financial information is circulated to the Directors in advance of meetings. In addition to its schedule the Board convenes restricted agenda meetings on an as required basis.

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 2017, no Nomination Committee has been established.

Audit, Remuneration and Risk Committees
During the year ended 31 December 2017, the Audit Committee consisted of two Directors, Mr. T.J. Dean and Mr. G.R. Walker. There is no independent Director on the Board of the Audit Committee. Mr. T.J. Dean 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, to agree the audit plan, 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 2017, the Remuneration Committee comprised three Directors, Mr. I.R. Holzberger, Mr. T.J. Dean and Mr. G.R. Walker. The Remuneration Committee is responsible for the Group remuneration policy and setting remuneration for Directors. Directors' remuneration currently consists of a salary package. At the time of writing this report no current directors have any warrants or options in their remuneration package. The Committee meets when necessary.

Corporate Governance Statement (continued)

The Risk committee comprises three Directors Mr. I.R. Holzberger, Mr. T.J. Dean and Mr. G.R. Walker and management is represented by Mr. I.R. Holzberger, Mr. L.A. Ruddy, Mr. R.A. Rodgers and Mr. R. Salazar (Director and Secretary of FCF Minerals Corporation, a wholly owned subsidiary and the Project operating company). The committee employs the services of a specialist hedging consultant as required. The committee is quorate with any two of three Directors present. The committee has delegated powers for evaluating and setting the Group's risk and hedging policies and opining on management's hedging recommendations. The committee meets when necessary.

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 may have any queries relating to their shareholdings or to the general affairs of the Company are invited to contact the Company Secretary 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.

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

Ian R Holzberger

I R Holzberger
Executive Chairman

20 May 2018

STRATEGIC REPORT

The Runruno operation's performance during 2017 and Q1 2018 has been greatly influenced by technical issues, internal and external factors, and cash flow constraints resulting from the cumulative impacts of these influences. Currently the operations of the project are performing soundly as it continues ramp-up to design throughput and gold production.

Since commencing ore commissioning 54,765 troy ounces ("ozs") contained in gold doré bullion had been produced for the fifteen months to the end of March 2018, and of which 10,593 ozs were produced during Q1 of 2018.

In the previous Annual Report, we discussed the impact of the partial suspension order imposed in October 2015 on the construction activities in the Residual Storage Impoundment ("RSI"). Whilst lifted on the 25th April 2016, this suspension combined with the delay in receiving the final tree cutting permit had the combined effect of delaying the Runruno operations achieving milestones by approximately nine months.

The principal significant issue during the 2017 financial year was the BIOX® circuit's failure to achieve design and the delayed issue of the Operation's third tree cutting permit which was finally issued in August. There were several false starts that, due to a number of factors, caused the BIOX® circuit failing to achieve design. The delayed tree cutting permit impacted the manner in which the mining operation could be undertaken to the detriment of the delivery of ore suitable for BIOX® processing. Whilst these have been reported to shareholders previously, the Company has now identified and resolved a number of the issues. This process has demonstrated its capacity to achieve design.

MINING OPERATIONS

The mining operations and mining equipment have performed satisfactorily. During 2017 a "bottom up" rescheduling of the mine plan was undertaken to take into account the previous year's mining difficulties and the delays caused by the late issue of the third tree cutting permit. As a result of this, the mine life remains at approximately 10 years largely in part to positive recovery to reserve recoveries.

All relevant permits for operations have been received by the Runruno mine.

PROCESS PLANT

Process plant operations are at or around design throughput and are approaching design recovery criteria:

- The crushing and grinding circuit is operating reliably at or above design throughput;
- The gravity circuit is operating around design recoveries of 30%;
- Flotation is operating soundly with performance around design when fed with sulphidic ores. Oxide ore feed compromises the flotation recovery;
- The carbon in leach circuit is operating at or above design recovery when fed with BIOX® treated product; and
- The ancillary systems including counter current decantation, neutralisation, reagents, cyanide destruction and residue disposal circuits are all operating to design.

The process plant ramp-up was designed to initially treat oxides ores with a view to maximise gold recovery from the gravity and carbon in leach (CIL) circuits. This stage was expected to last for a period of 2-3 months while the BIOX® circuit was ore commissioned after which the circuit was to be progressively transitioned to sulphidic or fresh ores in line with the BIOX® ramp-up. However due some complexities not fully apparent, the ramp up took significantly longer than expected.

A significant amount of management time has been focused on getting the BIOX® circuit to perform and after a number of setbacks, the BIOX® circuit has achieved design and is currently increasing in productivity. With this circuit now proving its capability to achieve design parameters, the rest of the process plant is being optimized to suit.

Strategic Report (continued)

RESIDUAL STORAGE IMPOUNDMENT (RSI)
The RSI is operating to design with an excellent environmental performance.

TULINGAN DUMP SITE
With all permits being received during the 2017 financial year, the Tulingan waste dump is now operational. This has had the effect of shortening the cycle time in waste removal.

COMMUNITY AND SOCIAL DEVELOPMENT
The Community & Social Development Department, the community interface arm of the Company, maintains strong partnerships with various national agencies and local governments from the Barangay to the Provincial level. They are primarily engaged in the implementation of identified and prioritized projects and programs under them as a component of the Company's Corporate Social Responsibility programs.

It is the Company's objective to benefit its host communities by undertaking sustainable development within the community with programs focused in key areas:

- Health;
- Education;
- Capacity building;
- Community development and empowerment;
- Enterprise development, improvement and networking;
- Infrastructure development; and
- Preservation and respect of socio-cultural values.

The reach of the programs extends to assist the residents of the Barangay of Runruno and surrounding Barangays, the Municipality of Quezon and the Province of Nueva Vizcaya.

HEALTH AND SAFETY
There have been no material health and safety incidents throughout the operational phase. A safe working culture is actively promoted by a dedicated department and is embraced across the Runruno site and in departments, with all staff recognising their individual responsibilities for their own safety and the safety of others. The company achieved 3,266,810 man-hours with no lost time incidents occurring since the last lost time incident in December 2016.

ENVIRONMENT
The Company is active in promoting and implementing "responsible mining" practices. It is a leader in the Philippine mining industry in its environmental and environmental rehabilitation practices. It recognises good environmental management as a key parameter in its Corporate Social Responsibility ("CSR") charter. The Company maintains and promotes its commitment to the effective stewardship, protection and enhancement of the environment in and around the areas where it operates, including the conduct of its business in an environmentally sound manner. This is the driving thrust towards the goal of sustainable development and reducing potential significant impacts of the Runruno operations upon the environment.

Strategic Report (continued)

REFORESTATION AND REHABILITATION
The Company has continued to actively reduce the potential environmental impacts of its operations and enhance its environmental performance in mined-out and disturbed areas. It undertakes this obligation through immediate and continuous rehabilitation activities and by the re-greening of barren lands, establishment of protection forests and the provision of habitat for wildlife within the FTAA area. These programs demonstrably improve the environment within and surrounding the Company's operations and are designed for beautification, stabilisation, off-set green-house gas emissions and the impacts of the Company's operations. Through its various programs, the Company is responsible for planting almost 2 million endemic and cash crop trees.

A major nursery holding up to 80,000 trees seedlings together with native and engineered grasses is maintained at Runruno. To supplement these activities the Company works closely with the Nueva Viscaya State University in the furtherance of its reforestation programs.

ENVIRONMENTAL MONITORING
The Company maintains very high compliance standards and employs a number of industry leading initiatives to ensure the highest environmental performance. It regularly conducts its own internal comprehensive environmental monitoring program to ensure compliance with its licence provisions, Philippine regulations and any appropriate contemporary standards. These programs extend to reference sites outside the immediate operational area and are used to provide reference and base-line data for future use. The Company also engages an independent third party consultant group specialising in environment monitoring services to conduct independent monitoring of its environmental performance.

LEGAL COMPLIANCE
High compliance standards are practiced across the Company in the maintenance of its operations. A large site based team is dedicated to managing the high levels of compliance mandated within the Philippines. The site is regularly audited with upwards of sixty audits, verifications or reviews of its operations undertaken annually by the various regulators. As of April 2017, the Company has 524 active permits with a number of additional permits in process. The wide range of permits to operate in the Philippines are secured from a number of Government agencies and regulators including the Department of Environment & Natural Resources, Mines & Geosciences Bureau, Environmental Management Bureau, Forrest Management Bureau, Bureau of Internal Revenue, Bureau of Customs, Bureau of Investment, Provincial Government, Municipality, Philippines National Police, National Telecommunications Commission, Water Management Bureau, and the Local Government Units.

HEDGING
Under the hedging requirements of the senior debt Facility Agreement dated 28 May 2014, FCF entered into contracts for interest rate swaps for an aggregate notional principal amount that is at least 40% but not more than 100% of the interest rate commitments over the term of the loan facility. The commitments were calculated based on company forecast. The variable six month US Libor rate is swapped out for a fixed rate of 1.575% over the term. No further interest rate swap contracts were required after the January 2016 or December 2016 debt rescheduling agreements. The cost to the company payable upon settlement dates of this hedge facility during 2017 was US $24,875.

Strategic Report (continued)

FCF entered into a series of gold forward sales contracts for 30% of the annual forecast gold production of the Project over three years with contracts settling on a quarterly basis for 7,500 ounces of gold each quarter. The initial forward sales orders placed totaling 90,000 ounces of gold at twelve quarterly intervals of 7,500 ounces each quarter. At the election of the Lenders a further 15,000 ounces of gold may be contracted for settlement in 2018 in two quarterly tranches of 7,500 ounces of gold each. To date these elections have not been taken up by the Lenders and no further gold forward sales contracts were required after the January 2016 or December 2016 debt rescheduling agreements.

All forward sales contracts are cash settled instruments. Cash settlements for 2017 were for the benefit of the Project of US $561,262 (2016: US $1,778,233).

The remaining forward gold price swap contracts outstanding as at 31 December 2017 maturing in 2018 is 15,000 ounces with price of US $1,287.19.

INTEREST PAYMENTS
All interest payments due and payable to the Lenders have been made by the Group and a total of US $6,254,445 interest payments were made in 2017 (2016: US $5,392,204).

FOREIGN EXCHANGE
The Group recognised other comprehensive loss of £11,377,636 (2016: other comprehensive income £17,565,678) on the translation of the financial statements of foreign operations into GBP. The movement in the financial year 2017 was principally a result of an appreciation of the UK Sterling against the Philippine Peso.

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

Ian R Holzberger

I R Holzberger
Executive Chairman

20 May 2018

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 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Group is to identify, acquire, explore for 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 (now Companies Act 2006) 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 15 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.

FINANCIAL RESULTS

For the year ended 31 December 2017 the loss on ordinary activities of the Group was £13,396,122 (2016: loss of £18,032,541).

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: £nil).

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

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 6.

NOMINATED ADVISOR & STOCK BROKER

The Company changed its nominated advisor from Stockdale Securities Limited to Canaccord Genuity Limited, on 18 January 2017. The Company also changed its stockbroker from SP Angel Corporate Finance LLP to Canaccord Genuity Limited on 18 January 2017.

AUDITOR

Nexia Smith & Williamson was re-appointed as auditor of the Company at the Annual General Meeting held on 15 June 2017. Last year it was proposed that the six-year term of the current senior statutory auditor be extended for a final year, due to the significant change in the business as the Group moved from construction activities to operational ramp up. 2017 will therefore be the final year of service of the current senior statutory auditor.

DIRECTORS & DIRECTORS' INTERESTS

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) *resigned 10 May 2018*
L. E. Simovici	(Non-Executive Director)
G. R. Walker	(Non-Executive Director)
J. G. Wilson	(Non-Executive Director) *resigned 10 May 2018*
J. W. D. Ayre	(Non-Executive Director) *resigned 7 April 2017*

There are no female members of the Board of Directors.

Directors' Report (continued)

The beneficial interests of the Directors who held office during the year, including family interests, at the beginning and end of the year and at the date of this report, were as follows:

Ordinary shares of 1p:	*20 May 2018*	*31 December 2017*	*31 December 2016*
Mr. Jeremy W. D. Ayre - *resigned 7 April 2017*	N/A	7,000,000	2,000,000
Mr. Tim J. Dean	-	-	-
Mr. Ian R. Holzberger	-	-	-
Mr. Lucian E. Simovici	935,000	-	-
Mr. Guy R. Walker	-	-	-
Mr. Julian G. Wilson	-	-	-

Directors' interests include shareholdings in their names and/or under controlled subsidiaries.

During the year the following payments were paid by the Company and its controlled subsidiaries to the Directors:

- to Mr Ian R. Holzberger £578,474 (2016: £562,660) for his services provided as Director and Chairman of the Company;
- to Mr Jeremy Ayre £6,500 (2016: £24,000) for his services provided as a Non-executive Director
- to MTL (Luxembourg) Sarl[1] £72,000 (2016: £72,000) for services provided by three Non-Executive Directors
- to Runruno Holdings Limited[2] £50,000 (2016: £48,000) for services provided by a Non-Executive Director

Note:

[1] Further details relating to a Services Agreement between MTL (Luxembourg) Sarl and the Company are provided in Note 7 to the Financial Statements.

[2] Further details relating to a Services Agreement between Runruno Holdings and the Company are provided in Note 7 to the Financial Statements.

At 31 December 2017, no Director has any interest in unissued ordinary shares granted by the Company under share options in his name and/or under controlled subsidiaries.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or its subsidiary a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Mr Ayre acquired a further five million shares in January 2017. This transaction was made through a broker on the traded market. Mr Ayre resigned as a Director 7 April 2017.

Mr Simovici acquired nine hundred and thirty-five thousand shares in April 2018. The transactions were made through a broker on the traded market.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, or any of its subsidiary companies was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the year.

Directors' Report (continued)

DIRECTORS' MEETINGS

The Directors hold general meetings on a regular basis, special telephone meetings as required and written resolutions circulated by email as and when required to deal with items of business from time to time. In accordance with the Company's Articles of Association a written resolution requires to be signed by all Directors of the Company. Meetings held and attended by each Director during the year of review were:

General Meetings	Meetings Held Whilst in Office	Meetings attended in person	Meetings attended by telephone	No meetings attended	% Attended
Mr. Jeremy W. D. Ayre	2	-	2	2	100%
Mr. Tim J. Dean	8	2	3	5	63%
Mr. Ian R. Holzberger	8	8	-	8	100%
Mr. Lucian E. Simovici	8	5	3	8	100%
Mr. Guy R. Walker	8	8	-	8	100%
Mr. Julian G. Wilson	8	3	4	7	88%

Special Meetings	Meetings Held Whilst in Office	Meetings attended in person	Meetings attended by telephone	No meetings attended	% Attended
Mr. Jeremy W. D. Ayre	2	-	1	1	50%
Mr. Tim J. Dean	6	-	4	4	67%
Mr. Ian R. Holzberger	6	-	6	6	100%
Mr. Lucian E. Simovici	6	-	6	6	100%
Mr. Guy R. Walker	6	-	6	6	100%
Mr. Julian G. Wilson	6	-	6	6	100%

Written Resolution Meetings	Meetings Held Whilst in Office	Meetings attended in person	Meetings attended by telephone	No meetings attended	% Attended
Mr. Jeremy W. D. Ayre	-	-	-	-	-
Mr. Tim J. Dean	4	4	-	4	100%
Mr. Ian R. Holzberger	4	4	-	4	100%
Mr. Lucian E. Simovici	4	4	-	4	100%
Mr. Guy R. Walker	4	4	-	4	100%
Mr. Julian G. Wilson	4	4	-	4	100%

Total of all Meetings	Meetings Held Whilst in Office	Meetings attended in person	Meetings attended by telephone	No meetings attended	% Attended
Mr. Jeremy W. D. Ayre	4	-	3	3	75%
Mr. Tim J. Dean	18	6	6	12	67%
Mr. Ian R. Holzberger	18	12	6	18	100%
Mr. Lucian E. Simovici	18	9	9	18	100%
Mr. Guy R. Walker	18	12	6	18	100%
Mr. Julian G. Wilson	18	7	10	17	94%

Directors' Report (continued)

Where it is necessary the Independent Directors of the Company meet to discuss and deal with matters where non-independent Directors may be conflicted. During the year under review the Independent Directors met on two occasions and were attended as follows:

Independent Directors' Meetings	Meetings Held Whilst in Office	Meetings Attended	% Attended
Mr. Ian R. Holzberger	2	2	100%

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

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. Many of these risks and uncertainties are common to all mining projects. The principal risks and uncertainties facing the Group are identified as follows:

Availability of funding

The Group's access to further financing as a source of funding for the Runruno Project and other projects is subject to various factors, many of which are outside of its control, such as political instability, an economic downturn, social unrest, or changes in the Philippine regulatory environment, changes to the Company's regulatory environment (including but not limited to the AIM Rules, the Financial Conduct Authority's Rules and Regulations) which result in an increase in the cost of borrowing of the Group or restrict its ability to obtain financing. There is no assurance that the Group will be able to arrange financing on acceptable terms, if at all. If the Group were unable to obtain financing from banks and other financial institutions or from capital markets this would adversely affect the ability of the Group to execute its expansion and growth strategies as well as its financial condition and prospects.

If adequate funds are not available to satisfy either short or long-term capital requirements, the Group may be required to limit its operations significantly.

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.

Shareholders' decisions to invest in other mining projects are significantly influenced by the availability of funding, relative prices of metals and future expectations for such prices.

The Group will be exposed to a dual currency risk in operations; (i) Philippine domestic peso currency exposure from costs associated with mining and gold recovery and (ii) US dollar currency exposure due to sales of its gold output and spares, fuel and process consumables are US dollar denominated or linked. The Philippine Peso : US dollar currency exposure requires careful management to maximise shareholder value but the exposure cannot be diversified away altogether.

Directors' Report (continued)

Nature of mining and resource estimation

Exploration and development of mineral deposits involve a wide range of significant risks over an extended period of time. These risks are seldom constant with new types invariably arising and adding to the industry's and Group's challenges.

Mineral resource and reserves 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, mining, and recovery and reconciliation activities and is independently verified by qualified persons. 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 upwards and downwards from the published reserves upon which the Group relies 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 required 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, capital costs, reclamation and closure costs and labour and host community relations. 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

Foreign mining investors are exposed to a high level of regulatory risk under the governing bodies responsible for the Philippine mining sector. 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 by 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 through its Bureau:
- the Mines and Geosciences Bureau ("MGB"), responsible for management, development and proper use of the country's mineral resources
- the Environmental Management Bureau ("EMB"), responsible for management of the environment
- the Forest Management Bureau ("FMB"), responsible for management, development and proper use of the country's forest 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 and the Bureau of Investment responsible for managing foreign investments
- various local government units (LGUs), at provincial, municipal and barangay levels, and
- various other house and senate committees some with overlapping jurisdiction.

Directors' Report (continued)

Mining regulatory risk (continued)
In the period since July 2016 the Philippines mining industry has been subject to increased audit and review activity by regulatory agencies including:

Commencing July 2016 the Philippines Department of Energy and Natural Resources ("DENR") undertook an audit of operating mines, suspended mines or mines under care and maintenance. Since commencing, the Company's operations have been routinely audited for compliance, and the regulatory performance verified by way of sixty or more audits and inspections conducted annually. On a quarterly basis, the Operation's total performance is audited by a multi-partied committee comprised of representatives from civil society, the Church, Government and the Company and whose audit report is reviewed by the Government Agencies accountable for the regulation of the mining industry and the Company sitting jointly. The Runruno operations were not directly impacted by the DENR Audit.

In February 2017, the then Acting Secretary of the DENR announced that a number of mining projects were to be issued with suspension or closure notices for alleged environmental breaches identified by the audit. In February 2017, the Acting Secretary of the DENR also announced the cancellation of a total of seventy five (75) mining projects considered to be located in watersheds. Show cause orders were issued to the concerned mining companies, which were given seven days to respond to the orders.

The DENR has also issued Memorandum Order No. 2016-01 that announced a moratorium on the acceptance, processing and / or approval of mining applications and / or new mining projects for all metallic and non-metallic minerals.

Further, some mining projects in the Philippines have announced the full or partial suspension of mining and processing operations due to delays in receiving, extending or amending approvals, licences or permits.

In June 2017 the Acting Secretary of the DENR was replaced with a now permanent Secretary. Since that time the Mining Industry has been operating with improved certainty and with increased environment, social and operational standards.

The Group has in excess of 520 approvals, licences and permits to conduct mining, processing and related activities at its Runruno Gold Project in the Philippines (collectively "Regulatory Approvals") and is routinely required to obtain new permits and Regulatory Approvals or to amend, renew or extend its existing permits and Regulatory Approvals.

As at 19 May 2018, neither the Group nor its mining project is subject to any suspension or closure order. The Group has applied for or is in the process of, applying for the issue, extension or renewal of a number of Regulatory Approvals and cannot be certain that they will be issued, extended or renewed on acceptable terms or within the required timeframes.

Failure to receive, extend or amend any Regulatory Approval, or delays in receiving, extending or amending any Regulatory Approval may adversely affect the properties, business or operations of the Group including, but not limited to, increasing the costs of the Group's activities; limiting the Group's capacity to produce gold; delaying the implementation of any planned changes to the Group's activities; or requiring the full or partial suspension of the Group's operations.

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, however the retention of relevant members of staff cannot be guaranteed. There can be no certainty that the Group can recruit suitably qualified or skilled employees in a competitive, highly skilled, specialist industry and it is very probable 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 Group's commercial production could be compromised at various intervals.

Directors' Report (continued)

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 entangled 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 as it is present at Runruno. Any breach of its environmental code or obligations to the environment as dictated in its FTAA or its Environmental Compliance Certificate may result in a temporary suspension of operations, fines, and even the possibility of closure of mining operations at Runruno. The Group is aware there will be further environmental standards imposed throughout the life of its mining operations which will involve further costs, time and compromises to be compliant.

Political and Country Risk
The Philippines is a particularly challenging jurisdiction for foreign mining companies to succeed. During the early 70's mining accounted for nearly 20% of GDP of the country but mining currently accounts for approximately 3% of GDP. Political and country risk issues continue to hold back the development of a world class mining industry. 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, a contract in law with the government. The 1995 Mining Act allows 100% foreign ownership of mining entities where there is a US $50 million investment or higher, through the ownership of a FTAA. Mines operating under a FTAA have recourse for disputes to be arbitrated offshore. Despite opposition to the Act successive Presidents have supported the framework.

Going concern
The consolidated financial statements of the Group have been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

As at 31 December 2017, the Group's current liabilities exceeded its current assets by £33,806,628 (2016: £41,283,290) due primarily to the portion of the Group's external borrowings that is scheduled to be repaid by 31 December 2018. The Group reported a loss after tax of £13,396,122 for the year ended 31 December 2017 (2016: £18,032,541) and cash outflows used in operations of £6,004,737 for the year ended 31 December 2017 (2016: £8,688,434).

Directors' Report (continued)

Going concern (continued)
On 15 December 2016, the Group executed an Amendment Letter that varied the terms of its financing facilities, including the rescheduling of principal repayments taking into consideration updated cash flow projections for the Group. The Amendment Letter became effective on 27 January 2017 (refer Note 23).

As at 31 December 2017 the Group had not made all scheduled principal repayments under its external finance facilities and had obtained waivers from its financiers so that no event of default occurred.

Subsequent to the agreement to amend the principal repayment schedule, the Group's production of gold has been below the forecast production contemplated for the agreement with the Group's financiers on 15 December 2016. The Group requested, and was granted, a waiver and extension for the principal repayment of US $4.24 million scheduled for payment on 31 March 2017. The Group requested, and was granted as well, a waiver and extension for the principal repayment of US $6.48 million scheduled for payment on 31 December 2017 and 31 March 2018.

In addition, in the absence of the Group raising additional funds, or agreeing a further restructuring of the Group's financing facilities with its financiers prior to 30 June 2018, it is likely that the Group will be unable to meet interest, principal and fee payments as they fall due under the Group's financing facilities.

Over the next financial period, the continuing viability of the Group and its ability to operate as a going concern is dependent upon the ability of the Group to raise additional funding to meet its short term working capital requirements and to operate the Runruno Gold Project successfully so as to generate sufficient cash flows from the Project to enable the Group to settle its liabilities as they fall due.

The Company has commenced discussions with potential providers of a working capital funding facility and the Company's Director's believe there is a reasonable prospect of the Company successfully negotiating such a facility.

As a consequence of the above matters, the Directors have concluded that a material uncertainty exists that may cast significant doubt upon the Group's ability to continue as a going concern and that, therefore, the Group and the Company may be unable to realise its assets and discharge their liabilities in the normal course of business and at the amounts stated in this Financial Report.

Nevertheless, after making enquiries and considering the uncertainties described above, the Directors believe that there are reasonable grounds to believe that the use of the going concern basis remains appropriate as there is a reasonable expectation that the Group:

- will be able to raise additional working capital funding on or before 30 June 2018 to meet the Group's short term working capital requirements;
- will achieve forecast levels of gold production as the debugging and ramp up phase of operations is completed;
- will continue to have the support of its financiers; or
- if the above are considered unlikely to be achieved, then the Group may seek alternative financing from its shareholders.

This Financial Report does not include adjustments relating to the recoverability and classification of recorded set amounts, or to the amounts and classifications of liabilities that might be necessary should the Group not continue as a going concern.

Directors' Report (continued)

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

- Ensuring sufficient timely reporting to ensure the Group continues to obtain permits sufficient for its operation to continue. The Group is confident of its satisfaction of the compliance obligations imposed on its operations and its ability to maintain and renew permits as required.

- 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. Gold recoveries are continuously monitored to ensure life of mine expectations are met.

- 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. Projected costs and physical performance are re-forecast 3 monthly.

EVENTS AFTER THE BALANCE SHEET DATE
Details of significant events occurring after the balance sheet date are set out in Note 34 to the consolidated financial statements.

FINANCIAL RISK MANAGEMENT
Details of the Group's policies with respect to financial risk management are given in Note 31 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 mining project areas, to promote social and economic development for the traditional custodians and to offer employment and training opportunities to those who live in the mining project areas.

POLITICAL CONTRIBUTIONS AND CHARITABLE CONTRIBUTIONS
During the year of review the Group did not make any political contributions or charitable donations.

Directors' Report (continued)

ANNUAL GENERAL MEETING
This report and the financial statements will be presented to shareholders for their approval at the Annual General Meeting ("AGM").

The Company's AGM is convened for 19 June 2018 at 11.00 am to be held at the offices of Kerman & Co LLP located at 200 Strand, London WC2R 1DJ. The Notice of the AGM is enclosed with the financial statements.

The Notice includes items of Special Business and an explanation regarding such business can be found at the end of the Notice.

The Directors who retire by rotation are Messrs. Guy Redvers Walker and Lucian Eduard Simovici and who freely offer themselves for re-election at the AGM.

SHARE CAPITAL
On 1 January 2017 and 31 December 2017 there were 2,071,334,586 ordinary shares of 1p each in issue.

SUBSTANTIAL SHAREHOLDINGS
At 31 December 2017, the Company is either aware of or has been notified of the following shareholders which hold disclosable interests of 3% or more of the nominal value of the Company's shares:

Substantial Shareholders	Shares held as of 31 December 2017	%	Shares held as of 31 December 2016	%
MTL (Luxembourg) Sarl[1]	970,532,143	46.9%	970,532,143	46.9%
Runruno Holdings Ltd	393,513,302	19.0%	393,513,302	19.0%
Baker Steel Capital Managers LLP[3]	143,077,681	6.9%	149,025,609	7.2%
Ruffer LLP[2]	134,844,466	6.5%	206,778,216	10.0%
Nutraco Nominees	81,055,670	3.9%	81,055,670	3.9%
JIM Nominees	67,131,798	3.2%	30,770,293	1.5%

Notes:
[1]MTL (Luxembourg) Sarl includes 1m shares owned by a related party; Ms. Crompton Candy.
[2]Ruffer LLP acting on behalf of its' clients.
[3]Baker Steel Capital Managers LLP acting on behalf of various funds for which it acts as full discretionary Investment Manager.

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.

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

L. A. Ruddy
Company Secretary

20 May 2018

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 ('IFRS') 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 IFRS 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

Opinion
We have audited the financial statements of Metals Exploration plc (the 'Parent Company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Cash Flow Statements and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is 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.

This report is made solely to the parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2017 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern
We draw attention to note 1 in the financial statements, which indicates that at 31 December 2017 the Group is dependent on securing new finance in order to meet its liabilities as they fall due.

In the event that existing debt is not restructured or equity finance is not raised the Group cannot meet scheduled external debt repayments as at 30 June 2018. In this instance plant and equipment held by the Group at £171,470,172, the goodwill held at £1,010,816 and the other intangible assets held at £9,495,718 may be impaired, additional liabilities may arise and assets and liabilities currently classified as non-current may become current.

As stated in note 1, these conditions represent a material uncertainty that casts significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Metals Exploration PLC

Key audit matters

We identified the key audit matters described below as those that were of most significance in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Key audit matter	*Description of risk*	*How the matter was addressed in the audit and key observations arising with respect to that risk*
Carrying value and impairment of: goodwill, construction in progress and mining properties (Group); investments in subsidiaries and amounts owed by group undertakings (Company) (notes 12,13,15,18)	The Group has significant goodwill, construction in progress and mining properties asset balances relating to the Runruno project and the Company has significant investments in subsidiaries and amounts owed by group undertakings as a result of amounts forwarded to the Group's principal subsidiary to fund the above Group assets. In accordance with IAS 16 "Property, plant and equipment" the Directors are required to perform a review for impairment of long-lived assets at any time an indicator of impairment exists. The Directors assessed that there were indicators of impairment at the Runruno Cash Generating Unit ("CGU") due to delays in gold production reaching forecast levels. The assessment of the carrying value requires significant judgement in assessing forecast cash flows which are in part dependent on gold recovery rates, market gold prices; and discount rates. The assessment of the carrying value of these balances and consequently any required impairment is sensitive to these assumptions.	We challenged the assumptions used in the impairment model for goodwill, as described in note 3. These assumptions were also used in assessing the carrying value and impairment of construction in progress and mining properties, investments in subsidiaries and amounts owed by group undertakings. As part of our procedures we: • reviewed management's assessment of whether there were any indicators of impairment to ensure that their conclusions were consistent with our understanding of the Group; • reviewed management's assessment in line with IAS 38 Intangible Assets and IAS 36 Impairment of Assets to ensure appropriate inputs were included in the assessment; • reviewed the findings of the component auditors impairment reviews; • assessed the appropriateness of the assumptions concerning forecast market gold prices and inputs to the discount rate against available market data; • agreed estimated gold reserves to the most recent Competent Person's Mineral Resource and Ore Reserve Report and assessed the suitability of the suitability of this management expert; and

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Metals Exploration PLC

		• performed sensitivity analysis to calculate the minimum production volumes and gold price and maximum discount rate to avoid an asset impairment and compared them to those achieved in previous years. The assumptions used to complete impairment assessments were considered to be within an acceptable range. No impairment has been recognised within the financial statements.
Revenue recognition (Group) (note 3)	Revenue is required to generate cash in order for the Group to be able to meet loan capital and interest repayments as they fall due.	The Group's revenue recognition policies are stated in note 1. In testing revenue recognition we have reviewed the component auditor's working papers in respect of: • review of revenue contracts; • testing relating to controls over revenue recognition which have been designed by the Group to prevent and detect fraud and errors in revenue recognition; and • detailed testing of a sample of revenue transactions, including confirmation of metal delivery, to ensure that revenue had been recognised in accordance with the Groups accounting policies. The results of testing were satisfactory.

Materiality
The materiality for the Group financial statements as a whole was set at £5,400,000. This has been determined with reference to the benchmark of the group's net assets, which we consider to be one of the principal considerations for members of the Parent Company in assessing the performance of the group. Materiality represents 5% of net assets.

The materiality for the Parent Company financial statements as a whole was set at £4,320,000. This has been determined with reference to the benchmark of the Parent Company's net assets as the Parent Company exists only as a holding company for the Group and carries on no trade in its own right. Materiality represents 5% of net assets as presented on the face of the parent Company's Statement of Financial Position capped at the performance materiality level set for the Group.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Metals Exploration PLC

An overview of the scope of our audit
Of the group's 7 reporting components, we subjected 2 to audits for group reporting purposes

The components within the scope of our work covered: 100% of group revenue and 99.9% of group net assets.

For the remaining 5 components, we performed analysis at a group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The group audit team visited two component locations in the UK and the Philippines. Telephone conference and physical meetings were held with the component auditors in the Philippines. At these visits and meetings, the group audit team discussed the component auditors' risk assessments and planned audit approach. Once the audit work was completed, the findings reported to the group audit team were discussed in more detail, and any further work required by the group audit team was then performed by the component auditor. In addition to these planned visits and meetings, the group audit team sent detailed instructions to the component audit teams and reviewed their audit working papers.

Other information
The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Metals Exploration PLC

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Stephen Drew.

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

25 Moorgate
London
EC2R 6AY

20 May 2018

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	*2017* £	*2016* £
Continuing Operations			
Revenue	3	34,723,642	5,768,928
Cost of sales	3	(34,723,642)	(5,768,928)
Gross loss		-	-
Administrative expenses		(8,311,935)	(9,513,900)
Operating loss	4	**(8,311,935)**	**(9,513,900)**
Finance income and similar items	8	430	471
Finance costs	8	(1,636,483)	(4,238,490)
Fair value (loss) /gain on forward sales contracts	21	(3,798,378)	(6,680,962)
Fair value loss on interest rate swaps	21	(66,702)	(43,875)
Share of profit / (losses) of associates	16	(8,489)	7,964
(Losses) / gains before tax		**(13,821,557)**	**(20,468,792)**
Taxation	9/10	425,435	2,436,251
Losses for the year		**(13,396,122)**	**(18,032,541)**
Other comprehensive income:			
Items that may be re-classified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(11,377,636)	17,565,678
Remeasurement of pension liabilities		(9,642)	25,872
Total comprehensive loss for the period		**(24,783,400)**	**(440,991)**
Loss for the period attributable to:			
Equity holders of the parent		(13,396,122)	(18,032,541)
		(13,396,122)	**(18,032,541)**
Total comprehensive loss attributable to:			
Equity holders of the parent		(24,783,400)	(440,991)
		(24,783,400)	**(440,991)**
Loss per share:			
Basic and diluted	11	**(0.647)p**	**(1.013)p**

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Notes	2017 £	2016 £
Non-current assets			
Property, plant and equipment	12	171,470,172	186,598,682
Goodwill	13	1,010,816	1,010,816
Other intangible assets	14	9,495,718	10,252,068
Derivative asset	21	-	1,427,473
Investment in associate companies	16	97,067	105,556
Trade and other receivables	17	5,641,218	2,093,155
		187,714,991	**201,487,750**
Current assets			
Other assets	22	853,541	499,264
Derivative asset	21	11,469	2,854,948
Trade and other receivables	18	2,021,400	2,641,167
Cash and cash equivalents	19	537,432	5,986,493
		3,423,842	**11,981,872**
Non-current liabilities			
Loans	23	(42,311,183)	(23,669,976)
Trade and other payables	20	(539,979)	-
Derivative liability	21	-	(10,076)
Deferred tax liabilities	10	(1,636,886)	(2,259,897)
Provision for mine rehabilitation	24	(1,444,912)	(1,505,708)
		(45,932,960)	**(27,445,657)**
Current liabilities			
Trade and other payables	20	(10,402,551)	(6,065,077)
Loans - current portion	23	(26,555,934)	(47,200,085)
Derivative liability	21	(271,985)	-
		(37,230,470)	**(53,265,162)**
Net assets		**107,975,403**	**132,758,803**
Equity			
Share capital	25	20,713,347	20,713,347
Share premium account		145,144,316	145,144,316
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		9,722,731	21,100,367
Remeasurement reserve		16,230	25,872
Profit and loss account		(67,488,299)	(54,092,177)
Equity attributable to equity holders of the parent		**107,975,403**	**132,758,803**

The financial statements were approved by the Board of Directors on 20 May 2018 and were signed on its behalf by:

Ian R. Holzberger

Ian R. Holzberger
Executive chairman

20 May 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	*Share premium account*	*Shares to be issued reserve*	*Translation reserve*	*Acquisition of non-controlling interest reserve*	*Remeasurement Reserve*	*Profit and loss account*	*Total equity*
	£	*£*	*£*	*£*	*£*	*£*	*£*	*£*
Balance at 1 January 2017	**20,713,347**	**145,144,316**	**3,652,155**	**21,100,367**	**(3,785,077)**	**25,872**	**(54,092,177)**	**132,758,803**
Exchange differences on translating foreign operations	-	-	-	(11,377,636)	-	-	-	(11,377,636)
Change in pension liability	-	-	-	-	-	(9,642)	-	(9,642)
Loss for the year	-	-	-	-	-	-	(13,396,122)	(13,396,122)
Total comprehensive income for the year	-	-	-	(11,377,636)	-	(9,642)	(13,396,122)	(24,783,400)
Balance at 31 December 2017	**20,713,347**	**145,144,316**	**3,652,155**	**9,722,731**	**(3,785,077)**	**16,230**	**(67,488,299)**	**107,975,403**

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
- Remeasurement reserve: being the cumulative actuarial gains and losses, return on plan assets and changes in the effect of the asset ceiling (excluding net interest on defined benefit liability) recognised in the Statement of Comprehensive Income.
- Profit and loss account; being the cumulative loss attributable to equity shareholders

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	*Share premium account*	*Shares to be issued reserve*	*Translation reserve*	*Acquisition of non-controlling interest reserve*	*Remeasurement Reserve*	*Profit and loss account*	*Total equity*
	£	£	£	£	£	£	£	£
Balance at 1 January 2016	**15,830,054**	**128,751,738**	**3,652,155**	**3,534,689**	**(3,785,077)**	**-**	**(36,059,636)**	**111,923,923**
Exchange differences on translating foreign operations	-	-	-	17,565,678	-	-	-	17,565,678
Change in pension liability	-	-	-	-	-	25,872	-	25,872
Loss for the year	-	-	-	-	-	-	(18,032,541)	(18,032,541)
Total comprehensive income for the year	-	-	-	17,565,678	-	25,872	(18,032,541)	(440,991)
Issue of equity share capital	4,883,293	16,418,858	-	-	-	-	-	21,302,151
Costs of issuing equity	-	(26,280)	-	-	-	-	-	(26,280)
Balance at 31 December 2016	**20,713,347**	**145,144,316**	**3,652,155**	**21,100,367**	**(3,785,077)**	**25,872**	**(54,092,177)**	**132,758,803**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	*2017* £	*2016* £
Net cash used in operating activities	27	**(6,004,737)**	**(8,688,434)**
Investing activities			
Purchase of property, plant and equipment		(2,713,305)	(20,177,336)
Purchase of intangible assets		(172,714)	(2,396,371)
Net cash (used in) investing activities		**(2,886,019)**	**(22,573,707)**
Financing activities			
Repayment of borrowings	23	(22,943,752)	(1,475,830)
Proceeds from borrowings	23	24,889,968	-
Proceeds from settlement of gold forward contracts		486,534	1,468,012
Settlement of interest rate swap contracts		(89,437)	-
Revaluation of pension fund		(9,642)	-
Proceeds from issue of share capital		-	21,275,871
Net cash arising from financing activities		**2,333,671**	**21,268,053**
Net decrease in cash and cash equivalents		(11,432,668)	(9,994,088)
Cash and cash equivalents at beginning of year		5,986,493	10,969,449
Foreign exchange difference		1,108,024	5,011,132
Cash and cash equivalents at end of year		**537,432**	**5,986,493**

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2017

	Notes	*2017* £	*2016* £
Non-current assets			
Property, plant and equipment	12	-	-
Other intangible assets	14	-	-
Investment in subsidiaries	15	6,057,046	6,057,046
		6,057,046	**6,057,046**
Current assets			
Other assets		-	16,115
Trade and other receivables	18	159,108,898	140,883,808
Cash and cash equivalents	19	130,279	4,918,696
		159,239,177	**145,818,619**
Current liabilities			
Trade and other payables	20	(718,845)	(256,130)
Non-current liabilities			
Loans	23	(21,328,716)	(4,952,702)
Net assets		**143,248,662**	**146,666,833**
Equity			
Share capital	25	20,713,347	20,713,347
Share premium account		145,144,316	145,144,316
Shares to be issued reserve		3,652,155	3,652,155
Profit and loss account		(26,261,156)	(22,842,985)
Equity attributable to equity holders of the parent		**143,248,662**	**146,666,833**

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 2017 dealt with in the financial statements of the Company was £3,418,171 (2016: £2,466,063). The Company made no gains or losses which would be reported in other comprehensive income in the year ended 31 December 2017 (2016: £nil) and therefore the Company has not published its statement of total comprehensive income.

The financial statements were approved by the Board of Directors on 20 May 2018 and were signed on its behalf by:

Ian R. Holzberger

Ian R. Holzberger
Executive Chairman

20 May 2018

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	*Share premium account*	*Shares to be issued reserve*	*Profit and loss account*	*Total equity*
	£	£	£	£	£
Balance at 1 January 2016	15,830,054	128,751,738	3,652,155	(20,376,922)	127,857,025
Loss for the year	-	-	-	(2,466,063)	(2,466,063)
Total comprehensive loss for the year	-	-	-	(2,466,063)	(2,466,063)
Issue of equity share capital	4,883,293	16,418,858	-	-	21,302,151
Costs of issuing equity	-	(26,280)	-		(26,280)
Balance at 31 December 2016	**20,713,347**	**145,144,316**	**3,652,155**	**(22,842,985)**	**146,666,833**
Loss for the year	-	-	-	(3,418,171)	(3,418,171)
Total comprehensive loss for the year	-	-	-	(3,418,171)	(3,418,171)
Balance at 31 December 2017	**20,713,347**	**145,144,316**	**3,652,155**	**(26,261,156)**	**142,248,662**

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

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Net cash used in operating activities	27	**(19,878,492)**	**(19,764,233)**
Financing activities			
Proceeds from issue of share capital		-	21,275,871
Proceeds from borrowings	23	24,889,968	-
Repayment of borrowings		(9,268,615)	-
Net cash from financing activities		**15,621,353**	**21,275,871**
Net (decrease) increase in cash and cash equivalents		(4,257,139)	1,511,647
Cash and cash equivalents at beginning of year		4,918,696	2,570,262
Foreign exchange difference		(531,278)	836,787
Cash and cash equivalents at end of year		**130,279**	**4,918,696**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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 (IASB). 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 consolidated financial statements of the Group have been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report on pages 10 to 20. Specific reference is made to the summary of the current regulatory environment for the Philippines mining industry provided at pages 14 to 15.

As at 31 December 2017, the Group's current liabilities exceeded its current assets by £33,806,628 (2016: £41,283,290) due primarily to the portion of the Group's external borrowings that is scheduled to be repaid by 31 December 2018. The Group reported a loss after tax of £13,396,122 for the year ended 31 December 2017 (2016: £18,032,541) and cash outflows used in operations of £6,004,737 for the year ended 31 December 2017 (2016: £8,688,434).

On 15 December 2016, the Group executed an Amendment Letter that varied the terms of its financing facilities, including the rescheduling of principal repayments taking into consideration updated cashflow projections for the Group. The Amendment Letter became effective on 27 January 2017 (refer Note 23).

As at 31 December 2017 the Group had not made all scheduled principal repayments under its external finance facilities and had obtained waivers from its financiers so that no event of default occurred.

Subsequent to the agreement to amend the principal repayment schedule, the Group's production of gold has been below the forecast production contemplated for the agreement with the Group's financiers on 15 December 2016. The Group requested, and was granted, a waiver and extension for the principal repayment of US $4.24 million scheduled for payment on 31 March 2017. The Group requested, and was granted as well, a waiver and extension for the principal repayment totaling US $6.48 million scheduled for payment on 31 December 2017 and 31 March 2018.

In addition, in the absence of the Group raising additional funds, or agreeing a further restructuring of the Group's financing facilities with its financiers prior to 30 June 2018, it is likely that the Group will be unable to meet interest, principal and fee payments as they fall due under the Group's financing facilities.

Over the next financial period, the continuing viability of the Group and its ability to operate as a going concern is dependent upon the ability of the Group to raise additional funding to meet its short term working capital requirements and to operate the Runruno Gold Project successfully so as to generate sufficient cash flows from the Project to enable the Group to settle its liabilities as they fall due.

The Primary Crusher, April 2018.

The ROM pad, April 2018.

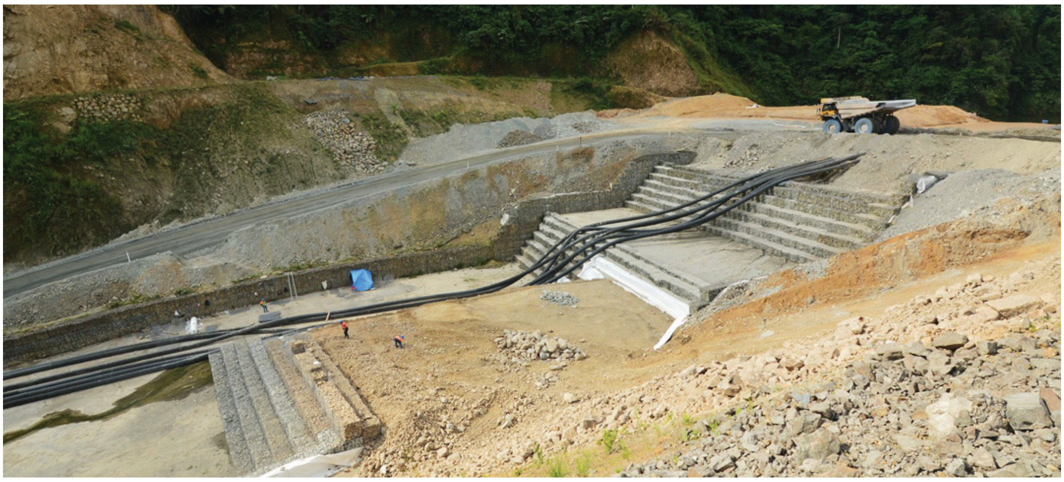
Preparation works on the Tullingan Dump Site access road, December 2017.

RSI April 2016.

RSI April 2018.

RSI spillway being constructed May 2017.

RSI spillway April 2018.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

The Company has commenced discussions with potential providers of a working capital funding facility and the Company's Director's believe there is a reasonable prospect of the Company successfully negotiating such a facility.

As a consequence of the above matters, the Directors have concluded that a material uncertainty exists that may cast significant doubt upon the Group's ability to continue as a going concern and that, therefore, the Group and the Company may be unable to realise its assets and discharge their liabilities in the normal course of business and at the amounts stated in this Financial Report.

Nevertheless, after making enquiries and considering the uncertainties described above, the Directors believe that there are reasonable grounds to believe that the use of the going concern basis remains appropriate as there is a reasonable expectation that the Group:

- will be able to raise additional working capital funding on or before 30 June 2018 to meet the Group's short term working capital requirements;
- will achieve forecast levels of gold production as the debugging and ramp up phase of operations is completed;
- will continue to have the support of its financiers; or
- if the above are considered unlikely to be achieved, then the Group may seek alternative financing from its shareholders.

This Financial Report does not include adjustments relating to the recoverability and classification of recorded set amounts, or to the amounts and classifications of liabilities that might be necessary should the Group not continue as a going concern.

Changes in accounting policies and disclosures
In the current year, the Group has adopted the disclosure requirements as a result of the amendments to IAS 7 (note 28). All other accounting policies and disclosures applied in the preparation of these financial statements are consistent with the accounting policies and disclosures applied in the preparation of the prior period financial statements.

New standards and interpretations
The financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period on 1 January 2017. The new standards, interpretations and amendments effective from 1 January 2017 had no significant impact on the group.

At the date of authorisation of these financial statements, the following standards and relevant interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- *IFRS 15: Revenue from Contracts with Customers*
- *Clarifications to IFRS 15: Revenue from Contracts with Customers*
- *IFRS 9: Financial Instruments*
- *IFRS 16: Leases*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

New standards and interpretations (continued)
The adaptation of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets and financial liabilities; and impairment methodology for financial assets. The Group is currently assessing the impact of adopting IFRS 9 in 2018. The Group considers that whilst IFRS 15 and IFRS 16 may impact on the Group, the effect will not be significant. The operating leases held by the Company are of low value and revenue contracts usually contain a single performance criteria that is satisfied at a point in time. The Group will adopt the above standards at the time stipulated by the relevant standard. The Group does not at this time anticipate voluntary early adoption of any of the standards.

Basis of consolidation
The Group financial statements incorporate the financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2017. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

Taxation and deferred tax
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.

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 equity-settled share-based compensation plans for the employees of its subsidiaries and enters 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 considered.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

Inventories
From the point at which the mine processing plant is assessed as being available for use as intended by management, finished goods (bullion), gold in circuit and stockpiles of processed ore will be stated at the lower of costs and estimated net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated based on normal operating capacity. Costs are assigned to ore stockpiles and gold in circuit items of inventory based on weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business (excluding derivatives) less the estimated costs of completion and the estimated costs necessary to make the sale.

Prior to the point at which the mine processing plant is assessed as being available for use as intended by management, costs are capitalised to Mining Properties and Construction in Progress, To the extent that revenue is generated from the sale of gold prior to the processing plant being available for use as intended by management, revenue from the sale of gold is recognised in the Statement of Comprehensive Income and an equivalent amount of costs is transferred from Construction in Progress or Mining Properties to cost of sales in the Statement of Comprehensive Income.

Consumables have been valued at cost less an appropriate provision for obsolescence. Cost is determined on a first-in-first-out basis.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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	3-5 years	Straight-line
Leasehold improvements	10 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 by applying the units of production method over the useful life of the mine from the point at which the mine's plant becomes available for use as intended by management.	
Mining properties	these costs are depreciated by applying the units of production method over the useful life of the mine from the point at which the mine's plant becomes available for use as intended by management.	

Mining properties costs have arisen entirely because 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 capitalised directly 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 to 2017.

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.

Mining property costs will be depreciated over the useful life of the mine once the process plant has been assessed by Group management to be available for use as intended by management.

Construction in progress costs will be appropriately identified and allocated to a property, plant and equipment tangible asset category, once the processing plant has been assessed as being available for use as intended by management. The costs will be treated as being reclassified and will be depreciated according to the adopted method of the appropriate asset category.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

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.

Provision for mine rehabilitation and decommissioning
Provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the end of the reporting period when the related environmental disturbance occurs, based on the estimated future costs using information available at the end of the reporting period.

The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is classified as interest accretion in the statement of comprehensive income. At the time of establishing the provision, a corresponding asset is capitalized and depreciated over future production from the operations to which it relates.

The provision is reviewed on an annual basis for changes to obligations or legislation or discount rates that affect change in cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate, and the adjusted cost of the asset is depreciated prospectively.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each end of the reporting period and the cost is charged to the statement of comprehensive income.

Revenue recognition
Gold sales
Revenue is recognised when the risk and reward of ownership has passed from the Group to an external party and the selling price can be determined with reasonable accuracy. Sales revenue represents the gross proceeds receivable from the customer.

Revenue from the sale of by-products such as silver is included in sales revenue.

Interest
Revenue is recognised as interest accrues using the effective interest method.

Borrowing costs
Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Capitalisation of borrowing costs commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

Borrowing costs (continued)
When funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. When surplus funds are temporarily invested, the income generated from such temporary investment is deducted from the total capitalised borrowing cost. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Production Fee
Production Fees, incurred pursuant to the Mezzanine Facility, are recognised in profit or loss in the period in which they are incurred.

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, trade and other receivables and derivative assets. The Group's financial liabilities comprise trade and other payables, loans and derivative liabilities.

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

Trade and other payables and loans are initially measured at fair value less any transaction costs 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.

Derivative assets and liabilities
Derivative financial instruments (e.g. commodity derivatives such as forwards and swaps to economically hedge exposure to fluctuations in gold prices and interest rates) are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives are accounted for at fair value through profit or loss, where any gains or losses arising from changes in fair value on derivatives are taken directly to profit or loss for the year.

As at 31 December 2017, the Group has freestanding derivative instruments (including gold forward sales contracts and interest rate swaps) used to hedge risks associated with commodity prices and interest rates and fix cash flows associated with the Group's loan facility. As such cash flows in respect of these derivative financial instruments are included in financial activities.

The Group recognised derivative assets and liabilities arising from the forward commodity sales contracts for gold sales transactions and interest rate swaps as at 31 December 2017.

The Company has recognised no derivative financial instruments.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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
At 31 December 2017, the carrying values of tangible and intangible assets of the group were £171,470,172 (2016: £186,598,682) and £10,506,534 (2016: £11,262,884), respectively. 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.

Functional currency of Group companies
The Group comprises several entities in four different countries; Philippines, Indonesia, Singapore 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.

The carrying amount of the Company's intercompany receivable non-current asset at 31 December 2017 was £156,864,768 (2016: £137,639,510) which excludes an amount of £2,002,526 (2016: £2,002,526) as a result of impairment reviews performed on all Group entities in a prior year. This reflects the impairment of the amounts due from MTL Philippines, Inc. and PT Cupati.

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 2017.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

Estimating fair values of structured debt instruments and derivatives
The fair values of structured debt instruments and derivatives that are not quoted in active markets are determined using valuation techniques such as discounted cash flow analysis and standard option pricing models. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

Estimates in the determination of mineral resources and ore reserves
The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for decommissioning and restoration. The information in this report as it relates to ore reserves, mineral resources or mineralisation is reported in accordance with the Aus.IMM "Australian Code for reporting of Identified Mineral Resources and Ore Reserves". The information has been prepared by or under the supervision of competent persons as identified by the Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated which may impact asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for decommissioning and restoration.

Significant estimate in determining the beginning of production
Estimations are made in the determination of the point at which development ceases and production commences for a mine development project. This point determines the cut-off between pre-production and production accounting.

The Group ceases capitalising pre-production costs and begins depreciation and amortisation of mine assets at the point at which the mine's plant becomes available for use as intended by management. Determining when this is achieved is an assessment made by the Group's management and includes the following factors:

- The level of development expenditure compared to project cost estimates.
- Completion of a reasonable period of testing of the mine plant and equipment.
- Achieved mineral recoveries, plant availability and throughput levels are at or near expected / budgeted levels.
- The ability to produce gold into a saleable form.
- The achievement of continuous production.

As at 31 December 2017, the Group's management assessed that the mine's plant was not available for use as intended by management as achieved mineral recoveries, plant availability and throughput levels were not at or near expected / budgeted levels.

In the 2018 year, the Group expects to have completed all requisite testing and ramp up and the accounts will be presented accordingly

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

Amendment to Facility Agreement
On December 15, 2016, the Group executed an Amendment Letter that varied the terms of the Facility Agreement dated May 28, 2014 entered into with the Group's financiers, HSBC and BNP. Judgement is required in assessing the effective date of this amendment. The Directors have assessed that this letter did not become effective until January 27, 2017 when all Conditions Precedent as set out in Clause 5.1 of the Amendment Letter were either satisfied or waived. As such the effects of the amendment letter have been reflected in the year ending 31 December 2017 financial statements.

3. Revenue

	2017	*2016*
	£	*£*
Revenue from sale of gold and silver	34,723,642	5,768,928

As at 31 December 2017, the Runruno Gold Project plant had not attained design levels of recoveries or processing volumes through all production circuits and remained in the "debugging and ramp up" phase. During this phase, the Group applies pre-production accounting with revenue from the sale of gold and silver being recognised in the Consolidated Statement of Comprehensive Income with an equivalent amount of costs being charged to cost of sales and credited against Property, Plant and Equipment.

4. Operating loss for the year is stated after charging:

	2017	*2016*
	£	*£*
Depreciation of property, plant and equipment	1,373,410	1,810,940
Amortisation	24,381	64,724
Foreign exchange losses	1,356,178	713,541
Staff costs (see note 7)	3,349,516	2,121,109
Auditors remuneration (see note 5)	83,590	50,693

5. Auditor's remuneration

	2017	*2016*
	£	*£*
Fees payable to the Group and Company's auditor for the audit of the Group and Company's accounts	54,900	43,593
Fees payable to the Company's auditor and its associates for audit related services	4,200	4,000
Taxation compliance services	24,490	3,100
	83,590	50,693

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

6. Segmental analysis

Operating segments have been identified based on 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 four geographic areas of the UK, Philippines, Singapore 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. Mining construction commenced in 2013 and it is expected that the mine plant will be operating as intended by management in the second quarter of 2018. It is because of this status that most expenditure is of a capital nature.

The segment results for the year ended 31 December 2017 and 2016 and the reconciliation of the segment measures to the respective statutory items in the consolidated financial information are as follows:

Year ended 31 December 2017	UK	Philippines	Indonesia	Singapore	Total
	£	£	£	£	£
Segment results					
Sales revenue	-	34,723,642	-	-	34,723,642
Group operating loss	(1,880,216)	(5,600,982)	(830,630)	(107)	(8,311,935)
Finance income & similar items	-	430	-	-	430
Finance costs	(1,547,630)	(88,810)	-	(43)	(1,636,483)
Fair value gain on forward sales contracts	-	(3,798,378)	-	-	(3,798,378)
Fair value loss on interest rate swaps	-	(66,702)	-	-	(66,702)
Share of losses of associates	-	-	-	(8,489)	(8,489)
Gains/(losses) before tax	**(3,427,846)**	**(9,554,442)**	**(830,630)**	**(8,639)**	**(13,821,557)**

Year ended 31 December 2016	UK	Philippines	Indonesia	Singapore	Total
	£	£	£	£	£
Segment results					
Sales revenue	-	5,768,928	-	-	5,768,928
Group operating loss	(2,162,069)	(7,339,097)	-	(12,734)	(9,513,900)
Finance income & similar items	4	467	-	-	471
Finance costs	(835,809)	(3,402,371)	-	(310)	(4,238,490)
Fair value gain on forward sales contracts	-	(6,680,962)	-	-	(6,680,962)
Fair value loss on interest rate swaps	-	(43,875)	-	-	(43,875)
Share of losses of associates	-	7,964	-	-	7,964
Gains/(losses) before tax	**(2,997,874)**	**(17,457,874)**	**-**	**(13,044)**	**(20,468,792)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

6. Segmental analysis (continued)

Year ended 31 December 2017	UK	Philippines	Indonesia	Singapore	Total
	£	£	£	£	£
Segment assets					
Segment tangibles & intangibles	-	181,976,706	-	-	181,976,706
Segment trade & other receivables	241,604	8,272,924	-	1,631	8,516,159
Segment cash	130,279	404,011	-	3,142	537,432
Segment derivative assets	-	11,469	-	-	11,469
Equity-accounted investees	-	-	-	97,067	97,067
Total segment assets	371,883	190,665,110	-	101,840	191,138,833
Segment liabilities					
Segment loans	(21,328,716)	(47,538,401)	-	-	(68,867,117)
Segment trade & other payables	(718,845)	(10,223,685)	-	-	(10,942,530)
Segment provisions	-	(1,444,912)	-	-	(1,444,912)
Segment derivative liabilities	-	(271,985)	-	-	(271,985)
Segment deferred tax	-	(1,636,886)	-	-	(1,636,886)
Total segment liabilities	(22,047,561)	(61,115,869)	-	-	(83,163,430)
Total segment net assets	**(21,675,678)**	**129,549,241**	**-**	**101,840**	**107,975,403**

Year ended 31 December 2016	UK	Philippines	Indonesia	Singapore	Total
	£	£	£	£	£
Segment assets					
Segment tangibles & intangibles	-	197,859,151	2,415	-	197,861,566
Segment trade & other receivables	129,380	5,102,563	-	1,644	5,233,587
Segment cash	4,918,696	1,064,357	771	2,668	5,986,493
Segment derivative assets	-	4,282,421	-	-	4,282,421
Equity-accounted investees	-	105,556	-	-	105,556
Total segment assets	5,048,076	208,414,048	3,186	4,312	213,469,622
Segment liabilities					
Segment loans	(4,952,701)	(65,917,360)	-	-	(70,870,061)
Segment trade & other payables	(256,130)	(5,797,229)	(6,112)	(5,606)	(6,065,077)
Segment provisions	-	(1,505,708)	-	-	(1,505,708)
Segment derivative liabilities	-	(10,076)	-	-	(10,076)
Segment deferred tax	-	(2,259,897)	-	-	(2,259,897)
Total segment liabilities	(5,208,831)	(75,490,270)	(6,112)	(5,606)	(80,710,819)
Total segment net assets	**(160,755)**	**132,923,778**	**(2,926)**	**(1,294)**	**132,758,803**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

6. Segmental analysis (continued)

Segment net assets are analysed net of intercompany transactions.

Year ended 31 December 2017	UK	Philippines	Indonesia	Singapore	Total
	£	£	£	£	£
Segment other information	-	-	-	-	-
Amortisation of intangible assets	-	(24,381)	-	-	(24,381)
Depreciation of property, plant and equipment	-	(1,373,410)	-	-	(1,373,410)
Transfer of capitalised expenditure to cost of sales	-	(34,723,642)	-	-	(34,723,642)
Additions to property, plant and equipment	-	37,436,947	-	-	37,436,947

Year ended 31 December 2016	UK	Philippines	Indonesia	Singapore	Total
	£	£	£	£	£
Segment other information					
Amortisation of intangible assets	-	(64,724)	-	-	(64,724)
Depreciation of property, plant and equipment	-	(1,810,940)	-	-	(1,810,940)
Transfer of capitalised expenditure to cost of sales	-	(5,768,928)	-	-	(5,768,928)
Additions to property, plant and equipment	-	25,946,264	-	-	25,946,264

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

All sales revenue has been derived through the sale of gold and silver to a counterparty domiciled in Switzerland. The Group is not contractually obliged to sell gold to any specific counterparty.

7. Staff numbers and costs - Group

	2017	*2016*
The average number of persons, including Directors, was:	*Number*	*Number*
Administration	39	32
Exploration	-	-
Construction & development	637	632
	676	**664**

	2017	*2016*
Staff costs of the above persons were:	*£*	*£*
Wages and salaries	3,322,416	2,038,864
Social security costs	7,172	61,761
Pension costs	19,928	19,243
Termination benefits	-	1,241
	3,349,516	**2,121,109**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

7. Staff numbers and costs - Group (continued)

Directors' emoluments:	*2017*	*2016*
	£	£
Directors		
I.R. Holzberger	578,474	562,660
Sums paid to third parties in respect of Directors		
Solomon Capital Limited/ MTL Luxembourg Sarl – T.J. Dean	24,000	24,000
Solomon Capital Limited / MTL Luxembourg Sarl – J.G Wilson	24,000	24,000
Solomon Capital Limited / MTL Luxembourg Sarl – L. E. Simovici	24,000	24,000
J.W.D. Ayre	6,500	24,000
Runruno Holdings Limited – G.R. Walker	50,000	48,000
	128,500	144,000
	706,974	706,660

The Directors are considered to be the only members of key management personnel. All emoluments represent Directors' fees.

Pursuant to the Subscription and Shareholders' Agreement of 8 March 2011, Solomon Capital Limited (and later renamed as MTL Luxembourg Sarl) 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 representative Directors. MTL Luxembourg Sarl (and previously Solomon Capital Limited) is represented by Mr. Tim Dean, Mr. Julian Wilson and Mr. Edi Simovici. Runruno Holdings Limited is represented on the Board of Directors by Mr. Guy Walker.

Share options held by Director:

As at 31 December 2017, there were no share options outstanding.

Further details relating to key management are given in note 30 to the financial statements.

The Company employed an average number of 8 administrative personnel, including Directors, who were paid wages and salaries, including Directors' emoluments of £956,828 (2016: average of 8 persons paid £884,490).

8. Finance costs and income

	2017	*2016*
	£	£
Exchange gain / (loss) on translation of USD loans	830,623	(3,327,122)
Loan interest payable	(2,452,584)	(828,528)
Bank interest and charges payable	(14,522)	(82,840)
Finance costs and similar items	**(1,636,483)**	(4,238,490)
Bank interest receivable	430	471
Finance income	**430**	471

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9. Taxation

The credit for taxation comprises the following

	2017	*2016*
	£	***£***
Current year corporation tax credit	-	-
Current year deferred tax credit	(425,435)	(2,436,251)
Total tax credit for the year	(425,435)	(2,436,251)

The total tax credit for the year can be reconciled to losses for the year as follows:

	2017	*2016*
	£	*£*
Losses before tax	(13,821,557)	(20,468,792)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19.3% (2016: 20%)	(2,626,096)	(4,093,758)
Effects of:		
Overseas expenses not taxable for tax purposes	1,450,673	1,774,801
Differing tax rates in different jurisdictions	(333,754)	(754,655)
Deferred tax asset not recognised	1,054,586	617,248
Non taxable and non deductible items	22,897	18,429
Short-term timing differences	6,259	1,684
Total taxation credit for the year	**(425,435)**	(2,436,251)

10. Deferred tax credit, liability and asset

Deferred tax credit

	Tax Credit		**Tax Liability**		**Tax Asset**	
	2017	2016	**2017**	2016	**2017**	2016
	£	£	£	£	£	£
Derivative assets	(1,281,285)	(2,138,951)	3,441	1,284,726	-	-
Undepleted asset retirement obligation	(35,970)	29,121	371,647	407,617	-	-
Unrealised foreign exchange gain	681,404	49,376	1,085,517	404,114	-	-
Other short term timing differences	12,841	54,278	176,281	163,440	-	-
Difference on transaction of foreign operations	197,575	(430,076)	-	-	-	-
	(425,435)	**(2,436,252)**	**1,636,886**	**2,259,897**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

10. Deferred tax credit, liability and asset (continued)

The differences between the deferred tax credit through the Consolidated Statement of Total Comprehensive Income and the deferred tax liability on the Consolidated Balance Sheet has occurred from translation differences arising on consolidation. Liabilities are translated using the closing foreign exchange rate prevailing at 31December 2017 whereas the foreign currency composition of the comprehensive income statement is translated using the average rate for the whole of the year.

Deferred tax asset
For the year ended 31 December 2017 the Group has net unused tax losses of £21,482,389 (2016: £20,214,665) available for offset against future profits. However, due to the Group's on-going tax losses situation, the deferred asset has not been recognised on the Consolidated Balance Sheet due to uncertainty over its future reversal.

For the year ended 31 December 2017 the Group has net unused tax losses available for offset against future profits as follows:

	2017	*2016*
	£	*£*
UK	19,010,953	15,806,508
Philippines	2,471,436	4,408,157
Indonesia	-	-
Group unused tax losses available	**21,482,389**	**20,214,665**

The UK Government has announced future tax changes to corporation tax rate. These changes resulted in a decrease in the standard rate of corporation of 20% for the 2016/17 tax year, falling to a rate of 19% for the 2017/18, 2018/19 and 2019/20 tax years and eventually culminating in a rate of 17% by 2020/21. As at 31 December 2017 all such changes have been substantively enacted and have therefore been reflected in the calculation of deferred tax for the year ended 31 December 2017.

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 17% (2016: 17%), and the deferred tax asset is estimated to be £3,231,862 (2016: £2,687,106).

11. Loss per share

	2017	*2016*
	£	*£*
Loss		
Net loss attributable to equity shareholders for the purpose of basic and diluted loss per share	**(13,396,122)**	(18,032,541)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,071,334,586**	1,779,329,876
Basic and diluted loss per share	**(0.647)**	(1.013)p

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11. Loss per share (continued)

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.

	2017	*2016*
Weighted average number of potential ordinary shares that are not currently dilutive	**27,181,932**	6,681,205

12. 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 2016	219,083	746,405	12,761,698	1,304,830	1,075,542	108,266,883	29,188,589	153,563,030
Additions	-	-	77,274	-	-	23,707,867	2,161,123	25,946,264
Transfers to cost of sales	-	-	-	-	-	(5,768,928)	-	(5,768,928)
Foreign exchange differences	32,764	101,967	1,744,600	178,253	146,930	14,790,351	3,987,457	20,982,322
As at 31 December 2016	251,847	848,372	14,583,572	1,483,083	1,222,472	140,996,173	35,337,169	194,722,688
Additions	-	-	80,217	-	-	6,337,155	31,019,575	37,436,947
Transfers to cost of sales	-	-	-	-	-	-	(34,723,642)	(34,723,642)
Disposals	(35,274)	-	(15,222)	-	-	-	-	(50,496)
Foreign exchange differences	(22,224)	(74,864)	(1,286,912)	(130,873)	(107,876)	(12,442,058)	(3,118,291)	(17,183,098)
As at 31 December 2017	**194,349**	**773,508**	**13,361,655**	**1,352,210**	**1,114,596**	**134,891,270**	**28,514,811**	**180,202,399**
Depreciation								
As at 1 January 2016	(218,150)	(493,399)	(3,692,507)	(250,856)	(895,967)	-	-	(5,550,879)
Charge for the period	-	(117,612)	(1,550,512)	(141,246)	(1,570)	-	-	(1,810,940)
Foreign exchange differences	(32,552)	(67,403)	(505,565)	(34,269)	(122,398)	-	-	(762,187)
As at 31 December 2016	(250,702)	(678,414)	(5,748,584)	(426,371)	(1,019,935)	-	-	(8,124,006)
Charge for the period	-	(95,092)	(1,146,675)	(128,782)	(2,861)	-	-	(1,373,410)
Disposals	34,230	-	14,063	-	-	-	-	48,293
Foreign exchange differences	22,123	59,866	507,278	37,625	90,004	-	-	716,896
As at 31 December 2017	**(194,349)**	**(713,640)**	**(6,373,918)**	**(517,528)**	**(932,792)**	**-**	**-**	**(8,732,227)**
Net book value								
As at 31 December 2017	**-**	**59,868**	**6,987,737**	**834,682**	**181,804**	**134,891,270**	**28,514,811**	**171,470,172**
As at 31 December 2016	1,145	169,958	8,834,988	1,056,712	202,537	140,996,173	35,337,169	186,598,682

The total borrowing costs capitalized to construction in progress amounted to £9,655,522 in 2017 (2016: £4,716,210).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

12. Property, plant and equipment - Company

	Fixtures, fittings & equipment
	£
Cost	
As at 31 December 2017 and 31 December 2016	**8,825**
Depreciation	
As at 31 December 2017 and 31 December 2016	**(8,825)**
Net book value	
As at 31 December 2017 and 31 December 2016	**-**

13. Goodwill

	2017	*2016*
	£	*£*
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. No goodwill was recognised on the acquisition of the remaining 15% shareholding in FCF Minerals Corporation in 2011, following the adoption of IAS27; *Consolidated and Separate Financial Statements (revised 2008)*. 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 operations using cash flow projections over the expected life of the mine of 10 years and discount rates of 5% to 18%. 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 2017

14. Other intangible assets

Group	*Cost of Exploration* £	*Licences* £	*Software* £	*Total* £
Cost				
As at 1 January 2016	3,327,631	4,435,727	375,846	8,139,204
Additions	2,355,827	-	40,544	2,396,371
Foreign exchange differences	515,905	30,052	51,344	597,301
As at 31 December 2016	6,199,363	4,465,779	467,734	11,132,876
Additions	172,715	-	-	172,715
Foreign exchange differences	(546,076)	(372,014)	(41,275)	(959,365)
As at 31 December 2017	**5,826,002**	**4,093,765**	**426,459**	**10,346,226**
Impairment				
As at 1 January 2016	(187,792)	-	-	(187,792)
Foreign exchange differences	(42,551)	-	-	(42,551)
As at 31 December 2016	(230,323)	-	-	(230,323)
Foreign exchange differences	19,344	-	-	19,344
As at 31 December 2017	**(210,979)**	**-**	**-**	**(210,979)**
Amortisation				
As at 1 January 2016	-	(219,983)	(295,375)	(515,358)
Charge for the period	-	-	(64,724)	(64,724)
Foreign exchange differences	-	(30,052)	(40,351)	(70,403)
As at 31 December 2016	-	(250,035)	(400,450)	(650,485)
Charge for the period	-	-	(24,381)	(24,381)
Foreign exchange differences	-	-	35,337	35,337
As at 31 December 2017	**-**	**(250,035)**	**(389,494)**	**(639,529)**
Net Book Value				
As at 31 December 2017	**5,615,023**	**3,843,730**	**36,965**	**9,495,718**
As at 31 December 2016	5,969,040	4,215,744	67,284	10,252,068
As at 1 January 2016	3,139,839	4,215,744	80,471	7,436,054

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

14. Other intangible assets (continued)

Company	*Licences*
	£
Cost	
As at 1 January 2016	219,982
Foreign exchange differences	30,052
As at 31 December 2016	250,034
Foreign exchange differences	(21,000)
As at 31 December 2017	**229,034**
Amortisation	
As at 1 January 2016	**(219,982)**
Foreign exchange differences	(30,052)
As at 31 December 2016	**(250,034)**
Foreign exchange differences	21,000
As at 31 December 2017	**(229,034)**
Net Book Value	
As at 31 December 2017	-
As at 31 December 2016	-
As at 1 January 2016	-

15. Investments in subsidiaries - Company

	£
Cost	
As at 31 December 2016 and 31 December 2017	6,509,372
Impairment	
As at 31 December 2016 and 31 December 2017	(452,326)
Net book value	
As at 31 December 2016 and 31 December 2017	**6,057,046**

Metals Exploration Pte Ltd and PT Cupati are direct subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

15. Investments in subsidiaries - Company (continued)

FCF Minerals Corporation and MTL Philippines, Inc. were direct subsidiaries of the Company in 2013. These investments were transferred to Metals Exploration Pte Ltd in 2014 as part of the corporate reorganisation required to perfect a security package pursuant to a loan facility agreement which FCF Minerals Corporation entered into on 28 May 2014, and for the benefit of the lenders. Additional investment was made in Metals Exploration Pte Ltd during 2014 in order to facilitate the Group reorganisation.

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.

The investments in subsidiaries are as follows:

Company	*Registered address*	*Percentage holding*	*Nature of business*
PT Cupati	Jl. Gunung Gamalama No. 03A Kampung Baru, Sorong, Papua Barat Indonesia	96%	Holder of mining rights
Metals Exploration Pte Ltd	6 Temasek Boulevard, #29-00 Suntec Tower Four Singapore 038986	100%	Holding and investment company
FCF Minerals Corporation	22F, Salcedo Towers, 169 H.V. dela Costa St, Salcedo Village, Makati City 1227, Philippines	100%	Holder of mining rights
MTL Philippines	22F, Salcedo Towers, 169 H.V. dela Costa St, Salcedo Village, Makati City 1227, Philippines	100%	Holder of exploration rights

The principal place of business of the subsidiary companies listed above is the same as their country of registration.

16 Investments in associates - Group

	2017	*2016*
	£	*£*
At 1 January	105,556	97,862
Share of profits / (losses) of associates	(8,489)	7,964
At 31 December	**97,067**	105,556

Associate company	**Domicile**	**Assets**	**Liabilities**	**P&L reserves Deficit at 31 Dec 17**	**Sales**	**Gains/(Losses)**	**Ownership**
		£	*£*	*£*	*£*	*£*	**%**
Cupati Holdings Corporation	Philippines	2,009,473	(1,965,052)	7,113	70,115	39,336	39.99%
Woggle Corporation	Philippines	251,861	(127,490)	(248,710)	-	(17,564)	39.99%

Cupati Holdings Corporation and Woggle Corporation were investments of the Company in 2013. These investments were transferred to Metals Exploration Pte Ltd in 2015 as part of the corporate reorganisation required to perfect a security package pursuant to a loan Facility Agreement which FCF Minerals Corporation entered into on 28 May 2015, and for the benefit of the lenders.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

17. Trade and other receivables due in more than one year

Group	***2017***	*2016*
	£	*£*
Amounts owed by associates	1,980,960	2,093,155
Other receivables	3,660,258	-
	5,641,218	2,093,155

Other receivables include VAT on importations and other goods and services amounting to £3,097,810. In 2016, £3,033,384 of this amount was presented under property, plant and equipment.

18. Trade and other receivables due in less than one year

Group	***2017***	*2016*
	£	*£*
Receivables from gold sales	99,512	295,478
Other receivables	1,680,125	2,211,310
Prepayments	241,763	134,379
	2,021,400	2,641,167

Company	***2017***	*2016*
	£	*£*
Receivables from subsidiary	158,867,294	140,770,594
Other receivables	225,489	97,099
Prepayments	16,115	16,115
	159,108,898	140,883,808

19. Cash and cash equivalents

Group	***2017***	*2016*
	£	*£*
Cash on hand	5,223	5,728
Current accounts	532,209	5,980,765
	537,432	5,986,493

Company	***2017***	*2016*
	£	*£*
Current accounts	130,279	4,918,696
	130,279	4,918,696

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FOR THE YEAR ENDED 31 DECEMBER 2017

20. (a) Trade and other payables due in more than one year

Group	***2017***	*2016*
	£	*£*
Pension liability	539,979	-
	539,979	-

20. (b) Trade and other payables due in less than one year

Group	***2017***	*2016*
	£	*£*
Trade payables	7,966,368	4,304,406
Other payables	374,408	904,399
Other tax and social security payable	120,564	151,468
Accruals	1,941,211	704,804
	10,402,551	6,065,077

20. (c) Trade and other payables

Company	***2017***	*2016*
	£	*£*
Trade payables	440,247	122,701
Other payables	-	59,195
Other tax and social security payable	25,766	26,120
Accruals	252,832	48,114
	718,845	256,130

21. Derivative assets and liabilities

In 2015, the Group entered into Hedging Agreements based on the International Swaps and Derivatives Association, Inc. (ISDA) schedule to the 2002 Master Agreement. The Company has warrants as part of its mezzanine facility. These are discussed further on Page 64.

Gold Forward
The Group is exposed to changes in gold prices and the Group entered into forward sales price swap contracts that protect against the risk of decreases in gold prices. The Group had entered into cash settled forward sales gold contracts totaling 90,000 ounces of gold to be settled over thirty-six (36) months with the first settlement received on 2 October 2015 and last settlement on 3 July 2018. As at 31 December 2017, forward sales gold contracts totaling 15,000 ounces (2016; 45,000 ounces) were outstanding.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

21. Derivative assets and liabilities (continued)

	Non-current	*Current*	*Total*
	Assets/ (liabilities)	*Assets/ (liabilities)*	*2017*
	£	£	£
At 1 January 2017	1,427,473	2,854,948	4,282,421
Fair value gain	-	(3,798,378)	(3,798,378)
Settlements	-	486,534	486,534
Foreign exchange differences	-	(1,242,562)	(1,242,562)
Transfer to current	(1,427,473)	1,427,473	-
At 31 December 2017	**-**	**(271,985)**	**(271,985)**

	Non-current	*Current*	*Total*
	Assets	*Assets*	*2016*
	£	£	£
At 1 January 2016	7,401,991	4,010,144	11,412,135
Fair value gain	(4,008,577)	(2,672,385)	(6,680,962)
Settlements	-	(1,589,262)	(1,589,262)
Foreign exchange differences	889,007	251,503	1,140,510
Transfer to current	(2,854,948)	2,854,948	-
At 31 December 2016	1,427,473	2,854,948	4,282,421

Gold forward contracts and interest rate swaps are classified as level 2 in the fair value hierarchy defined in IFRS 13.

As at 31 December 2017, a forward gold price swaps contract of 15,000 ounces with average price of U$ 1,287.19 will mature in 2018.

Interest Rate Swap
The Group entered into Hedging Agreements with two international resource banks that provide for interest rate swap for an aggregate notional principal amount that is at least forty percent (40%) of the commitments over the term of the Loan Facility Agreement. When the Loan Facility was originally arranged in May 2015, the Company entered into interest rate swaps to swap the underlying variable six-month US Libor interest rate into a fixed rate of 1.575% for the original fifty-four month term ending 31 December 2018. A derivative asset (2016: liability) and the related unrealised marked-to-market on the interest rate swap contracts are recognised in the financial statements.

	2017	*2016*
	£	£
At 1 January	(10,076)	(80,386)
Fair value loss	(66,702)	(43,875)
Settlements	89,437	121,250
Foreign exchange differences	(1,190)	(7,066)
At 31 December	**11,469**	(10,076)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

22. Other current assets - Group

	2017	*2016*
	£	*£*
Consumable inventories	853,541	364,732
Other assets	-	134,532
	853,541	499,264

23. Loans - Group

On 28 May 2015, the Company entered into a loan Facility Agreement with two foreign international resource banks with each both bank having an equal participation. The Facility Agreement comprises three separate elements:

Senior Facility:	
The senior facility includes rolled up capitalised interest and bank fees during the construction phase of US $5,000,000[1]	**US $75,000,000**
Cost overrun facility:	**US $8,000,000**

Note[1]: the capitalised interest period covers the construction period 28 May 2015 to 31 December 2016.

On December 15, 2016 the Loan Facility Agreement was amended. The Amended Deed involves a new loan 'Term Loan A' amounting to US$28,160,000 which was applied to repay the Cost Overrun Facility amounting to US$8,000,000 and reducing it to Nil and reducing the combined total of Senior Facility and Capitalized Interest Facility from US$73,000,000 to US$52,840,000 as follows:

	Original Loan Facility	*Application*	*Amended Deed*
Term Loan	US$73,000,000	(US$20,160,000)	US$52,840,000
Cost Overrun Facility	8,000,000	(8,000,000)	-
Term Loan A	-	28,160,000	28,160,000
Total	US$81,000,000	US$–	US$81,000,000

The Amended Deed became effective on January 27, 2017 when all Conditions Precedent as set out in the Amended Deed were either satisfied or were waived by the lenders.

Under the new terms of repayment on the Amended Deed, the loan is repayable within 3 years under the following scheme:

Term Loan
- US$23,680,000 payable in 2017
- US$29,160,000 payable in 2018

Term Loan A
- US$28,160,000 payable in 2019

NOTES TO THE FINANCIAL STATEMENTS
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23. Loans - Group (continued)

On March 31, 2017, the Group was granted a waiver by the lenders pursuant to the Facility Agreement dated May 28, 2014 (as amended) allowing the Group to defer repayment of US$4,240,000 principal that was due on March 31, 2017. Pursuant to the waiver, deferred principal amount was repaid as follows:

- US$1,000,000 on April 28, 2017
- US$2,000,000 on May 31, 2017
- US$1,240,000 on June 30, 2017

In 2017, a total of US$17,200,000 of principal was repaid by the Group reducing the balance to US$63,800,000.

On December 28, 2017, the Group was granted a waiver by the lenders pursuant to the Facility Agreement dated May 28, 2014 (as amended) allowing the Group to defer repayment of US$6,480,000 related to principal repayment due on December 31, 2017. Pursuant to the waiver, repayment schedule of loan principal has been delayed until June 29, 2018.

On March 29, 2018, a further waiver was granted by the lenders on principal repayments due on March 31, 2018. Principal repayments were deferred until June 29, 2018.

	2017	*2016*
	£	*£*
Loans due within one year	**26,555,934**	47,200,085
Loans due after more than one year	**42,311,183**	23,669,976

23. Loans - Company

On 25 November 2016 the Company entered into a facility agreement with two major shareholders, MTL (Luxembourg) Sarl and Runruno Holdings Limited. The purpose of this agreement was for general corporate and working capital requirements of the Company and to enable completion of the project. The facility amount of US $5,000,000 was fully drawn down, with interest capitalised against the facility at 20% per annum. The facility ranks pari passu with the claims of other unsecured and unsubordinated creditors.

On September 19, 2017, the Company entered into a US$21,000,000 Mezzanine debt facility with the same stockholders payable within 60 months. Interest rate is 8% plus US LIBOR and interest may be capitalised on the first twelve months of the facility with additional 4% margin. The proceeds from the facility was used to repay two short-term loans received from the same shareholders with balance being utilised to facilitate the capital and interest payment to the Group's senior lenders. A production fee is payable over a 60-month period in quarterly instalments equivalent to 1.3% of the gross gold sales of the Group from first drawdown, where the minimum quarterly fee payable is US$250,000 and the maximum quarterly fee is capped at US$500,000.

These loans are included in the Group balance sheet above.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

23. Loans - Company (continued)

	2017	2016
	£	£
Loans due within one year	-	-

	2017	2016
	£	£
Loans due after more than one year	**21,328,716**	4,952,702

24. Provision for mine rehabilitation and decommissioning

	2017	2016
	£	£
At 1 January	1,505,708	1,324,736
Unwinding of discount	73,944	71,659
Effect of change in estimate	-	(71,659)
Foreign exchange differences	(134,740)	180,972
At 31 December	**1,444,912**	1,505,708

The Company makes provision for the future cost of rehabilitation of the process plant on a discounted basis. Provision for mine rehabilitation and decommissioning represents the present value of future rehabilitation and decommissioning costs. These provisions have been created based on the Company's internal estimates. Estimated costs include labour, equipment hire, consumables and transportation for disposal. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual costs will ultimately depend upon future market prices for the necessary works required which will reflect market conditions at the relevant time. Furthermore, the timing of the rehabilitation and expenditure of other costs is likely to depend on when the mine ceases to produce at economically viable rates, and the timing that the event for which the other provisions provided for will occur.

25. Called up share capital

	2017	2016
	£	£
Allotted, called up and fully paid at 1 January	20,713,347	15,830,054
Shares issued and fully paid during the year	-	4,883,293
Allotted, called up and fully paid at 31 December	**20,713,347**	20,713,347

Share rights

Ordinary shares confer the right to vote and to participate in dividends, capital, and other distributions including on winding up. Ordinary shares are not redeemable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

26. 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 2017		Year ended 31 December 2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		p		*P*
Outstanding at the beginning of the period	6,585,000	26.33	7,235,000	25.25
Exercised during the period	-	-	-	-
Expired during the period	(6,585,000)	26.33	(650,000)	14.31
Outstanding at the end of the period	-	-	6,585,000	26.33
Exercisable at the end of the period	-	-	6,585,000	26.33

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

	Year ended 31 December 2017			Year ended 31 December 2016		
	Number of share options	Exercise price	Weighted average remaining contractual life	Number of share options	Exercise price	Weighted average remaining contractual life
		p	*(months)*		*P*	*(months)*
	-	-	-	6,000,000	25.00	3
	-	-	-	585,000	40.00	10
Outstanding at the end of the period	-	-	-	6,585,000	26.33	4

During the year, an expense of £nil was recognised in the statement of total comprehensive income (2016: £nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

26. Share based payments (continued)

Warrants

During the year ended 31 December 2017, two tranches of warrants were issued by the Company as part of the mezzanine funding package.

	Tranche 1	Tranche 2
Exercise Price	£0.055	£0.070
Expiry Date	31 December 2023	31 December 2023
Number of warrants	75,000,000	25,000,000

The assessed fair value of warrants granted during the year ended 31 December 2017 is US$1,526,937

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole.

27. Net cash used in operating activities

Group	***2017***	*2016*
	£	*£*
Loss before tax	(13,396,122)	(20,468,792)
Net finance costs	1,636,483	4,238,490
Depreciation	1,373,410	1,810,940
Tax	(425,435)	-
Provisions	73,944	-
Fair value loss on forward sales contracts	3,798,378	6,680,962
Fair value loss on interest rate swaps	66,702	43,875
Amortisation	24,381	64,724
Share of losses / (profits) of associates	8,489	(7,964)
Loss on disposal of asset	2,203	-
Interest income	(430)	-
Increase in receivables	(2,928,296)	(1,702,251)
Increase in other assets	(354,277)	(499,264)
Increase in payables	4,684,039	1,300,604
Cash used in operations	**(5,436,531)**	(8,538,676)
Interest received	430	471
Finance costs paid	(568,636)	(150,229)
Net cash used in operating activities	**(6,004,737)**	(8,688,434)

NOTES TO THE FINANCIAL STATEMENTS
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27. Net cash used in operating activities (continued)

Company	***2017***	*2016*
	£	£
Loss before tax	(3,418,171)	(2,466,061)
Net finance costs	2,417,048	835,809
Increase in receivables	(18,225,090)	(18,155,237)
Increase / (decrease) in payables	269,301	91,046
Decrease / (increase) in other assets	16,115	(16,115)
Cash used in operations	**(18,940,797)**	(19,888,819)
Finance costs paid	(937,695)	(53,666)
Net cash used in operating activities	**(19,878,492)**	(19,764,223)

28. Reconciliation of liabilities from financing activities

Group	***1 January 2017***	***Cash flow***	***Non-cash movements***	***31 December 2017***
	£	***£***	***£***	***£***
Derivative financial instruments	(4,272,345)	397,097	5,500,665	1,625,417
Loans (current)	47,200,085	1,946,216	(22,590,367)	26,555,934
Loans (non-current)	23,669,976	-	18,641,207	42,311,183
	66,597,716	2,343,313	1,551,505	70,492,534

Company	***1 January 2017***	***Cash flow***	***Non-cash movements***	***31 December 2017***
	£	***£***	***£***	***£***
Loans (non-current)	4,952,702	15,621,353	754,661	21,328,716
	4,952,702	15,621,353	754,661	21,328,716

29. Capital commitments

As at 31 December 2017 the Group had £nil of outstanding capital commitments (2016: £nil) for the purchase of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

30. 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 7, Directors' emoluments section.

During the year, the Company advanced £19,225,258 to its subsidiaries to fund operations and purchase property, plant and equipment (2016: £15,490,395). At the year end, the Company was owed £156,864,768 by its subsidiaries (2016: £137,639,510).

During the year, the Company received £nil from Woggle Corporation, an associate of the Company, (2016: received £nil). At the year end, the Company owed £59,195 to its associates (2016: owed £59,195).

During the year, the Company received £nil from Cupati Holdings Corp., an associate of the Company, (2016: received £nil). At the year end, the Company was owed £8,250 from its associates (2016: £8,250).

31. Financial instruments

The Company's financial assets comprise cash & cash equivalents of £130,279 (2016: £4,918,696), trade and other receivables of £159,108,898 (2016: £140,883,788), and derivative assets of £11,469 (2016: £4,282,421).

Fair values of commodity forwards are obtained using the "forward versus forward" approach using gold forward prices and discounted at the appropriate London Interbank Offered Rate. Fair value of forward commodity sales contracts for gold sales transactions is provided by the third-party banks' derivative team using proprietary forward pricing curves to value commodity contracts.

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

Group	***Cash and cash equivalents***	***Trade and other receivables***	***Derivative assets***	***Total***
	£	*£*	*£*	*£*
As at 31 December 2017	537,432	7,662,618	11,469	8,211,519
As at 31 December 2016	5,986,493	4,734,322	4,282,421	15,003,236

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

Group	***Trade payables***	***Accruals and other payables***	***Loans***	***Derivative liability***	***Total***
	£	*£*	*£*	*£*	*£*
As at 31 December 2017	7,966,368	2,436,183	68,867,117	271,985	79,541,653
As at 31 December 2016	4,304,406	1,760,671	70,870,062	10,076	76,995,299

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

31. Financial instruments (continued)

Trade payables, accruals and other payables and loans are measured at amortised cost. Fair value of interest rate swaps is provided by the third-party banks' derivative team using interest rate and yield curves observable at commonly quoted intervals.

The Company's financial liabilities comprise trade payables of £389,302 (2016: £122,701), accruals of £252,832 (2016: £48,114), other payables of £76,711 (2016: £59,195) and loans of £21,328,716 (2016: £4,952,702).

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 are as follows:

Group

	Trade and other payables	*Loans*	*Future Loan interest*	*Total*
	£	*£*	*£*	*£*
As at 31 December 2017				
1 – 6 months	10,402,551	15,088,599	1,681,662	27,172,812
6 – 12 months	-	11,467,335	1,416,511	12,883,846
1 – 2 years	-	22,284,976	2,302,721	24,587,697
2 – 5 years	-	20,026,206	6,173,004	26,199,210
Total contractual cash flows	10,402,551	68,867,116	11,573,898	90,843,565
As at 31 December 2016				
1 – 6 months	6,065,079	8,689,802	2,169,010	16,923,891
6 – 12 months	-	10,505,581	1,874,271	12,379,852
1 – 2 years	-	23,637,557	2,602,442	26,239,999
2 – 5 years	-	27,779,643	2,504,826	30,284,469
Total contractual cash flows	6,065,079	70,612,583	9,150,549	85,828,209

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FOR THE YEAR ENDED 31 DECEMBER 2017

31. Financial instruments (continued)

Liquidity risk (continued)
Payments in respect of derivative financial liabilities are made quarterly expiring on 30 June 2018.

Company

	Trade and other payables	*Loans*	*Future Loan interest*	*Total*
	£	*£*	*£*	*£*
As at 31 December 2017				
1 – 6 months	718,845	-	-	718,845
6 – 12 months	-	-	364,682	364,682
1 – 2 years	-	1,302,510	1,458,728	2,761,237
2 – 5 years	-	20,026,206	6,173,004	26,199,210
Total contractual cash flows	718,845	21,328,716	7,996,414	30,043,974
As at 31 December 2016				
1 – 6 months	256,130	-	-	256,130
6 – 12 months	-	-	-	-
1 – 2 years	-	-	-	-
2 – 5 years	-	4,952,702	1,621,271	6,573,973
Total contractual cash flows	256,130	4,952,702	1,621,271	6,830,103

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 counterparties to the gold sales are internationally recognised. Further, the Group receives significant payment for the gold upon the presentation of transportation documents.

The Company is exposed to credit risk to the extent that amounts owed by its subsidiaries may not be recoverable in the future. As at 2017, amounts due to Metals Exploration plc from PT Cupati have been fully provided for.

MTL Philippines, Inc., a subsidiary in the Philippines, was fully impaired in the Company prior to the investment and provision of impairment being transferred to Metals Exploration Pte Ltd under the corporate reorganisation.

As at 31 December 2017, none of the other receivables were found to be impaired (2016: £nil). No unimpaired other receivables are past due as at 31 December 2017 (2016: £nil).

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

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FOR THE YEAR ENDED 31 DECEMBER 2017

31. Financial instruments (continued)

Market risk and sensitivity analysis

Interest rate risk
The Group has interest bearing assets comprising cash and cash equivalents which earn interest at a variable rate.

The impact on the reported profit for the year is interest income on cash of £430 (2016: £471).

The Group has interest bearing liabilities and the impact on the reported profit for the year is an interest expense of £1,791,575 (2016: £911,368). Interest payable on the loan facility is currently capitalised. The value of interest and bank fees capitalised during the year is £4,882,501 (2016: £5,498,353).

The portion of the Group's interest-bearing borrowings at year-end that is exposed to interest rate fluctuations is US $102,000,000. These borrowings are normally rolled for period of three months and are therefore exposed to the rate changes in this period. The remainder of the borrowings bear interest at a fixed rate. US $107,000,000 of the total borrowings at reporting date is exposed to changes in the LIBOR rate. A 5% increase in LIBOR would have resulted in £75,323 losses for the year. The analysis is based on the assumption that the applicable interest rate increased with all other variables held constant. All financial instruments with fixed interest rates that are carried at amortised cost are not subject to the interest rate 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 £9,722,731 (2016: £21,100,367).

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	**2017**	2016	**2017 GBP loss £m**	2016 GBP loss £m
USD	(20,483,600)	1,909,791	(1.02)	(0.1)
AUD	1,343	25,180	0.00007	(0.01)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

32. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern 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.

33. Contingent liabilities

The Group has no contingent liabilities identified as at 31 December 2017 (2016: £nil).

34. Post balance sheet events

On 28 March 2018, the Company has secured a US$2,000,000 standby loan facility with its two major shareholders, which will be available to be drawn as might be required for general short-term working capital use. The commercial terms of the facility are as follows:

- Term: from execution of documents to 30 June 2018
- Interest rate: 20% per annum accruing daily (payable from drawdown)
- Arrangement fee: 2% payable on signature

The Company has drawn down US$1,000,000 and US$200,000 on 28 March 2018 and 17 April 2018, respectively.

On March 29, 2018, the Group was granted a waiver by the lenders pursuant to the Facility Agreement dated May 28, 2014 (as amended) allowing the Group to defer repayment of US$6,480,000 related to principal repayment due for March 31, 2018. Pursuant to the waiver, principal repayments for both December 31, 2017 and March 31, 2018 has been delayed until June 29, 2018.

On May 11, 2018, two Directors, Mr Tim Dean and Mr Julian Wilson announced their resignation after ten years and five years continual service respectively.

35. Ultimate controlling party

The Company has no ultimate controlling party.