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Companies House
4 Abbey Orchard Street
Westminster
London
SW1P 2HT

19 June 2013

Our ref NSW ME282/ SDD/ KR4

Dear Sirs,

I enclose the following Accounts for filing at Companies House.

Name of Company	Company No.	Description of document
Metals Exploration Plc	05098945	Accounts for the year ended 31 December 2012

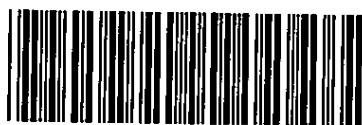
I should be grateful, if you would kindly acknowledge safe receipt of these documents by signing and returning the duplicate copy of this letter in the enclosed pre paid envelope.

Yours sincerely



Stephen Drew

THURSDAY



L2AWHRFF
LD5 20/06/2013 #52
COMPANIES HOUSE

Nexia Smith & Williamson Audit Limited

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METALS EXPLORATION PLC

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METALS EXPLORATION PLC

DIRECTORS AND ADVISERS

Directors	I R Holzberger	(Executive Chairman)
	T J Dean	(Non-Executive Director)
	E F Parsons	(Non-Executive Director)
	G R Walker	(Non-Executive Director)
	C G Whitehouse	(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	Westhouse Securities Limited One Angel Court London EC2R 7HJ	
Broker	S P Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP	
Solicitors	Kerman & Co LLP 200 Strand London WC2R 1DJ	
Registrars	Capita Registrars Limited 34 Beckenham Road Beckenham Kent BR3 4TU	
Company's registered number	05098945	

CHAIRMAN'S STATEMENT

Dear Shareholder,

I am pleased to present Metals Exploration plc's (the 'Group') audited financial results and Annual Report for the year ended 31 December 2012. It is also my pleasure to report the progress and developments achieved by the Group throughout the year and including the period subsequent to the financial year-end.

Project Development

Early construction work on selected key infrastructure and access components continued apace throughout the period with considerable progress achieved. I expect to be in a position to confirm the completion of all early site works during the middle of 2013 which will allow the Runruno project to proceed seamlessly through to full construction. The early works comprise

- Construction of the processing plant pad,
- Development of the site office, the main camp with lodgings, ablutions and mess hall,
- Construction infrastructure comprising communications, site power and water distribution,
- Erection of the first stage of the power line connecting the site to grid power and energising the lines,
- Establishment of major on site and off site access roads,
- Pioneering work to establish the stage one pit and associated haul roads,
- Purchase and commissioning of the mining fleet

Contracts for these important early site works packages were awarded to local Philippine sub-contractors or self-executed by the Group's site based work force.

Our plan is to 'self-execute' the design and construction of the processing plant using specialised contractors and sub-contractors to complete the works. As a result of this decision we terminated negotiations with Leighton Contractors (Asia) Limited which were associated with the plan to enter into an Engineering and Construct contract and a Procurement contract ('E&C') for the design and construction of the Runruno processing plant.

The Group's achievement in bringing the Runruno project to the point where full development may proceed and the quality of the work undertaken in reaching that point is testament to the commitment and skills of the Group's management, employees, consultants and advisers.

Regional Exploration

Exploration activities for both gold and copper continued within the Runruno Financial or Technical Assistance Agreement ('FTAA') contract area during the period, with two diamond drilling rigs committed exclusively to the programme. The outstanding exploration highlight during this time was a 78.9% upgrade in the Inferred JORC Resource for the Malibeg South area of an additional 340,000 ounces of gold at 1.4 g/t Au. The total Runruno 2012 JORC compliant mineral resource base now stands at 1.73 million ounces of gold at an average grade of 1.63 g/t Au comprising the Runruno main resource and Malibeg South resource.

At Magnetite Creek located in the south of the Runruno FTAA contract area, previously reported drilling has confirmed the occurrence of anomalous porphyry copper-gold style mineralisation. An experienced geological consultant was hired to review these drill results and following deliberation he believes that the presence of alkaline-porphyry-related mineralisation within the FTAA area, indicates the potential for a copper-gold porphyry deposit to be present at depth and possibly beneath the Runruno main deposit.

METALS EXPLORATION PLC

Chairman's statement (continued)

Cash Position and Project Finance

The Group remains well funded with cash at bank of £26.3 million at the year-end and a further net amount of £37.4 million contractually committed in 2013 from its major shareholders, in exchange for issues of ordinary shares. We are seeking to raise up to £43.3 million in a debt instrument and plan to secure the instrument before the end of 2013. The combination of these two financing sources, our current cash reserves and a credit for the project capital works completed to date should be adequate funding for the full construction of the overall Runruno project. This augurs well for the Group and I am grateful for this support which will enable management to continue its strategy to develop value for the benefit of all of the shareholders.

Our Group audited results show an operating loss of £4,478,951 for the financial year just ended, which is broadly in line with the Group's expectations during the pre-production phase.

Board Changes

The Board of the Company has seen Mr Richard Williams step down as a Non-Executive Director and replaced with Mr Chris Whitehouse, and the retirement of Mr Jonathan Beardsworth who has not been replaced.

Government

During the first half of 2012 the Government of the Philippines released its Executive Order 79 (the 'Order') which relates to reforms in the mining sector. The Order is effectively a policy statement which points to reforms in the mining sector through a number of policies and guidelines aimed at promoting responsible mining through environmental performance, resource utilisation and a more equitable sharing of the economic benefits derived from mining. The Order upholds the dominance of national laws in managing the mining sector and we do not anticipate this will have a material or meaningful impact on the economics of the Runruno project because it is held under a FTAA, and the advice provided to the Group is that FTAA holders are minimally impacted.

Writ of Kalikasan

FCF Minerals Corporation ('FCF') and various Government agencies are defending themselves against an application for a Writ of Kalikasan ('WoK') and various other actions including a Temporary Environmental Protection Order ('TEPO'), through the Supreme Court and which is heard in the Court of Appeals. The Court has heard and denied the application for a TEPO which demonstrates the vexatious nature of the action and the applicant's abuse of court processes in bringing the action. Following the denial of the TEPO, FCF initiated a Strategic Law Suit Against Public Participation ('SLAPP') action against those who filed the WoK case on the basis that there were no valid or legal grounds for filing such case, and the main intent of the initiation of such a case was merely to frustrate FCF's operations. The Court granted FCF the application and has now heard the SLAPP matter, but remains to hand down its decision. We remain confident in the outcome.

Corporate Responsibility and Environment

Once again, I am delighted to report that the Group's Philippine subsidiary, FCF Minerals Corporation ('FCF'), was recognised for its environmental and rehabilitation work at Runruno and its community work in the host district after being recognised as an outstanding achiever at the 2012 Presidential Minerals Industry Environmental Awards by being awarded the 2012 Presidential Minerals Industry Environmental Award (Exploration Category) for the second year in succession. We have introduced key initiatives, including a Mining Forestation programme and the Greening Philippines programme which work with property owners to re-establish previously logged forests by planting large stands of native trees. To date, some 70,000 new native trees have been planted in the areas surrounding work areas and about one million coffee seedlings have been donated to several planting projects as part of the President's 'Greening the Philippines' project. In addition, FCF has rehabilitated and stabilised work areas in the Runruno FTAA contract area using best practice of introducing coconut fibre matting and planting of deep rooted grasses and shrubs.

Chairman's statement (continued)

The Company's safety culture on the Runruno project site is one I am proud of and which has achieved an outstanding 4 85 million man-hours without a lost time accident This is a highly credible performance by all of the Company's employees

I congratulate the efforts of everyone involved and acknowledge their continued dedication in the application of our social and environmental programs and safety culture

Summary

2012 was another year of accomplishment with striking visible progress made on-site We are on the cusp of full blown project development and I am excited by the prospect of 'self-executing' the construction of the process plant with the aid of a debt facility once acceptable terms are agreed The Group will progress towards its main objective of gold production which will generate shareholder value I would like to thank our shareholders, our personnel and employees for your continual support and I look forward to being in a position next year to update shareholders on the construction progress of the process plant

A handwritten signature in black ink, appearing to read 'I R Holzberger', with a long, sweeping horizontal line extending from the end of the signature.

I R Holzberger
Executive Chairman

22 May 2013

CORPORATE GOVERNANCE STATEMENT

In September 2010, the Quoted Companies Alliance published updated Corporate Governance Guidelines for Smaller Quoted Companies. The Company's Board of Directors has complied with these guidelines during the year, except where stated below

Directors

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

For most of the year ended 31 December 2012 the Board consisted of one executive Director and four non-executive Directors. The executive Director in office throughout the whole of the year was Mr I R Holzberger. The non-executive Directors in office throughout the whole of the year were Mr T J Dean, Mr E Parsons, who were nominated to the Board by the major shareholder Solomon Capital Limited, and Mr G R Walker who was nominated to the Board by a significant shareholder, Runruno Holdings Limited. Mr R S Williams (resigned 31 August 2012) and was replaced by Mr C G Whitehouse (appointed 31 August 2012), a nominee to the board by Solomon Capital Limited. Mr J P B Beardsworth, an independent director, resigned 13 June 2012 and was not replaced.

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

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

The Directors have delegated some of their responsibilities to various Committees, which operate within specific terms of reference. In the event of a proposal to appoint a new Director, this would be discussed at a Board meeting, with each Director being given the opportunity to meet the candidate prior to any formal decision being taken. Due to the small size of the Group in 2012, no Nomination Committee had been established.

Audit and Remuneration Committees

During the year ended 31 December 2012, the Audit Committee consisted of two Directors, Mr E F Parsons and Mr G R Walker. There is no independent Director on the Board of the Audit Committee. Mr E F Parsons and Mr G R Walker have relevant financial experience. The Audit Committee is responsible for the relationship with the Company's external auditors, the in-depth review of the Group's financial statements and the review of the Group's internal financial controls. The Committee meets at least twice a year, prior to the issue of the annual and interim financial statements and should it be necessary, will convene at other times.

During the year ended 31 December 2012, the Remuneration Committee mainly consisted of two Directors Mr I R Holzberger, and Mr T J Dean, pending the appointment of at least one independent non-executive Director. The Remuneration Committee is responsible for remuneration policy and setting remuneration for Directors. Directors' remuneration consists of a package of basic salary and share options and warrants linked to corporate and individual performance achievements. The Committee meets when necessary.

Corporate Governance Statement (continued)

Communication with shareholders

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

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

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

Internal controls

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

Incorporation

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

Going concern

Based on the Group's cash flow projections, the Directors are satisfied that the business is a going concern. The Board has a reasonable expectation that the Group has adequate cash resources to continue in existence for the foreseeable future and therefore the accounts are prepared on a going concern basis.

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



I R Holzberger
Executive Chairman

22 May 2013

OPERATIONS REVIEW

Most of the work undertaken at Runruno during the year has been planning and developing infrastructure on and around the site designated for the gold recovery processing plant. The Group has been particularly successful self-managing various small construction packages and engaging with local Filipino contractors to undertake the completion of the works. Exploratory drilling has been maintained throughout the year in a limited capacity but has yielded some exciting results.

Runruno Gold-Molybdenum Project

A. Background information on the project

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

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

It should be noted that foreign corporations such as Metals Exploration plc investing in the Philippines are not entitled to hold in excess of 40% ownership of land or property in the Philippines. However, FCF has been officially approved as a 'Qualified Person' to hold an FTAA which makes it possible for Metals Exploration plc to own and invest in the project by virtue of controlled ownership of FCF.

Having secured the FTAA contract, FCF undertook the processes necessary to comply with all of the requirements which would allow it to be able to execute mining operations. These comprised but were not limited to environmental compliance, health & safety compliance, mining operation & planning compliance, and land rehabilitation planning. A requirement in the FTAA is for FCF to submit written notification to the Mines and Geosciences Bureau ('MGB'), a department of the Department of Environment and Natural Resources ('DENR'), detailing the technical and commercial feasibility of mining and processing to produce gold from the Runruno area. It was with great satisfaction that the Group received from the Secretary of the DENR the approval of the Runruno Declaration of Mining Project Feasibility ('DMPF') on 20 October 2011, allowing FCF to advance development into construction and thereafter to commercial recovery of gold.

The DMPF is the authority allowing FCF to design and construct the processing plant at Runruno and the Board of Directors agreed that as of 1 December 2011 the Company is authorized to raise the required additional finance for the construction of the processing plant, infrastructure and ancillary buildings which will bring the Company into commercial production. Step-out drilling operations would continue at Runruno with the objective of tracking the gold deposits south of the pit and in other strategic areas of interest.

Operations review (continued)

B. Estimated cash requirements

The total capital expenditure budget is summarized as follows

<u>Expenditure Category</u>	<u>£m</u>
Early works, infrastructure and ancillary buildings – completed	13.8
Mining fleet - Komatsu branded (acquired in January 2013)	9.0
Total expended in 2012	22.8
Early works, infrastructure and ancillary buildings – to be completed	26.0
Processing plant construction costs inclusive of contingency	64.0
Total forecast expenditure	90.0
Total expenditure estimate	112.8

In addition it is forecast that working capital requirements through to commencement of commercial gold recovery will estimate at £5million

The sources of funding currently available and projected to be available are summarised as follows

<u>Source of funding</u>	<u>£m</u>
Cash available at 31 December 2012	26.3
Cash on deposit at bank ring fenced for the balance of the acquisition of Komatsu equipment and treated as 'other debtors' as at 31 December 2012	7.8
Projected cash contractually committed by share placings in 2013 (after expenses)	37.4
Credit for capital works completed during 2012	13.8
Total cash available or utilised	85.3

This provides for a funding shortfall of £27.5 million which in addition to working capital and general operating costs, contingency, and capitalised interest costs pre-positive cash flows after production, will be sourced through a debt funding instrument of up to £43.3 million. With a healthy debt to equity ratio forecast of 24.76 at the point of drawing debt funds down, the Company is confident of securing a sufficient level of debt funding by the end of 2013.

C. Early construction works at Runruno

As at 31 December 2012 the Company had expended about £13.8 million on early construction works at Runruno executing various board approved works packages using local Filipino contractors and workforce. £9 million was committed (mining fleet) but not yet acquired as of 31 December 2012. The early works have concentrated on readying the site for the main construction project, building the infrastructure which will be required before, during and after the construction of the process plant is underway. Payment of these packages is entirely funded by shareholders' equity.

METALS EXPLORATION PLC

Operations review (continued)

1. Access roads

The nearest township to the barangay of Runruno is Solano which has excellent national highway access. Runruno is 25km north of Solano and can be easily reached via a partly sealed national road. Some parts of this road have been upgraded by FCF and a 12km stretch of the road to Runruno has been fully sheeted by placing and compacting crushed rock on the platform, a new all-weather surface established and the roadside drainage improved. The remaining 16km of the road is concrete paved and in excellent condition.

A further stage of upgrade involving the realignment of a number of road curves to allow wide bodied and heavy trailers to traverse safely, has commenced. In addition, the Department of Public Works and Highways ('DWPH') is also working to upgrade and maintain the standard of the road. The DWPH is replacing a weak and narrow bridge and extending the concrete surface by a further 1.5km from its annual budget. This work is well advanced and is due for completion in May 2013 and will coincide with an increase of traffic carrying heavy equipment to site.

In general terms, the road access to site is of a very high quality and will be maintained to a high standard for the benefit of several communities whose boundary shares the national road and from which our project will also benefit.

Access roads in and around the site area have been upgraded, widened, strengthened and new access roads designed, pioneered and completed in readiness for the main construction phase. This has included strengthening and making safer various sections of the Sulong river and its banks which runs through Runruno. Gabion baskets have been positioned at strategic points and bends and over long stretches of the river's banks to provide protection for the roads and process site against flooding and soil erosion. The local community will share a great benefit from this land improvement works.

2. Site preparation and establishment

Work has been ongoing since December 2011 but primarily throughout 2012 to prepare and establish the physical site in readiness for the construction of the main processing plant and ancillary buildings. A local Philippines contractor was engaged to carry out this work and the site is currently ready for the main construction phase. The processing plant earthworks are now complete and the pad has been independently verified as having met or exceeded the required design criteria and load bearing capacity.

3. Construction camp and site office

The site office has been constructed with the top floor fully completed and the bottom floor being fitted-out ready for the Construction Project team, Information Technology team, site Finance and Administration team and site management to take occupancy.

The construction camp and messing facilities are near completion. The camp is designed to accommodate 700 personnel and at the peak of construction to feed in excess of 1,000 personnel. The internal construction is a stud partition construction designed for ease of dismantling and internal redesign, after the heavy population density period of construction has been completed.

4. Power

Power will be supplied to the project from the Philippine National Grid system and work to connect with the Bayambong switch yard is well underway. A 69kV overhead power line connecting the switchyard to the mine site is being constructed in two stages,

- i from Maddiangat to Runruno, a distance of 22km, and
- ii from Bayambong to Maddiangat, a distance of 15km

METALS EXPLORATION PLC

Operations review (continued)

Stage one is expected to be complete before the end of Q2 2013. The early completion of this link will provide access to grid power initially at 13.9 kV until stage two is completed and the primary grid connection is established.

Connection to the grid will have a material reduction in the cost of power to the project during the construction phase compared to diesel fuel.

A power supply switchyard area has been established within the location of the processing plant area, which will supply power for the construction phase and be available thereafter in commercial production. Two 1,000 kVA generator sets have been installed and overhead power lines and junction boxes established around the processing plant site to support construction. The generating capacity has also been reticulated to the camp and office complex. In the coming weeks the facility will be permanently connected to the national grid and generators will be on stand-by and act as back-up supply support. Several local communities and barangays will benefit from the Company's investment through a more reliable local supply of national grid electricity.

5. Potable water system

A potable water system drawing water from the Lintugan River is nearing completion. This involves laying a 3.2 km stretch with pipe from the river to a weir and pump house at the project site. The weir, pump house and processing facilities will be finished in the coming weeks and in addition to supplying the project requirements, potable water will be made available to the Runruno town residents to replace the current raw water sources used for domestic supply.

6. Batch Plant

In preparation for the main construction project the Group invested in the procurement of a batch plant to produce concrete in real-time throughout the construction phase. It is estimated up to 15,000 cubic metres of concrete will be consumed across the project with 11,000 cubic metres being consumed in the construction of the process plant. The batch plant will also allow the Group to maintain the access roads to a high standard and complete the construction of other permanent buildings.

7. Mine access

The primary haul road from the run of mine pad (ROM) area to the starter pit has been established to a 1:10 grade and 20m road width, and work has recently commenced to cut a road from the starter pit to the tailings storage facility. This includes the construction of a permanent crossing across the Sulong River to facilitate the tailings to be transported from the processing plant as safely and efficiently as possible. The construction of the crossing is nearing completion. The Lands and Community department has been successful in closing down a number of the illegal small scale mining operations in and around the mining area and good progress is being achieved with the remainder. Mining in the starter pit area has shown the ground conditions to be excellent with the exposed rock faces standing up at design angles.

D. Mining equipment

The decision to advance the acquisition of the mining fleet was agreed at board level and the brand of choice is the Japanese Komatsu equipment. Komatsu have a predominant presence in the Philippine surface mining industry. The equipment is supported by the manufacturer's national distributor who provides after-sales and maintenance services. The lengthening manufacturing lead time was one of the main reasons for deciding to purchase these pieces of equipment and from an economic perspective it was advantageous to purchase these outright rather than lease. The equipment is now delivered to site and is being assembled and commissioned. A three month training programme for the operators will be undertaken once the equipment is handed over to the

METALS EXPLORATION PLC

Operations review (continued)

Group It is expected that the equipment will be commissioned productively by the end of August 2013. The package comprises the following specific models and quantities, six HD785-7 rigid dump trucks, one PC2000-8 hydraulic excavator, one PC1250-8 hydraulic excavator, two D457A-5 bulldozers, and one GD825-A motor grader. These will be complemented by one WA600-6 wheel loader at a later date yet to be determined.

Once assembled, commissioned and operational they will make a welcome addition to the growing ensemble at site in Runruno.

E. Environment

The Company follows the World Bank Guidelines and the Equator Principles in all aspects of its environmental and community related work.

The Group supports and makes donations to the Runruno Livelihood Foundation, a non-profit organization, with experienced community relations personnel, who work closely with the local communities to introduce and promote sustainable health, life and business development programs for the benefit of these communities. The proposed development at Runruno is supported by all impacted local communities.

The Metals Exploration Group of Companies continued to receive a number of awards across the year for its environment, social, community and occupational health and safety programs. The highlight of the year was being awarded the prestigious 2012 Presidential Mineral Industry Environment Award (Exploration Category) for a second successive year. This award demonstrates the Group's achievements in implementing responsible mining practices, its excellent environmental performance and establishing a zero harm culture. At the date of this report the Group had achieved a highly credible 4.85 million man-hours without a lost time accident.

F. Runruno Exploration

Exploration within the Runruno FTAA continued throughout the year with some success in the Malilibeg South area where a mineral resource containing up to 340,000 ounces of gold at 1.4 g/t Au has been estimated. The program consisted of ground mapping, geochemistry, surface sampling, airborne and ground geophysics and diamond drilling designed to test the area for further gold mineralisation of the Runruno style, and to assess for the potential of porphyry copper mineralisation. This program has continued into 2013.

The work completed in 2012 focused on the Malilibeg South gold resource area and on the Magnetite Creek target. Preliminary testing of a number of other targets in the FTAA area confirmed their potential for additional mineral resources. A total of 42 holes were drilled in 2012 within the Runruno FTAA contract area totalling 13,200 metres.

Runruno - Malilibeg South

Diamond drilling south of the proposed Runruno open pit continued to test the exploration model of a wide flat-dipping mineralised structure at depth. Drilling has confirmed that a westerly dipping zone (10-13 metres thick) of flatly dipping gold and molybdenum mineralisation is continuous between the main Runruno resource in the north and the southern extent of the current drilling some 650 metres.

The results of all of the completed diamond drill holes drilled into and proximal to the mineralised zone as of 31 March 2013 have now been incorporated into the geological model and Mining Associates Pty Limited were retained to re-estimate the mineral resource.

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Operations review (continued)

The JORC 2012 categorised Mineral Resource for the Malilibeg South deposit has been classified in the inferred confidence category on a spatial areal and zonal basis and is summarised in the following table which must be read in conjunction with the complete table presented on page 15 of this report and together with Appendix 1 of Table 1 of the 'Runruno Project, Malilibeg South Resource' report prepared by Mining Associates Pty Limited and which can be found on the company's website <http://www.metalsexploration.com/company-news.html>

Malilibeg South Mineral Resource Estimate - March 2013

Resource Category	M. tonnes	Grades		Contained Metal	
		Au g/t	Mo ppm	Au Moz	Mo Mlb
Inferred	7 55	1 4	1,200	0 34	19 98

Runruno - Magnetite Creek

Drill testing in the Magnetite Creek area, 2km south-east of Runruno intersected a number of zones of copper and gold mineralisation associated with the brecciated parts of a west-dipping northwesterly-trending monzonite-monzodiorite intrusive

A geological consultant experienced in porphyry copper-gold deposits retained to review the results of the work, confirmed that the prospect hosts alkaline porphyry copper-gold mineralisation similar to that being developed at the nearby Didipio copper-gold deposit. He was of the opinion that drilling completed and analysed to date had shown that the mineralisation occurred in restricted zones probably linked to individual monzonite and syenite intrusions. This interpretation lessened the potential at Magnetite Creek for a large scale open-pit copper-gold deposit close to the surface. However, he considers that the presence of alkaline-porphyry-related mineralisation at Magnetite Creek makes the entire Runruno FTAA area highly prospective for similar styles of mineralisation. In particular he highlighted the potential for a copper-gold porphyry deposit to be present at depth beneath the main Runruno deposit. This target will be tested more thoroughly during 2013.

G. Regional Exploration

Regional exploration activities in the southern part of the FTAA area included creek and profile and ridge mapping, trenching and geochemical sampling.

A northerly-trending zone, 500m in length, of coincident gold, molybdenum and arsenic anomalism has been outlined from a soil geochemical sampling program covering an area in excess of 1 3 sq km in the Malong/Burnt Tree area, south east of the FTAA contract area. Samples were collected at 50m intervals along lines spaced at 200m. Maximum reported values in the soils were 0 41 ppm Au, 543 ppm Mo, and 98 ppm As. Follow-up trenching activities are being undertaken.

Test drilling of geophysical anomalies commenced in the Cabinuangan-Cabocbocan area of the FTAA with early indications of a zone of gold and molybdenum anomalism. This area will be further tested during 2013.

METALS EXPLORATION PLC

Operations review (continued)

H. Mineral Reserves and Resources

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

Runruno Resource Estimate – March 2011

Reserve category	Ore	Gold		Molybdenum	
	M. tonnes	g/t	M Oz	ppm	M lb
Measured	11.2	1.88	0.68	604	14.9
Indicated	7	1.64	0.37	425	6.5
Inferred	7.5	1.44	0.35	253	4.2
Total	25.7	1.69	1.39	470	25.6

Notes to accompany the resource estimate

- 1 The tenement holder is FCF Minerals Corp (FCF')
- 2 Metals Ex owns 100% of FCF
- 3 Resource estimate based on all drillholes completed and assays returned by 31 December 2010. The resource was estimated on the basis of 807 drillholes (110,427 metres) consisting of 485 diamond drillholes (65,517 metres) and 322 RC drillholes (45,911 metres)
- 4 All analyses undertaken by Intertek, an internationally accredited independent laboratory
- 5 Gold analysis by classical 1kg screen fire assay analysis
- 6 Molybdenum analysis by mixed acid digest and ICP-OES
- 7 Block model block sizes selection of XYZ 20x20x5m is based on Kriging Neighbourhood Analysis as reported in November 2009. Sub-blocking for volumes only to 5x5x1.25m. Screened for topography by sub-block
- 8 Geological resource constrained by sub-block with 86 wireframes in 13 domains based on lithology, structure, alteration, artisanal surface workings and a minimum sample grade of 0.3 g/t Au. Includes minor internal dilution. Each sub-block can only belong to one domain
- 9 Drill intercepts within each domain flagged in a database table and composited to 2m downhole giving 6,439 informing samples from 687 drillholes
- 10 A gold grade cap was applied to informing composites to remove minor outliers. Of the 20 composites capped to 12 g/t Au the maximum uncapped grade was 39.14 g/t Au. No grade cap was applied to molybdenum grades
- 11 Routine bulk density measurements show little variation within rock types. An average bulk density based on rock type and oxidation state was assigned to resource model based on interpreted geological units and oxidation state
- 12 Grade interpolated into a constrained block model by domain using Ordinary Kriging estimation in 4 passes with parameters based on variography by domain. Estimates validated against informing samples and with nearest neighbour and inverse distance squared block estimation
- 13 Resources have been classified in compliance with the JORC Code as Measured, Indicated and Inferred. Categories allocated by block by domain, based on drill spacing and type, number of informing samples, fill pass and Kriging estimate confidence
- 14 Lower cut off grade of 0.3 g/t gold applied to blocks in reporting the resource estimates
- 15 Molybdenum grades are reported along with the gold grades by resource categories but a consistent laboratory bias low in molybdenum assay standards of about 20% is recognised by FCF but has as yet not been addressed

The Mineral Resource block model was interrogated using Whittle Optimization and FCF estimated costs and using a gold price of US\$1,000/oz, to produce a set of pit shells and hence detailed mine design and production schedule as shown in the table and notes below. A small portion of the Inferred Mineral Resource is contained within this final pit shell and included in the production schedule and is also reported here with allowance for mining loss and dilution. The Inferred Mineral Resources estimates stated here are additional to the Ore Reserves but have not been aggregated with them as this is not allowed under the JORC code.

METALS EXPLORATION PLC

Operations review (continued)

March 2011 Mining Reserve and Schedule Resource

Reserve category	Ore M. tonnes	Gold		Molybdenum	
		g/t	M Oz	ppm	M lb
Proven	10 2	1 9	0 62	616	13 9
Probable	4 8	1 77	0 27	415	4 4
2P Reserves	15	1 85	0 9	603	18 3
Additional Inferred Resource in-pit	2 9	1 73	0 16	258	1 7

Notes to accompany ore reserve statement

- 1 Stated Inferred Resource is not included in reserves and is in addition to reserves within the defined pit limits and is included in the planned production schedule with a 5% mining loss applied
- 2 The tenement holder is FCF Minerals Corp ('FCF') Metals Ex currently holds 100% of FCF
- 3 Reserve estimate are derived from the March 2011 MA Resource Estimate by application of Modifying Factors
- 4 Cut-off grade of 0.3 g/tAu
- 5 Optimisation for final pit selection using Whittle Global Optimiser and following parameters
 - a Maximum material movement of 13Mtpa
 - b Target of 1.75Mtpa delivered to mill
 - c Mining Ore loss of 5%, Mining Dilution included in the resource estimates
 - d Mining costs varied by region from US\$1.11 to US\$1.22/tonne
 - e Processing Costs of US\$14.45/tonne milled
 - f Period Costs (including mining period costs) of US\$2.25/t milled
 - g Gold recovery of 90.4%
 - h Gold Price used of US\$1,000/ ounce
 - i No value or process costs attributed to the Molybdenum
 - j A discount rate of 10% pa for DCF and NPV
- 6 Scheduling of production using Gemcom Minesched within final Pit Shell

The information in this report which relates to Mineral Resources and Ore Reserves is based on information compiled by Mr Andrew Vigar, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Vigar is an employee of Mining Associates Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaken to qualify as a 'Competent Person' as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Vigar consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Malilibeg South Mineral Resource Estimate - March 2013

Resource Category	M. tonnes	Grades		Contained Metal	
		Au g/t	Mo ppm	Au Moz	Mo Mlb
Inferred	7 55	1 4	1,200	0 34	19 98

Summary Notes to accompany Malilibeg South Inferred Resource estimate

- 1 This information should be read in conjunction with Appendix 1 Table 1 of the report 'Runruno Project, Malilibeg South Resource' prepared by Mining Associates which can be found on the Company's website as an Appendix to the Operational Update
- 2 The Runruno Project is located in the Nueva Viscaya Province, Philippines
- 3 The Runruno project is operated by FCF Minerals Corporation ('FCF') under a Financial or Technical Assistance Agreement ('FTAA') No 4-2009-II
- 4 FCF is a Philippine incorporated company and a subsidiary of AIM (London) listed Metals Exploration plc ('MetalsEx'). MetalsEx owns 100% of FCF
- 5 The resource estimate is based on diamond drilling results and assays received to the end of December 2012 in an area to the south of the existing Runruno resource
- 6 Mineralisation style and lithologies are similar to the main Runruno deposit and drill holes have intersected the mineralised structures at depths predicted by the geological model

METALS EXPLORATION PLC

Operations review (continued)

- 7 A total of 30 diamond drillholes (7,220m) have been used to inform the estimate
- 8 All analyses undertaken by Intertek an internationally accredited independent laboratory
- 9 Gold analysis by classical 1kg screen fire assay analysis
- 10 Molybdenum analysis by mixed acid digest and ICP-OES
- 11 Block model estimation block sizes of XYZ 20x20x5m Sub-blocking for volumes only to 5x5x1 25m Screened for topography by sub-block
- 12 Geological model constrained by sub-block with 4 domains based on lithology, structure alteration, and a minimum sample grade of 0.3 g/t Au, includes minor internal dilution Each sub-block can only belong to one domain
- 13 Drill intercepts within each domain flagged in a database table and composited 2m downhole giving 256 informing samples from 30 drillholes
- 14 A gold grade cap was applied to informing 2 metre composites to remove minor outliers Only the main structure had sufficient intercepts to determine a suitable grade capping strategy Gold was capped at 9.5g/t (99.5%ile) and molybdenum was capped at 7090ppm (98%ile)
- 15 Routine bulk density measurements undertaken on drill core by FCF show that it varies mainly according to weathering (fresh, transition, and oxidised) and lithology (crystal lithic tuff tephrite porphyry, monzonite)
- 16 Grade interpolated into a constrained block model by domain using Ordinary Kriging estimation in 2 passes with parameters based on variography by domain Estimates validated against informing samples and with nearest neighbour and inverse distance squared block estimation on a global basis and by swath plots
- 17 Resources have been classified in compliance with the JORC Code as Inferred Geological evidence is sufficient to assume geological continuity The drill density is insufficient to assure grade continuity though it is assumed and is based on limited sampling
- 18 Lower cut-off grade of 0.5g/t gold applied to blocks in reporting the resource estimates
- 19 Molybdenum grades are reported along with the gold grades by resource categories but a consistent laboratory bias low in molybdenum assay standards of 12% to 20% is recognised by FCF but has as yet not been addressed
- 20 Drilling, logging, sampling, and assaying techniques used were similar to those used to produce the Runruno deposit resource and reserve estimate of March 2011
- 21 Routine bulk density measurements (which show little variation according to oxidation state or lithology) were undertaken on drill core by FCF The bulk density of 2.5 used for tonnage estimates was the same as that used to produce the Runruno resource and reserve estimate of March 2011

The information in this report that relates to Mineral Resources and Ore Reserves is based on information compiled by Ian Taylor, who is a Member of The Australasian Institute of Mining and Metallurgy Mr Taylor is an employee of Mining Associates Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' Mr Taylor consents to the inclusion in this report of the matters based on this information in the form and context in which it appears

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 2012

PRINCIPAL ACTIVITIES

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

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

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

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

RESULTS AND DIVIDENDS

For the year ended 31 December, 2012 the loss on ordinary activities of the Group was £4,369,744 (2011 loss of £2,350,980)

The Directors do not recommend the payment of a dividend for the year ended 31 December 2012 (2011 £nil)

BUSINESS REVIEW

A review of the current and future development of the Group's business is given in the Chairman's Statement on page 3 and the Operations Review on page 8

RISKS AND UNCERTAINTIES

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

Commercial and business economic risks

The Group has not commenced commercial operations for the recovery of gold and at this stage of its development the Group is not subject to the vagaries of the gold price, commercial economic factors, share market industry and sector fluctuations, and general business risks. However the Group is vulnerable to risk factors arising or emanating from various other areas including but not limited to the following

Requirement for additional funding

As the Group has no revenue generating capacity at present it depends upon raising additional funds from time to time for the purpose of business development. There is no certainty that these funds will be made available to the Group or may not be available on commercial terms satisfactory to the Group or its shareholders. If sufficient funds are not available, the Group may be required to postpone or terminate its operations, limit its exploration activity and may even incur financial penalties

Directors' report (continued)

The Group actively manages and reviews its available cash to ensure it has sufficient funds to finance current operations and planned developments

Capital expenditure estimation risk

The Group's projections for its capital expenditure requirements to build the process plant, infrastructure and ancillary buildings involves a myriad of variables, professional judgement and careful monitoring. There is no assurance that current estimations will prevail throughout the construction period or that sufficient finance will have been raised on the back of this total cost estimation. This may involve and is not limited to,

- i ability to enforce quotation prices for major key items of equipment
- ii shipping or manufacturing delays to major key items of equipment
- iii engineering design changes
- iv price fluctuations of major commodities such as diesel, electricity, steel & cement
- v assumptions governing foreign currency exchange rates
- vi the ability to avail of certain fiscal incentives
- vii delays in the construction of the process plant due to conditions out-with the Group's control
- viii delay in obtaining debt funding

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

Reserves and resources estimation risk

The figures for potential resources are estimates and no assurance can be given that the anticipated 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 incremental drill results, and is independently verified by a qualified person. However, this still involves experience, judgement, skill and estimation, all of which are imprecise and interpretative and open to challenge. The actual results of mining may differ from the published reserves upon which the group relies upon in its business projections

Licenses, leases and consents

The Group's expectation for extraction and processing activities is subject to the grant and continuation of appropriate licenses, leases, permits and planning permissions. There is no certainty the Group will obtain these despite its best efforts to do so

Key personnel

The on-going success of the Group requires highly skilled and trained personnel in all levels of management and exploration. There can be no certainty of the Group being able to recruit and retain senior officers and operatives into perpetuity and it is highly likely the Group will face periods of skills shortages due to competition and natural wastage. Although the Group employs key personnel on attractive Employment Contracts this is no long term assurance of retaining them indefinitely. The Group is vulnerable if it cannot retain its key personnel in the medium to long term

METALS EXPLORATION PLC

Directors' report (continued)

Company overseas branch office

In 2009 the Company established a Regional Office Headquarters in the Philippines. It is a requirement of Philippine law that the branch office is registered in the country and is officially recognised as Metals Exploration plc ROHQ.

Environmental risk

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

Market risk

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

Political and Country Risk

The Group's main operations are based in the Philippines. The Philippines is an emerging market country. Recent history has seen increasing political stability, and the current regime is supportive of the need for foreign owned mining companies to help the country to exploit its natural mineral resources. There is, however, a risk that a change of regime might result in a different attitude to the mining industry through imposition of new laws, or a change of influence from the mining sector of government. 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, which is a form of agreement that provides substantial protection for foreign owned mining companies from political risk in the Philippines including independent arbitration in Singapore.

KEY PERFORMANCE INDICATORS

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

- Progression of the Runruno project through permitting according to pre-determined milestones. This programme has been very successful to date and the Group is confident of obtaining its last few remaining permits still outstanding at this juncture. The Group is also confident of achieving permits as and when they fall due on an ongoing basis and in compliance with regulatory requirements in doing so.
- 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.

Directors' report (continued)

- 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 strive to increase these measurements through ongoing drilling activities and in compliance 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 The Directors have confidence in the current value of the project and in the foreseeable future
- Cash flow forecast versus actual expenditure The Group's actual expenditure has been largely consistent with forecast taking into consideration the extensive capital works programme has not yet commenced, and expenditure during the year has been focused on early works building infrastructure and ancillary buildings, to the satisfaction of the Directors

SIGNIFICANT SHAREHOLDINGS

The Company has been notified or is aware of the following significant shareholder interests whereby their holding is at 3% and above of the total equity holding of the Company as at 31 December 2012

Shareholder & connected persons	Number of ordinary shares	Percentage of issued share capital
Solomon Capital Limited & Shelfco724 Limited & Emily Crompton Candy	389,944,578	47.28%
Baker Steel Fund Managers	197,943,092	24.00%
Runruno Holdings Limited & Graham Edwards	150,633,195	18.26%
Investec Wealth & Investment Limited	34,694,125	4.21%

DIRECTORS

The Directors of the Company during the year were

I R Holzberger	(Executive Chairman)	
J P B Beardsworth	(Non-Executive Director)	Resigned 13 June 2012
T J Dean	(Non-Executive Director)	
E F Parsons	(Non-Executive Director)	
G R Walker	(Non-Executive Director)	
C G Whitehouse	(Non-Executive Director)	Appointed 31 August 2012
R S Williams	(Non-Executive Director)	Resigned 31 August 2012

METALS EXPLORATION PLC

Directors' report (continued)

EVENTS AFTER THE BALANCE SHEET DATE

On 26 March 2013, the Company announced that it had obtained commitments to raise approximately £38.2 million (before expenses) via the issue of a total of 545,033,044 new Ordinary Shares at a price of 7 pence per new Ordinary Share, from its five principal shareholders. The placing of these shares will take place in three separate tranches as detailed in the table below.

Tranche #	Settlement date	Ordinary shares in issue	New ordinary shares to be issued	New ordinary shares in issue	Gross contributions £	Net of 2% commission contributions £
1	23 April 2013	824,743,103	139,090,690	963,833,793	9,736,348	9,541,621
2	18 June 2013	963,833,793	189,439,765	1,153,273,559	13,260,784	12,995,568
3	15 October 2013	1,153,273,559	216,502,589	1,369,776,148	15,155,181	14,852,078
			545,033,044		38,152,313	37,389,267

The first tranche has settled and the company has received the net funds of £9,541,621 into its bank account.

It was further announced on 10 May 2013 that the Board wished to provide the Company's existing Shareholders with the opportunity to subscribe for additional Ordinary Shares at the same price as the subscribers invested at under the Placing. Accordingly the Company is carrying out an Open Offer for a maximum raise of up to approximately £3.8 million (equivalent to approximately £4.5 million) (before expenses).

This has the potential to increase the Company's shares in issue by 54,294,052 additional ordinary shares. The Open Offer closes on 31 May 2013.

The Board believe the funds raised by way of the Open Offer are not critical to the construction of the Runruno Project and plans to fund the construction of the processing plant at Runruno using the Placing proceeds and by agreeing debt arrangements with third party debt providers.

CHARITABLE DONATIONS

During the year, the Group made charitable donations to the Runruno Livelihood Foundation in the Philippines totalling £8,800 (2011: £8,090).

SUPPLIER PAYMENT POLICY

The Group's policy is to make payments to suppliers in accordance with those terms and conditions agreed between the Group and its suppliers. At the year-end, the Group's trade creditors represented 45 days of annual purchases (2011: 52 days).

FINANCIAL RISK MANAGEMENT

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

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

Directors' report (continued)

CORPORATE RESPONSIBILITY AND ENVIRONMENTAL POLICY

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

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

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

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

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

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



L A Ruddy
Company Secretary

22 May 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

Nexia Smith & Williamson

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

We have audited the Group and Parent Company financial statements ('the financial statements') of Metals Exploration plc for the year ended 31 December 2012 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted in the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2012 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.

METALS EXPLORATION PLC

Independent auditor's report (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Nexia Smith & Williamson

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

25 Moorgate
London
EC2R 6AY

Date *22 May 2013*

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

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

METALS EXPLORATION PLC

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME for the year ended 31 DECEMBER 2012

	Notes	2012 £	2011 £
Continuing Operations			
Revenue		-	-
Cost of sales		-	-
Gross loss		-	-
Administrative expenses		(4 478 951)	(2 153 356)
Operating loss	3	(4,478,951)	(2,153,356)
Gain arising on group reorganisation	13	156 266	-
Finance income and similar items	7	4 292	13 372
Finance costs	7	(48 223)	(210 996)
Net finance gains/(losses)		112,335	(197,624)
Share of losses of associates	14	(3 128)	-
Losses before tax		(4,369,744)	(2,350,980)
Taxation	8	-	-
Losses from continuing operations		(4,369,744)	(2,350,980)
Other comprehensive income			
Exchange differences on translating foreign operations		815 919	211 011
Total comprehensive loss for the period		(3,553,825)	(2,139,969)
Loss for the period attributable to			
Equity holders of the parent		(4 369 744)	(2 263 426)
Non-controlling interest		-	(87,554)
		(4,369,744)	(2,350,980)
Total comprehensive loss attributable to			
Equity holders of the parent		(3 553,825)	(2 103 872)
Non-controlling interest		-	(36,097)
		(3,553,825)	(2,139,969)
Loss per share			
Basic and diluted	9	(0 599)p	(0 446)p

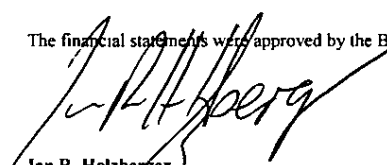
The Company has taken advantage of the exemption provided under section 408 of Companies Act 2006 not to publish an income statement. The loss for the year ended 31 December 2012 dealt with in the financial statements of the Company was £2,833,516 (2011 £1,693,064). The Company made no gains or losses which would be reported in other comprehensive income in the year ended 31 December 2012 (2011 £nil) and therefore the Company has not published its statement of total comprehensive income.

METALS EXPLORATION PLC

CONSOLIDATED BALANCE SHEET as at 31 DECEMBER 2012

	Notes	2012 £	2011 £
Non-current assets			
Property plant and equipment	10	39 027,018	27 677,577
Goodwill	11	1 010 816	1 010 816
Other intangible assets	12	6,651,054	5 267 991
Investment in associate companies	14	27 326	-
Trade and other receivables	15	1 785 928	28 879
		<u>48,502,142</u>	<u>33,985,263</u>
Current assets			
Trade and other receivables	16	9 127 750	214 643
Cash and cash equivalents	17	26 275 022	36 242 408
		<u>35,402,772</u>	<u>36,457,051</u>
Current liabilities			
Trade and other payables	18	(2 493 325)	(1 308 889)
		<u>81,411,589</u>	<u>69,133,425</u>
Net assets			
		<u>81,411,589</u>	<u>69,133,425</u>
Equity			
Share capital	19	8 247,431	6 946 736
Share premium account		92 363 607	77 832 313
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		4 835 505	4 019 586
Profit and loss account		(23 902 032)	(19 532,288)
Equity attributable to equity holders of the parent		<u>81,411,589</u>	<u>69,133,425</u>

The financial statements were approved by the Board of Directors on 21 May 2013 and were signed on its behalf by


Ian R. Holzberger
Executive chairman

22 May 2013

METALS EXPLORATION PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 DECEMBER 2012

	Share capital	Share premium account	Shares to be issued reserve	Translation reserve	Acquisition of non-controlling interest reserve	Profit and loss account	Total equity
	£	£	£	£	£	£	£
Balance at 1 January 2012	6,946,736	77,832,313	3,652,155	4,019,586	(3,785,077)	(19,532,288)	69,133,425
Exchange differences on translating foreign operations	-	-	-	815,919	-	-	815,919
Loss for the year	-	-	-	-	-	(4,369,744)	(4,369,744)
Total comprehensive loss for the year	-	-	-	815,919	-	(4,369,744)	(3,553,825)
Issue of equity share capital	1,300,695	15,023,337	-	-	-	-	16,324,032
Share issue expenses	-	(492,043)	-	-	-	-	(492,043)
Balance at 31 December 2012	8,247,431	92,363,607	3,652,155	4,835,505	(3,785,077)	(23,902,032)	81,411,589

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
- Profit and loss account being the cumulative loss attributable to equity shareholders
- Acquisition of non-controlling interests reserve being an acquisition in 2011 of 15% of FCF Minerals Corporation's shares after previous acquisitions which had provided the Group with control of the board of the subsidiary company FCF Minerals Corporation is now 100% owned by Metals Exploration plc following this 15% acquisition

METALS EXPLORATION PLC

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

	Share capital	Share premium account	Shares to be issued reserve	Translation reserve	Acquisition of non-controlling interest reserve	Profit and loss account	Non-controlling interest	Total equity
	£	£	£	£	£	£	£	£
Balance at 1 January 2011	2,697,163	28,783,007	3,114,509	3,860,032	-	(17,268,862)	260,611	21,446,460
Exchange differences on translating foreign operations	-	-	-	159,554	-	-	51,457	211,011
Loss for the year	-	-	-	-	-	(2,263,428)	(87,554)	(2,350,980)
Total comprehensive loss for the year	-	-	-	159,554	-	(2,263,428)	(36,097)	(2,139,969)
Acquisition of non-controlling interests	-	-	-	-	(3,785,077)	-	(224,514)	(4,009,591)
Movement in share based payments	-	-	537,646	-	-	-	-	537,646
Issue of equity share capital	4,249,573	50,893,874	-	-	-	-	-	55,143,447
Share issue expenses	-	(1,844,568)	-	-	-	-	-	(1,844,568)
Balance at 31 December 2011	6,946,736	77,832,313	3,652,155	4,019,586	(3,785,077)	(19,532,288)	-	69,133,425

METALS EXPLORATION PLC

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 DECEMBER 2012

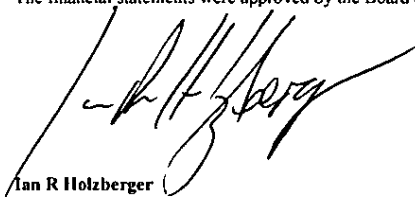
	Notes	2012 £	2011 £
Net cash used in operating activities	21	(10,964,686)	(816,424)
Investing activities			
Purchase of intangible assets		(2,244,126)	(6,142,471)
Purchase of property, plant and equipment		(11,559,422)	(1,280,875)
Net cash used in investing activities		(13,803,548)	(7,423,346)
Financing activities			
Proceeds from issue of share capital		16,324,032	42,143,446
Share issue costs incurred		(492,043)	(1,844,568)
Acquisition of non-controlling interests		-	(4,009,591)
Proceeds from short-term borrowings		-	9,000,000
Payment of short term borrowings		-	(2,000,000)
Net cash arising from financing activities		15,831,989	43,289,287
Net (decrease)/increase in cash and cash equivalents		(8,936,245)	35,049,517
Cash and cash equivalents at beginning of year		36,242,408	1,192,667
Foreign exchange difference		(1,031,141)	224
Cash and cash equivalents at end of year		<u>26,275,022</u>	<u>36,242,408</u>

METALS EXPLORATION PLC

COMPANY BALANCE SHEET as at 31 DECEMBER 2012

	Notes	2012 £	2011 £
Non-current assets			
Property plant and equipment	10	-	-
Other intangible assets	12	-	41 222
Investment in subsidiaries	13	6 141 842	6,141 842
Investment in associate companies	14	30 454	-
Trade and other receivables	15	57,747,010	35,673,392
		63,919,306	41,856,456
Current assets			
Trade and other receivables	16	39 832	43 512
Cash and cash equivalents	17	24,953,177	33 972,672
		24,993,009	34,016,184
Current liabilities			
Trade and other payables	18	(161,687)	(120 485)
Net assets		88,750,628	75,752,155
Equity			
Share capital	19	8 247 431	6 946,736
Share premium account		92,363 607	77 832 313
Shares to be issued reserve		3 652 155	3 652 155
Profit and loss account		(15 512,565)	(12 679 049)
Equity attributable to equity holders of the parent		88,750,628	75,752,155

The financial statements were approved by the Board of Directors on 21 May 2013 and were signed on its behalf by



Ian R Holzberger

Executive Chairman

22 May 2013

METALS EXPLORATION PLC

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 DECEMBER 2012

	<i>Share capital</i>	<i>Share premium account</i>	<i>Shares to be issued reserve</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£	£	£
Balance at 1 January 2011	2,697,163	28,783,007	3 114 509	(10,985,985)	23,608,694
Loss for the year	-	-	-	(1,693,064)	(1 693,064)
Total comprehensive loss for the year	-	-	-	(1,693,064)	(1,693,064)
Movement in share based payments	-	-	-	-	-
Issue of equity share capital	-	-	537,646	-	537 646
Share issue expenses	4,249,573	50,893 874	-	-	55,143,447
	-	(1,844,568)	-	-	(1,844,568)
Balance at 31 December 2011	6,946,736	77,832,313	3,652,155	(12,679,049)	75,752,155
Loss for the year	-	-	-	(2,833,516)	(2,833,516)
Total comprehensive loss for the year	-	-	-	(2,833 516)	(2,833,516)
Issue of equity share capital	1,300,695	15 023 337	-	-	16 324,032
Share issue expenses	-	(492,043)	-	-	(492 043)
Balance at 31 December 2012	8,247,431	92,363,607	3,652,155	(15,512,565)	88,750,628

Equity is the aggregate of the following

- Share capital, being the nominal value of shares issued
- Share premium account being the excess received over the nominal value of shares issued less direct issue costs
- Shares to be issued reserve being the credit side of the entry relating to the expense recognised in the Statement of Total Comprehensive Income for share based remuneration
- Profit and loss account being the cumulative loss attributable to equity shareholders

METALS EXPLORATION PLC

COMPANY CASH FLOW STATEMENT for the year ended 31 DECEMBER 2012

		2012	2011
	Notes	£	£
Net cash used in operating activities	21	(23,936,392)	(9,953,414)
Investing activities			
Purchase of 15% shareholding of FCF Minerals Corporation		-	(4,009,591)
Net cash used in investing activities		-	(4,009,591)
Financing activities			
Proceeds from issue of share capital		16,324,032	42,143,446
Share issue costs incurred		(492,043)	(1,844,568)
Proceeds from short-term borrowings		-	9,000,000
Repayment of short-term borrowings		-	(2,000,000)
Net cash from financing activities		15,831,989	47,298,878
Net (decrease)/increase in cash and cash equivalents		(8,104,403)	33,335,873
Cash and cash equivalents at beginning of year		33,972,672	636,763
Foreign exchange difference		(915,092)	36
Cash and cash equivalents at end of year		24,953,177	33,972,672

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012**1. Accounting policies**

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

Basis of preparation

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

New standards and interpretations

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

IFRS9 Financial instruments - Classification and measurement of financial instruments effective for annual periods beginning on or after 1 January 2015. IFRS9 is the first step in replacing IAS39 *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for classifying and measuring financial assets and financial liabilities, with early adoption permitted. The International Accounting Standards Board intends to expand IFRS9 to add new requirements for impairment of financial assets measured at amortised cost, and hedge accounting. It is expected this first phase adoption of IFRS9 will have an impact on the measurement and disclosures of the Group's financial assets but will not impact its financial liabilities.

IFRS10 – Consolidated Financial Statements effective for annual periods beginning on or after 1 January 2014. The objective of IFRS10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. In particular the standard defines the principle of control, and establishes control as the basis for consolidation. It sets out the accounting requirements for the preparation of consolidated financial statements. Metals Exploration plc has several entities comprising its group and will require management to exercise judgement in determining to what extent entities are controlled and therefore to be included in consolidation.

IFRS12 – Disclosure of Interests in Other Entities effective for annual periods beginning on or after 1 January 2014. This standard applies where an entity has an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The entity is required to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. Management will be required to use significant judgement to identify and evaluate certain risks in its various entities, and disclose these in future financial statements.

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

1. Accounting policies (continued)

IFRS13 – *Fair Value Measurement* effective for annual periods beginning on or after 1 January 2013 IFRS13 defines fair value, sets out in a single standard a framework for measuring fair value, and requires disclosures about fair value measurements There are certain exceptions such as share-based payment transactions, leasing transactions and measurements such as inventories or asset impairment, which are the subject of specific other standards It is uncertain what impact this standard will have in future financial statements

IAS19 (and amendments) – *Employee Benefits* effective for annual periods beginning on or after 1 January 2013 The objective of IAS19 is to prescribe the accounting and disclosure for employee benefits (that is, all forms of consideration given by an entity in exchange for service rendered by employees) The principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable The amendments to the standard introduce several changes as follows (i) the recognition of changes in the net defined benefit liability and the immediate recognition of defined benefit cost, the disaggregation of defined benefit cost into components, recognising remeasurements in other comprehensive income, recognising amendments to benefit plans (ii) enhanced disclosure requirements about defined benefit plans (iii) accounting changes for termination benefits such as distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment (iv) classifications of different employee benefits, disclosing current estimates of mortality rates, disclosing tax and administration costs The Company is currently investigating the implications of these new disclosures but it does not believe its defined benefits scheme is of a material amount to warrant adoption of all of these changes The defined benefit exposure is closely monitored in anticipation of any change to this position Management has yet to evaluate the impact of this standard on Group performance and will need to apply judgment and estimation in evaluation of each component of employee benefits in recognition of how much and when benefits are earned

As the Group's defined benefit scheme is highly immaterial to the financial statements, this has been accounted for as a defined contribution scheme

IFRIC20 – *Stripping Costs in the Production Phase of a Surface Mine* effective for annual periods beginning on or after 1 January 2013 The standard considers when and how to account separately for the two benefits accruing from stripping operations involved in surface mining activity during the production phase of the mine These are usable ore obtained from stripping, and economic efficiencies derived from improved access to further quantities of material to be mined in future periods This standard will become applicable at Runruno (surface mining) once production commences

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012
(continued)

1. Accounting policies (continued)

Amendment to IAS32 – *Offsetting Financial Assets and Financial Liabilities* effective for annual periods beginning on or after 1 January 2014. The amendments to the standard seek to clarify the meaning of “currently has a legally enforceable right to set-off”. This may have a material effect on the accounting treatment of financial assets and financial liabilities at some future date for the Company but not at present. The amendments also attempt to clarify the application of the IAS32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. This amendment has no effect on the Company at present or in the future.

Amendment to IFRS7 – *Disclosures offsetting Financial Assets and Financial Liabilities* effective for annual periods beginning on or after 1 January 2013. The disclosure amendments are designed to provide investors with information that is useful in (i) evaluating the effect or potential effect of netting arrangements on an entity’s financial position and (ii) analysing and comparing financial statements prepared in accordance with international financial reporting standards and US GAAP.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2012. 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 purchase 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.

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012

(continued)

1. Accounting policies (continued)

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

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

Taxation

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

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

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

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.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012
(continued)**

1. Accounting policies (continued)

Share based payments

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

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

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

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

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

Intangible assets

Exploration costs

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

Capitalised exploration costs are reclassified to tangible assets once technical feasibility and commercial viability of extracting a mineral resource are demonstrable. This was achieved for the Runruno site with the signing of the DMPF on 20 October 2011 and reclassification of these costs is effective as of 1 December 2011 when the Group committed to pre-construction earthworks capital expenditure at the project site. 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.

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

1. Accounting policies (continued)

Property, plant and equipment

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

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

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

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

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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012
(continued)

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.

Financial instruments

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

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

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

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

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

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

Impairment of tangible and intangible assets

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

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

2. Critical accounting judgements and key sources of estimation uncertainty

Depreciation of tangible assets

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

Functional currency of group companies

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

Recovery of intercompany receivable accounts - Company

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

The carrying amount of the Company's intercompany receivable non-current asset at 31 December 2012 was £57,747,010 (2011 £35,673,392) which excludes an amount of £701,652 (2011 £682,687) as a result of impairment reviews performed on all Group entities in the year. This reflects the impairment of the Indonesian entity's recoverable amount.

Impairment of intangible assets and tangible assets

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

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

The estimated value in use of the Group's entities did not indicate any deterioration in an entity's carrying values for its intangible assets or tangible assets for the year ended 31 December 2012.

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

3. Operating loss for the year is stated after charging/(crediting)

	2012	2011
	£	£
Depreciation of property, plant and equipment	359,942	341,277
Amortisation	69,927	58,154
Foreign exchange losses/(gains)	1,031,141	(583,427)
Staff costs (see note 6)	1,045,954	1,245,207
Share based payments	-	537,646
Auditors remuneration (see note 4)	50,705	39,775

4. Auditor's remuneration

	2012	2011
	£	£
Fees payable to the Group and Company's auditor for the audit of the Group and Company's accounts	39,775	31,200
Fees payable to the Company's auditor and its associates for non-audit related services	4,530	2,625
Taxation compliance services	6,400	5,950
	<u>50,705</u>	<u>39,775</u>

5. Segmental analysis

Operating segments have been identified on the basis of the Group's internal reporting to the Chief Operating Decision Maker ('CODM') and in particular the components of the Group which are regularly reviewed by the CODM. The operating segments included in internal reports are determined on the basis of their significance to the Group. The CODM has been determined to be the Board of Directors as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments. The primary segments have been identified into three geographic areas of the UK, Philippines and Indonesia. The CODM uses 'Loss before tax' and 'Cash & cash equivalents' as the key measures of the segments' results, and these measures reflect the segments' underlying performance for the period under evaluation. Major customers are not identifiable or reported as the Group's mining operations are not yet operating in a production capacity. It is expected that in 2013 the Group will begin mining construction and in 2014 it will commence mining production. It is because of this status that most expenditure is of a capital nature.

The segment results for the year ended 31 December 2012, for the year ended 31 December 2011 and the reconciliation of the segment measures to the respective statutory items in the consolidated financial information are as follows:

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

5. Segmental analysis (continued)

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

<i>Year ended 31 December 2011</i>	UK	Philippines	Indonesia	Eliminations	Total
	£	£	£	£	£
<u>Segment results</u>					
Group operating loss	(1,500,215)	(674,867)	(35,745)	57,471	(2,153,356)
Finance income & similar items	12,608	732	32	-	13,372
Finance costs	(205,457)	(5,232)	(307)	-	(210,996)
Losses from continuing operations	(1,693,064)	(679,367)	(36,020)	57,471	(2,350,980)

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

5. Segmental analysis (continued)

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

<i>Year ended 31 December 2011</i>	UK £	Philippines £	Indonesia £	Consolidation adjustments £	Total £
<u>Segment assets</u>					
Segment tangibles & intangibles	1,052,038	32,894,271	10,075	-	33,956,384
Segment trade & other receivables	43,512	191,537	8 473	-	243,522
Segment cash	33,972,672	2,266,291	3,445	-	36,242,408
Total segment assets	35,068,222	35,352,099	21,993	-	70,442,314
 Segment trade & other payables	 (120,486)	 (1,181,211)	 (7,192)	 -	 (1,308,889)
Total segment liabilities	(120,486)	(1,181,211)	(7,192)	-	(1,308,889)
 Total segment net assets	34,947,736	34,170,888	14,801	-	69,133,425

Segment net assets are analysed net of intercompany transactions

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

5. Segmental analysis (continued)

<i>Year ended 31 December 2012</i>	UK	Philippines	Indonesia	Total
	£	£	£	£
<u><i>Segment other information</i></u>				
Amortisation of intangible assets	(41,222)	(28,706)	-	(69,928)
Depreciation of property, plant and equipment	-	(353,624)	(6,318)	(359,942)
Additions to non-current assets	-	13,423,837	-	13,423,837
<i>Year ended 31 December 2011</i>	UK	Philippines	Indonesia	Total
	£	£	£	£
<u><i>Segment other information</i></u>				
Amortisation of intangible assets	(40,346)	(17,808)	-	(58,154)
Depreciation of property, plant and equipment	(1,956)	(329,670)	(9,651)	(341,277)
Additions to non-current assets	-	7,423,344	-	7,423,344

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

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012
(continued)

6. Staff numbers and costs

	<i>2012</i>	<i>2011</i>
	<i>Number</i>	<i>Number</i>
The average number of persons, including Directors, was:		
Administration	21	38
Exploration	145	354
Construction & development	224	-
	<u>390</u>	<u>392</u>
	<i>2012</i>	<i>2011</i>
	<i>£</i>	<i>£</i>
Staff costs of the above persons were:		
Wages and salaries	973,589	1,186,425
Social security costs	5,370	15,298
Pension costs	17,258	5,482
Termination benefits	49,737	38,000
	<u>1,045,954</u>	<u>1,245,205</u>
Share based payments	-	537,646
	<u>1,045,954</u>	<u>1,782,851</u>
	<i>2012</i>	<i>2011</i>
	<i>£</i>	<i>£</i>
Directors' emoluments:		
<i>Directors</i>		
I R Holzberger	394,663	367,466
J P B Beardsworth	10,000	20,100
	<u>404,663</u>	<u>387,566</u>
<i>Sums paid to third parties in respect of directors</i>		
Solomon Capital Limited – T J Dean	24,000	25,703
Solomon Capital Limited – E F Parsons	24,000	18,000
Solomon Capital Limited – R S Williams	14,000	18,000
Solomon Capital Limited – C G Whitehouse	10,000	-
Runruno Holdings Limited – G R Walker	44,000	33,000
	<u>116,000</u>	<u>94,703</u>
Share based payments	-	525,208
Employers national insurance contributions	-	10,859
	<u>520,663</u>	<u>1,018,336</u>

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

Pursuant to the Subscription and Shareholders' Agreement of 8 March 2011, Solomon Capital Limited and Runruno Holdings Limited subsequently entered into separate Services Agreements which detailed the terms of remuneration each of these companies receives for the supply of their nominated directors. Solomon Capital Limited nominee directors are Mr Edward Parsons, Mr Richard Williams (resigned 31 August 2012), Mr Chris Whitehouse (appointed 31 August 2012), and Mr Tim Dean. Runruno Holdings Limited nominee director is Mr Guy Walker. The Services Agreement for Solomon Capital Limited does not directly apply to Mr Tim Dean but it is acknowledged that his remunerative terms follow the convention for Mr Parsons and Mr Williams as detailed in the agreement.

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012

(continued)

6. Staff numbers and costs (continued)

a) Shares held by former Director who served in office during the year

<u>Shareholder</u>	2012	2011
J P B Beardsworth	750,000	750,000

b) warrants held by Director

<i>Warrant holder</i>	<i>Grant date</i>	<i>Number of warrants</i>	<i>Exercise price</i>	<i>Earliest vesting date or rate per month</i>	<i>Expiry date</i>
I R Holzberger	08-Jul-08	1,000,000	£0 20000	08-Jul-08	30-Jun-13
	08-Jul-08	1,000,000	£0 40000	04-May-10	30-Jun-13

c) Warrants held by the former Director who served on the Board during 2012.

<i>Warrant holder</i>	<i>Grant date</i>	<i>Number of warrants</i>	<i>Exercise price</i>	<i>Earliest vesting date or rate per month</i>	<i>Expiry date</i>
J P B Beardsworth	30-Apr-07	1 000 000	£0 26250	30-Apr-08	29-Apr-14
	30-Apr-07	1,000,000	£0 39375	30-Apr-09	29-Apr-14
	30-Apr-07	500,000	£0 52500	30-Apr-10	29-Apr-14

d) Share options held by Director:

<i>Option holder</i>	<i>Grant date</i>	<i>Number of warrants</i>	<i>Exercise price</i>	<i>Earliest vesting date or rate per month</i>	<i>Expiry date</i>
I R Holzberger	18-Mar-10	6,000,000	£0 25000	18-Mar-12	17-Mar-17

e) Share options held by the former Director who served on the Board during 2012

<i>Warrant holder</i>	<i>Grant date</i>	<i>Number of warrants</i>	<i>Exercise price</i>	<i>Earliest vesting date or rate per month</i>	<i>Expiry date</i>
J P B Beardsworth	30-Apr-07	2 000,000	£0 26250	30-Apr-10	29-Apr-17
	18-Mar-10	5 000,000	£0 25000	18-Mar-12	17-Mar-17

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

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

7. Finance costs and income

	2012 £	2011 £
Loan interest payable	(41,834)	(201,602)
Bank interest and charges payable	(6,389)	(9,394)
Finance costs	(48,223)	(210,996)
Bank interest receivable	4,292	13,372
Finance income and similar items	4,292	13,372

8. Taxation

	2012 £	2011 £
Loss before tax	(4,369,744)	(2,350,980)
Tax on loss on ordinary activities at standard UK corporation tax rate of 24% (2011 26%)	(1,048,739)	(611,255)
<i>Effects of:</i>		
Overseas expenses not taxable for tax purposes	380,052	186,001
Expenses not deductible for tax purposes	42,903	39,158
Short-term timing differences	5,329	-
Depreciation in excess of capital allowances	-	463
Losses carried forward	620,455	385,633
Total tax expense for the period	-	-

For the year ended 31 December 2012 the Company has an unprovided deferred tax liability of £851,037 for the accumulated costs associated with share based payments through previous years' statements of comprehensive income

For the year ended 31 December 2012 the Group has net unused tax losses available for offset against future profits as follows

	2012 £	2011 £
UK	9,325,103	7,225,467
Philippines	3,638,403	2,762,245
Indonesia	-	-
Group unused tax losses available	12,963,506	9,987,712

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

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

8. Taxation (continued)

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

On 21 March 2012 the Government announced a number of changes to the UK corporation tax system, including a reduction of the main rate of corporation tax from 26% to 24% with effect from 1 April 2012. This change of rate became substantively enacted for the purposes of IAS12, Income Taxes, on 26 March 2012 by passing a resolution to this effect under the Provisional Collection of Taxes Act 1968.

The Company has recalculated its un-provided UK deferred tax assets at the end of the reporting period using the most recently substantively enacted corporation tax rate of 23% (2011: 25%), and the deferred tax asset is estimated to be £2,133,732 (2011: £1,711,491).

On 20 March 2013 the Government also announced the intention to reduce the rate of UK corporation tax to 21% by 1 April 2014 and by 1 April 2015 the corporation tax rate will be 20%. As these changes have not been substantively enacted at 31 December 2012, they have not been recognised in these financial statements. Had these changes been enacted, then the cumulative effects would have been a reduction in the deferred tax asset of £175,065 (21%) and £268,119 (20%).

9. Loss per share

	2012 £	2011 £
Loss		
Net loss attributable to equity shareholders for the purpose of basic and diluted loss per share	<u>(4,369,744)</u>	<u>(2,263,426)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>729,458,242</u>	<u>507,534,203</u>
Basic and diluted loss per share	<u>(0.5990)p</u>	<u>(0.4460)p</u>

The loss per share was calculated on the basis of net loss attributable to equity shareholders divided by the weighted average number of ordinary shares. The basic and diluted loss per share is the same, as the exercise of share options and warrants would reduce the loss per share and therefore, are anti-dilutive.

Weighted average number of potential ordinary shares that are not currently dilutive	<u>27,827,083</u>	<u>32,387,292</u>
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METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

10. Property, plant and equipment – Group

	Leasehold improvements	Motor vehicles	Fixtures, fittings & equipment	Land & buildings	Drilling equipment	Construction in progress	Mining properties	Total
	£	£	£	£	£	£	£	£
Cost								
As at 1 January 2011	224 270	215 180	442 187	164 492	911 813	-	-	1 957,942
Additions	7 179	857	106 516	1 166 322	-	-	-	1 280,874
Reclassification of cost	-	-	-	-	-	-	25 771 751	25 771 751
Foreign exchange differences	(684)	729	845	557	3 089	-	-	4 536
As at 31 December 2011	230 765	216 766	549,548	1 331 371	914 902	-	25 771 751	29,015 103
Additions	6,700	164,551	736,922	-	-	9 412,838	1 238 410	11 559 421
Reclassification of cost	-	-	-	(405 403)	-	405 403	503 117	503 117
Disposals on group reconstruction	-	-	-	(925,809)	-	-	-	(925 809)
Foreign exchange differences	(125)	4,567	9,241	(159)	19,278	-	543 030	575,832
As at 31 December 2012	237,340	385,884	1,295,711	-	934,180	9,818,241	28,056,308	40,727,664
Depreciation								
As at 1 January 2011	(113,867)	(125,436)	(326 322)	(13 564)	(415,157)	-	-	(994 346)
Charge for the period	(44 620)	(24,234)	(84,656)	(4,785)	(182,982)	-	-	(341 277)
Disposals on group reconstruction	-	-	-	-	-	-	-	-
Foreign exchange differences	521	(425)	(548)	(46)	(1 405)	-	-	(1,903)
As at 31 December 2011	(157,966)	(150 095)	(411 526)	(18 395)	(599,544)	-	-	(1 337 526)
Charge for the period	(41,710)	(44,678)	(86,719)	-	(186 835)	-	-	(359 942)
Disposals on group reconstruction	-	-	-	18 349	-	-	-	18 349
Foreign exchange differences	802	(3 163)	(6 579)	46	(12 633)	-	-	(21,527)
As at 31 December 2012	(198,874)	(197,936)	(504,824)	-	(799,012)	-	-	(1,700,646)
Net book value								
As at 31 December 2012	38,466	187,948	790,887	-	135,168	9,818,241	28,056,308	39,027,018
As at 31 December 2011	72 799	66 671	138 022	1 312 976	315 358	-	25 771 751	27 677,577
As at 1 January 2011	110,403	89 744	115 865	150 928	496 656	-	-	963 596

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

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

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

10. Property, plant and equipment - Company

	<i>Fixtures, fittings & equipment £</i>
<u>Cost</u>	
As at 1 January 2011	8,825
Additions	-
As at 31 December 2011	<u>8,825</u>
Additions	-
As at 31 December 2012	<u>8,825</u>
<u>Depreciation</u>	
As at 1 January 2011	(8,825)
Charge for the period	-
As at 31 December 2011	<u>(8,825)</u>
Charge for the period	-
As at 31 December 2012	<u>(8,825)</u>
<u>Net book value</u>	
As at 31 December 2012	<u>-</u>
As at 31 December 2011	<u>-</u>
As at 1 January 2011	<u>-</u>

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

11. Goodwill

	2012	2011
	£	£
Cost and net book value	<u>1,010,816</u>	<u>1,010,816</u>

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

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

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

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

12. Other intangible assets – Group

	<i>Cost of Exploration</i>	<i>Licences</i>	<i>Software</i>	<i>Total</i>
	£	£	£	£
<u>Cost</u>				
As at 1 January 2011	20 294 717	4 895,490	89 307	25 279 514
Additions	5 600 998	512 568	28 905	6 142 471
Foreign exchange differences	68,093	15 804	303	84 200
Reclassification of costs incurred	(25,771,751)	-	-	(25 771,751)
As at 31 December 2011	192 057	5,423,862	118,515	5 734 434
Additions	2 160 766	-	83 360	2 244 126
Disposals on group reconstruction	-	(379 551)	-	(379 551)
Reclassification of costs incurred	-	(503,117)	-	(503 117)
Foreign exchange differences	4,047	90,846	2,497	97 390
As at 31 December 2012	2,356,870	4,632,040	204,372	7,193,282
<u>Impairment</u>				
As at 1 January 2011	(192 057)	-	-	(192 057)
Foreign exchange differences	(4,047)	-	-	(4,047)
As at 31 December 2011 and 31 December 2012	(196,104)	-	-	(196,104)
<u>Amortisation</u>				
As at 1 January 2011	-	(148 151)	(67 850)	(216 001)
Charge for the period	-	(40 346)	(17 809)	(58 155)
Foreign exchange differences	-	-	(231)	(231)
As at 31 December 2011	-	(188 497)	(85,890)	(274 387)
Charge for the period	-	(41 222)	(28 705)	(69 927)
Foreign exchange differences	-	-	(1 810)	(1 810)
As at 31 December 2012	-	(229,719)	(116,405)	(346,124)
<u>Net Book Value</u>				
As at 31 December 2012	2,160,766	4,402,321	87,967	6,651,054
As at 31 December 2011	-	5,235,365	32,626	5,267,991
As at 1 January 2011	20,102,660	4,747,339	21,457	24,871,456

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

12. Other intangible assets – Company

	<i>Licences</i>
	<i>£</i>
<u>Cost</u>	
As at 1 January 2011	229,719
Additions	-
As at 31 December 2011	229,719
Additions	-
As at 31 December 2012	<u>229,719</u>
 <u>Amortisation</u>	
As at 1 January 2011	(148,151)
Charge for the period	<u>(40,346)</u>
As at 31 December 2011	(188,497)
Charge for the period	<u>(41,222)</u>
As at 31 December 2012	<u>(229,719)</u>
 <u>Net Book Value</u>	
As at 31 December 2012	<u>-</u>
As at 31 December 2011	<u>41,222</u>
As at 1 January 2011	<u>81,568</u>

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

13. Investments in subsidiaries - Company

	£
Cost	
As at 1 January 2011	2,584,576
Additions	4 009 592
As at 31 December 2011	6,594,168
Additions	-
As at 31 December 2012	6,594,168
Impairment	
As at 1 January 2011	(452,326)
Charge for the period	-
As at 31 December 2011	(452,326)
Charge for the period	-
As at 31 December 2012	(452,326)
Net book value	
As at 31 December 2012	6,141,842
As at 31 December 2011	6,141,842
As at 1 January 2011	2,132,250

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

The investments in subsidiaries are as follows

<i>Company</i>	<i>Country of registration</i>	<i>Percentage holding</i>	<i>Nature of business</i>
FCF Minerals Corporation	Philippines	100%	Holder of mining rights
MTL Philippines Inc	Philippines	100%	Holder of exploration permits
PT Cupati	Indonesia	96%	Holder of mining rights

On or about 1 July 2012 MTL Philippines Inc disposed of its shareholding in Cupati Holdings Corporation after a Group reorganisation process

60% of its shareholding in Cupati Holdings Corporation was transferred outwith the Group to a Retirement Fund company at carrying value and for which no consideration was received. The Retirement Fund company is established for the benefit of senior FCF Minerals Corporation employees and is fully funded by retirement contributions made from FCF Minerals Corporation. As at 31 December 2012 the amount contributed by FCF Minerals Corporation to the Retirement Fund company was £nil.

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

13. Investments in subsidiaries – Company (continued)

40% of its shareholding in Cupati Holdings Corporation was transferred within the Group to the parent company at carrying value and for which no consideration was received

As a result of this change in ownership, the Group no longer has control over Cupati Holdings Corporation and this entity has been deconsolidated from the accounts of the Group and is now equity accounted

As part of the Group reorganisation MTL Philippines Inc transferred its 40% shareholding in Woggle Corporation to the parent company at carrying value and for which no consideration was received Woggle Corporation has also been deconsolidated from the accounts of the Group and is now equity accounted

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

14. Investments in associates

	Group	Company £
Cost of investment in associates	30 454	30 454
Share of post-reorganisation losses (retained by associate companies)	(3,128)	-
	<u>27,326</u>	<u>30,454</u>

Associate company	Domicile	Assets £	Liabilities £	P&L reserves Deficit at 31 Dec 12 £	Sales £	Losses £	Ownership %
Cupati Holdings Corporation	Philippines	1,731,622	(1,858 265)	120,348	-	15,548	40%
Woggle Corporation	Philippines	13,497	(20 569)	38,419	-	6,190	40%

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012
(continued)

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

	<i>2012</i>	<i>2011</i>
	<i>£</i>	<i>£</i>
Amounts owed by associates	1,785,928	-
Other receivables	-	28,879
	<u>1,785,928</u>	<u>28,879</u>

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

	<i>2012</i>	<i>2011</i>
	<i>£</i>	<i>£</i>
Amounts due from group undertakings	<u>57,747,010</u>	<u>35,673,392</u>

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

	<i>2012</i>	<i>2011</i>
	<i>£</i>	<i>£</i>
Other receivables	8,977,364	-
Prepayments	150,386	214,643
	<u>9,127,750</u>	<u>214,643</u>

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

	<i>2012</i>	<i>2011</i>
	<i>£</i>	<i>£</i>
Other receivables	10,174	-
Prepayments	29,658	43,512
	<u>39,832</u>	<u>43,512</u>

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012
(continued)

17. Cash and cash equivalents – Group

	<i>2012</i>	<i>2011</i>
	<i>£</i>	<i>£</i>
Cash on hand	7,970	7,806
Current accounts	3,632,180	8,721,693
Time deposit and call accounts	22,634,872	27,512,909
Cash at bank and in hand	<u>26,275,022</u>	<u>36,242,408</u>

17. Cash and cash equivalents – Company

	<i>2012</i>	<i>2011</i>
	<i>£</i>	<i>£</i>
Current accounts	2,318,305	6,459,764
Time deposit and call accounts	22,634,872	27,512,908
	<u>24,953,177</u>	<u>33,972,672</u>

18. Trade and other payables – Group

	<i>2012</i>	<i>2011</i>
	<i>£</i>	<i>£</i>
Trade payables	1,693,283	795,469
Other payables	430,860	371,736
Other tax and social security payable	82,709	-
Accruals	286,473	141,684
	<u>2,493,325</u>	<u>1,308,889</u>

18. Trade and other payables - Company

	<i>2012</i>	<i>2011</i>
	<i>£</i>	<i>£</i>
Trade payables	68,966	79,697
Other tax and social security payable	56,245	-
Accruals	36,476	40,788
	<u>161,687</u>	<u>120,485</u>

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

19. Called up share capital

	2012	2011
	£	£
Allotted, called up and fully paid at 1 January	6,946,736	2,697,163
Shares issued and fully paid during the year	1,300,695	4,249,573
Allotted, called up and fully paid at 31 December	<u>8,247,431</u>	<u>6,946,736</u>

On 26 June 2012 a former director exercised a warrant whereby 4,000,000 shares were issued at an exercise price of 3 25p per share

On 30 August 2012 a former director exercised a warrant whereby 2,000,000 shares were issued at an exercise price of 3 25p per share

On 28 August 2012 the three principal shareholders of the Company agreed to contribute capital contributions totalling £16,129,032 before expenses in exchange for 124,069,477 new ordinary shares at 13p each

- (i) Solomon Capital Limited was issued with 66,079,797 new shares at a purchase price of 13p per share equivalent to gross capital contribution of £8,509,373 61 A 3% commission equivalent to £257,711 21 was paid to Solomon Capital Limited
- (ii) Baker Steel Capital Managers LLP was issued with 32,397,831 new shares at a purchase price of 13p per share equivalent to gross capital contribution of £4,211,718 03 A 3% commission equivalent to £126,351 54 was paid to Baker Steel Capital Managers LLP
- (iii) Runruno Holding Limited was issued with 25,591,849 new shares at a purchase price of 13p per share equivalent to gross capital contribution of £3,326,940 37 A 3% commission equivalent to £99,808 21 was paid to Runruno Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012
(continued)

20. Share based payments

Share options

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

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

Details of the share options outstanding are as follows

	Year ended 31 December 2012		Year ended 31 December 2011	
	Number of share options	Weighted average exercise price <i>p</i>	Number of share options	Weighted average exercise price <i>p</i>
Outstanding at the beginning of the period	14,725,000	25.45	15,330,000	25.39
Exercised during the period	-	-	(350,000)	12.00
Expired during the period	(450,000)	28.88	(255,000)	40.00
Outstanding at the end of the period	14,275,000	25.35	14,725,000	25.45
Exercisable at the end of the period	14,275,000	25.35	14,725,000	25.45

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

	Year ended 31 December 2012			Year ended 31 December 2011		
	Number of share options	exercise price <i>p</i>	weighted average remaining contractual life (months)	Number of share options	exercise price <i>p</i>	weighted average remaining contractual life (months)
	150,000	12.00	39	150,000	12.00	51
	500,000	15.00	38	700,000	15.00	19
	11,000,000	25.00	50	11,000,000	25.00	62
	2,000,000	26.25	52	2,000,000	26.25	64
	625,000	40.00	58	875,000	40.00	63
Outstanding at the end of the period	14,275,000	25.35	55	14,725,000	25.45	58

During the year, an expense of £nil was recognised in the statement of total comprehensive income (2011: £537,646)

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

20. Share based payments (continued)

Warrants

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

Details of the warrants outstanding are as follows:

	Year ended 31 December 2012		Year ended 31 December 2011	
	Number of warrants	Weighted average exercise price p	Number of warrants	Weighted average exercise price p
Outstanding at the beginning of the period	17,010,000	14.80	18,010,000	14.82
Exercised during the period	(6,000,000)	3.25	(1,000,000)	3.25
Granted during the period	-	-	-	-
Expired during the period	(5,500,000)	25.82	-	-
Outstanding at the end of the period	5,510,000	31.23	17,010,000	14.80
Exercisable at the end of the period	5,510,000	31.23	17,010,000	14.80

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

	Year ended 31 December 2012			Year ended 31 December 2011		
	Number of warrants	exercise price p	weighted average remaining contractual life (months)	Number of warrants	exercise price p	weighted average remaining contractual life (months)
-	-	3.25	-	6,000,000	3.25	7
-	-	12.00	-	1,000,000	12.00	10
2,010,000	2,010,000	20.00	6	4,510,000	20.00	14
1,000,000	1,000,000	26.25	16	1,000,000	26.25	28
1,000,000	1,000,000	39.38	16	1,000,000	39.38	28
1,000,000	1,000,000	40.00	6	3,000,000	40.00	12
500,000	500,000	52.50	16	500,000	52.50	28
Outstanding at the end of the period	5,510,000	31.23	10	17,010,000	14.80	15

During the year, a £nil charge was recognised in the statement of total comprehensive income (2011: £nil).

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

21. Net cash used in operating activities – Group

	2012 £	2011 £
Loss before tax	(4,369,744)	(2,350,980)
Depreciation	359,942	341,277
Amortisation	69,927	58,154
Provisions	23,746	-
Share of losses of associates	3,128	-
Share based payment expense	-	537,646
Net interest payable	43,931	188,230
(Increase)/decrease in receivables	(9,198,064)	(11,809)
Increase/(decrease) in payables	1,115,237	485,102
Foreign exchange difference	1,031,141	124,186
Cash used in operations	(10,920,755)	(628,194)
Interest received	4,292	13,372
Interest paid	(48,223)	(201,602)
Net cash used in operating activities	(10,964,686)	(816,424)

21. Net cash used in operating activities - Company

	2012 £	2011 £
Loss before tax	(2,833,516)	(1,693,064)
Depreciation	-	1,956
Amortisation	41,222	40,346
Provision for doubtful intercompany receivable - PT Cupati	18,965	66,713
Share based payment expense	-	537,646
Net interest (receivable)/payable	(3,390)	188,994
Increase in receivables	(22,119,356)	(8,823,682)
(Decrease)/increase in payables	41,201	(83,291)
Foreign exchange differences	915,092	(38)
Cash used in operations	(23,939,782)	(9,764,420)
Interest received	3,390	12,608
Interest paid	-	(201,602)
Net cash used in operating activities	(23,936,392)	(9,953,414)

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

22. Capital commitments

As at 31 December 2012 the Group had £9,047,523 of outstanding capital commitments (31 December 2011 £2,244,653)

23. Related party transactions

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

	<i>Number of key management personnel</i>	<i>Share Based payments charge £</i>
As at 31 December 2012	5	-
As at 31 December 2011	6	525,208

During the year to 31 December 2012, the Company recognised a provision of £18,965 in respect of a doubtful receivable balance owed by subsidiary company, PT Cupati (2011 £57,471)

During the year, the Company paid £22,972,929 to its subsidiaries to fund operations and purchase property, plant and equipment (2011 £9,303,454). At the year end, the Company was owed £57,747,011 by its subsidiaries (2011 £35,673,392)

24. Financial instruments

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

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

Group	<i>Cash & cash equivalents</i>	<i>Owed by associates</i>	<i>Other receivables</i>	<i>Total</i>
	£	£	£	£
As at 31 December 2012	26,275,022	1,785,928	9,127,750	37,188,700
As at 31 December 2011	36,242,408	-	243,522	36,485,930

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

The Company's financial assets comprise cash & cash equivalents of £24,953,177 (2011 £33,972,672) and trade and other receivables of £57,786,842 (2011 £35,716,904).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012
(continued)

24. Financial instruments (continued)

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

Group	Trade payables	Accruals	Other payables	Total
	£	£	£	£
As at 31 December 2012	1,693,283	286,473	513,569	2,493,325
As at 31 December 2011	795,469	141,684	371,736	1,308,889

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

The Company's financial liabilities comprise trade payables of £68,966 (2011 £79,697), accruals of £36,476 (2011 £40,788), and other payables of £56,245 (2011 £nil)

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

Liquidity risk

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

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

Group	Trade payables	Accruals and other payables	Total
	£	£	£
As at 31 December 2012			
1 month or less	1,693,283	800,042	2,493,325
2 – 6 months	-	-	-
6 – 12 months	-	-	-
1 – 2 years	-	-	-
Total contractual cash flows	1,693,283	800,042	2,493,325
As at 31 December 2011			
1 month or less	795,469	513,420	1,308,889
2 – 6 months	-	-	-
6 – 12 months	-	-	-
1 – 2 years	-	-	-
Total contractual cash flows	795,469	513,420	1,308,889

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

24. Financial instruments (continued)

Company	Trade payables £	Accruals and other payables £	Total £
As at 31 December 2012			
1 month or less	117,412	44,275	161,687
2 – 6 months	-	-	-
6 – 12 months	-	-	-
1 – 2 years	-	-	-
Total contractual cash flows	117,412	44,275	161,687
As at 31 December 2011			
1 month or less	79,697	40,788	120,485
2 – 6 months	-	-	-
6 – 12 months	-	-	-
1 – 2 years	-	-	-
Total contractual cash flows	79,697	40,788	120,485

Credit risk

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

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

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

The Company is exposed to credit risk to the extent that amounts owed by its subsidiaries may not be recoverable in the future. PT Cupati, a subsidiary based in Indonesia has incurred inter-company debts which the Group review for impairment each year. During 2012 it incurred debts of £18,965 (2011 £57,471) with Metals Exploration plc and which have been fully provided for in both years

As at 31 December 2012, none of the other receivables were found to be impaired (2011 £nil). No unimpaired other receivables are past due as at 31 December 2012 (2011 £nil)

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012
(continued)

24. Financial instruments (continued)

Market risk and sensitivity analysis

Foreign currency exchange rate risk

The Group and Company are exposed to foreign currency exchange rate risk due to funds raised in Pounds Sterling but trade payables being predominantly settled in US Dollars and Philippine Pesos. The Group monitors exchange rates actively and converts funds raised to other currencies when deemed appropriate in order to meet expected future foreign currency commitments.

The Group is also exposed to translation risk due to the accounts of the Group's subsidiaries being in different currencies to the Company's. On consolidation, the subsidiary accounts are translated to Pounds Sterling. The impact on the reported net assets at the year-end is a separate reserve of £4,885,953 (2011 £4,019,586).

The company had a US Dollar cash balance of \$33,912,598 at the year-end (2011 \$37,084,228) and a 5% movement in the exchange rate would have resulted in a £1.05m impact on the loss for the year (2011 £1.1m).

Interest rate risk

The Group has interest bearing assets comprising cash and cash equivalents which earn interest at a variable rate. The Company's Pound Sterling cash balance earned interest at an average annual rate in the year of 0.15% (2011 0.15%). The impact on the reported loss for the year is net interest income on cash of £4,292 (2011 £12,608).

The Group has interest bearing liabilities on its overdraft facilities and the impact on the reported loss for the year is a net interest expense of £48,223 (2011 £201,602).

25. Capital risk management

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

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

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

26. Contingent liabilities

The Group is currently defending itself against an application for a Writ of Kalikasan that was issued in the Philippines. Management's view is that there were no valid or legal grounds for filing such case and that this action is vexatious and an abuse of court process. As a favourable outcome is expected, no provision has been made in respect of this case in the financial statements.

27. Post balance sheet events

During the year the Company entered into a contractual agreement with its five principal shareholders to raise £37.4m after expenses through a Share Placing and in exchange for 545,033,044 ordinary shares. This will be raised in three tranches as detailed in the table below, with the April tranche completed at the date of publishing the financial statements. The key commercial terms of the placing are to issue 545,033,044 new ordinary shares at a placing price of 7p per share and further details of the placing are explained on page 21 in the Directors' Report.

METALS EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2012 (continued)

27. Post balance sheet events (continued)

Tranche	Date	Shares Issued	Gross contribution	Expenses agreed as 2%	Net Contribution
1	23 Apr 13	139 090 690	£9,736,348	£194 727	£9 541 621
2	18 Jun 13	189,439,764	£13 260 784	£265,216	£12,995,568
3	15 Oct 13	216,502 589	£15,155,181	£303,104	£14,852 078
		545,033,044	£38,152,313	£763,047	£37,389,267

The Board of Directors of the Company have agreed it will make an Open Offer to all other UK domiciled shareholders other than the five principal shareholders participating in the Share Placing of three tranches. This Open Offer will be on the same commercial terms as the Share Placing but is payable in one single transaction and there are no expenses deductible. The maximum amount which is possible from this offer is £3.8m. The maximum number of shares which may be issued under the Open Offer is 54,281,057. The terms of the Open Offer, which closes on 31 May 2013 are detailed in page 21 of the Directors' Report.

The Board of Directors of the Company agreed to terminate construction contract discussions with Leighton Contractors (Philippines) Inc and adopt a strategy of self-execution, for the construction of the gold recovery processing plant facility and ancillary buildings at the Runruno site in Nueva Vizcaya. The Company is confident it is not required to amend its capital expenditure budget following this decision.

28. Ultimate controlling party

The Company has no ultimate controlling party.