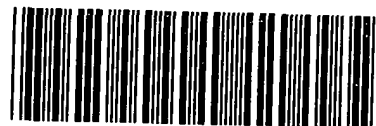


Metallon Corporation Limited
(formerly Metgold Limited)

Group Report and Financial Statements 15 month
period Ended 31 December 2013

Company Number 6223345

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Metallon Corporation Limited
Report and financial statements
for the period ended 31 December 2013

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Directors

K Akosah – Bempah

A Reve

M Khumalo

N Bonsor appointed 23 July 2014

R Robertson appointed 23 July 2014

T Sikwila appointed 1 May 2014

I Matunhire appointed 1 May 2014

M Tsomondo appointed 1 May 2014

K Mekani appointed 1 May 2014

Secretary and registered office

St James's Corporate Services Limited, Suite 31, 2nd Floor, 107 Cheapside, London, England EC2V 6DN.

Company number

6223345 (England and Wales)

Auditor

Baker Tilly UK Audit LLP, 25 Farringdon Street, London, EC4A 4AB

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Strategic Report

The Group has 5 mines in Zimbabwe and has secured four exploration properties in the Maniema province near Bukavu in the Democratic Republic of Congo and is in the process of securing mineral rights in Tanzania located within the vicinity of the Lake Victoria gold fields.

Global economic environment and demand in 2013

The Zimbabwean economy continues to experience a liquidity crisis and this has made it difficult for financial institutions to lend money to the operating industry. The cause of the crisis mainly being

- That the majority of banks have loan to deposit ratios approximating 70%, a prevalence of short term deposits and very little of long term savings have had liquidity ratios stretched. Also the central bank has lost the lender of last resort function as a result there is a cash hold where banks do not lend to each other or their customers because the central bank is unlikely to provide support in the event of a collapse of the economy, also
- The majority of the population remain unbanked due to the lack of confidence in the banking system, as such significant informal transactions are outside the banking sector (*approximately 65%*), this adds to the liquidity problems of the banks

The economy continues to run in a multi-currency environment. Lines of credit and general liquidity in the local financial services sector remain severely compromised. Interest rates charged by banks continue to be high, ranging between 17% and 19%. The deterioration in the availability of funding and excessive cost of borrowing affected business expansion and growth.

The year 2013 was worse for the Gold mining industry as the plunge in gold price experienced in March 2013 rendered a lot of mines unviable. A lot of mines either closed or downsized. The company was not spared as measures were taken which included suspension of operations at Arcturus and Mazowe Mine, staff rationalisation as well as review on benefits to employees.

The market price of gold has a significant impact on the group's operating earnings and its ability to generate cash flows. Gold price volatility was elevated during 2013 with gold declining from a high of US\$1,694 per ounce on 2nd January to a low of US\$1,192 per ounce on 28th June and closing the year at US\$1,205. Market gold prices averaged US\$1,411 per ounce in 2013, a 15% decline from the prior year (2012 average of US\$1,669).

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Change of Year End from 30 September to 31 December and change of name

The financial year end of the Company and Group was changed from 30 September to 31 December during the period. Accordingly, these financial statements are prepared for the 15 month period from 1 October 2012 to 31 December 2013 and the comparative figures in the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and the related notes are for the 12 month period ended 30 September 2012.

The results of the Group are in the financial statements and the Financial Review section of this report. The Directors do not recommend the payment of a dividend and will not make such recommendation until they consider it prudent to do so.

The company changed its name from Metgold Limited to Metallon Corporation Limited on 24 June 2014.

Group Operations

Production for the 15 months ended 31 December 2013 was 102,401 ounces, whilst 88,508 ounces was achieved for the year ended 30 September 2012.

Underground tonnes milled for the 15 months was 880,000 tonnes at an average grade of 3.94 grams per tonne compared to 731,000 tonnes at 4.09grams per tonne for prior year. Metallurgical recovery for the year was 88.3% compared to 86.5% for 2012.

A cash operating cost per ounce of US\$1,030 was incurred during the year compared to US\$1,052 for prior year, being 2% lower. The average gold price realised was US\$1,455 for the 15 months period ended 31 December 2013 compared to US\$1,658 for prior year ended 30 September 2012. The fall in gold prices affected the operations leading to temporary suspension of operations at Arcturus, Mazowe and Redwing Mine.

During 2013 the Metallon board resolved to restructure the organisation in order to improve operational efficiency by devolving managerial responsibility to the asset level and to facilitate the implementation of an indigenisation plan that empowers the communities surrounding each mine. The restructuring will involve the sale of assets and liabilities to the newly formed Special Purpose Vehicles (SPV) for 100% shareholding in each SPV. Only assets and liabilities relating to Head Office will remain in Metallon Gold Zimbabwe otherwise assets and liabilities relating to mines will be sold to the SPV formed for that mine's purpose. The restructuring process is underway and is expected to be completed by the end on April 2014.

How Mine

The mine produced 52,833 ounces for the 15 Months period to 31 December 2013 whilst 44,911 ounces were produced for the 12 months to 30 September 2012. Milled tonnage for the 15 months was 368,000 at 4.84g/t compared to 304,000 tonnes at 5.09 g/t achieved for the prior year ended 30 September 2012. Metallurgical recovery at 92.9% for the 15 months was 3% higher than that achieved in the prior year.

Run of mine (ROM) tonnage milled was below budget mainly due to the various challenges which were affecting operations during the course of the year, such as the erratic supply of key inputs like drilling consumables, (affected ore generation) reagents (affected throughput) and breakdowns which resulted from our failure to adequately maintain our old equipment because of an acute shortage of spares.

The shortage of critical spares on the local market, coupled with the delays in settling trade creditors early on in the year made the situation worse. The situation has since improved as payment terms have been agreed with creditors for settlement of old debt.

An attempt to resume production from sands was done in July and August 2013 where 9,585 tonnes was processed through the sands plant and 98 ounces of gold were recovered. The sands operation was suspended mainly because it was not viable at the prevailing gold prices. The cash operating cost per ounce for the year was US\$648 compared to US\$624 for prior year.

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Arcturus Mine

Production for the 15 months to 31 December 2013 was 9,924 ounces, being 212 ounces above 9,712 ounces achieved for the year ended 30 September 2012.

Underground tonnes milled were 78,000 tonnes for the 15 months compared to 81,000 tonnes achieved for the 12 months in the prior year. Head Grade at 3.95 grams per tonne was 0.24 grams per tonne higher than 3.71 grams per tonne achieved in prior year. The mine achieved a metallurgical recovery of 84.8%, which was the same as in the prior year. Sands retreatment tonnage for the 15 months to 31 December 2013 was 104,000 tonnes compared to 106,000 tonnes for the 12 months in the prior year. Sands built-up head grade was 1.01 grams per tonne compared to 1.11 grams per tonne for 2012.

Production was below budget due to the following:

- Below budget milled tones ROM as a result of breakdowns in the milling plant and the crushing circuit (1214hr).
- Below budget recoveries.

Shortage of jack hammer spares and poor quality steels negatively affected tonnage broken and development meters. Better quality steels are being sought as well as adequate Jack-hammer spares. The mine also temporarily closed underground operations for five months from April to September, thereby affecting gold produced for the year. The suspension was necessitated by the fall in the international gold price.

The cash operating cost per ounce (C1) for the period was US\$ 1,701 compared to US\$1,951 for the prior year. The lower cost per ounce was achieved mainly due to staff rationalisation which saw some employees being transferred to other mines.

Shamva Mine

Production for the 15 months ended 31 December 2013 was at 24,265 ounces and was 3,764 ounces higher than that achieved for the year ended 30 September 2012. Milled tonnage was 297,000 tonnes at 3.02 grams per tonne compared to 246,000 tonnes at 3.2 grams per tonne for prior year. Metallurgical recovery at 84.1% for the year was 3.2% better than prior year.

Performance during the 15 months ended 31 December 2013 was affected by below budget broken, hoisted & milled tonnage and below budget recoveries due to:

- Inadequate compressed air affecting ore generation due to intermittent breakdowns on GA250 compressors ER6 and ER8 compressor. Servicing of the GA250 compressors by Atlas Copco could not take place due to funding.
- The slimes dam sink hole which resulted in milling stoppages totaling up to 144hrs.
- A critical shortage of spares for dewatering pumps and spare pumps. The mine is working on having a set of swing pumps to facilitate the planned maintenance schedule on all pumps to reduce breakdowns.
- Poor metallurgical recoveries due to erratic supply of bulk oxygen, grinding media and low availability of Knelson Concentrator (KC30). The inadequate supply of jackhammer and long hole drilling accessories, spares, drill bits, and extensions.

Cash operating cost per ounce for the period was US\$1,169 compared to US\$1,176 for prior year. The slimes dam for the mine has reached the end of its life and the current plan is to construct a new slime dam beginning June 2014.

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Redwing Mine

Production of 2,929 ounces was achieved for the 15 months ending 31 December 2013 being 904 ounces less than that for the 12 months ended 30 September 2012. Production at the mine was mainly confined to sands re-treatment with underground production only contributing 622 ounces.

Sands re-treatment tonnes milled were 173,000 tonnes at a grade of 0.55 grams per tonne with a recovery 49.2%. This was 55,000 tonnes lower than 228,000 tonnes processed in 2012. Ore from surface sources processed was 47,000 tonnes at 1.01 grams per tonne at a recovery of 52.8%.

Production from underground was affected mainly by inadequate access to mine. Production from underground was suspended on 30th April 2013 to enable the mine to concentrate on exploration development in order to open up areas for future production. Due to sub-economic grades, retreatment of sands was stopped on 25 September 2013.

Cash operating cost per ounce of US\$2,736 was incurred during the period ended 31 December 2013 compared to US\$2,812 for prior year.

The total volume of water pumped out of the mine for the 15 months ending 31 December 2013 was 4,074,815m³. Total volume pumped since the commencement of pumping on 12 March 2010 up to end of December 2013 is now 14,640,542m³.

Hoist/Shaft	Pumped Depth from onset of dewatering (m)	Resultant distance below 6 Level (m)	Resultant distance above 5 Level (m)
Main	139.1	0.84	-
Rezende	173.3	-	26.7
Old West	-	-	No pumping activity

Mazowe Mine

Gold production for the 15 months period at 12,450 ounces was 2,899 ounces higher than that for the 12 months ended 30 September 2012. Milled tonnage at 129 000 tonnes was 29,000 tonnes higher than prior year. Built-up-head grade was 3.59 grams per tonne compared to 3.56 grams per tonne for prior period. Metallurgical recovery was 83.8% which was 0.40% higher than that achieved in prior year.

Production was below budget due to low tonnage milled and below budget grade. Production was affected by breakdowns of compressors, locomotives, crushers, KC 30 concentrator and mixers. The mine has acquired a KC 30 and this is expected to improve recoveries in the 2014 financial year. The mine slimes dam has reached the end of its life and construction of the new slimes dam budgeted at \$2m is expected to commence in June 2014.

A cash operating cost per ounce (C1) of US\$1,444 was achieved compared to US\$1,575 for prior year. This was largely attributed to cost cutting measures implemented following the fall in gold price, as well as increased gold production.

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Summary of Production and cash operating cost per ounce

Production and cost per ounce were as stated below:

15 Months to December 2013						
	How	Arcturus	Shamva	Redwing	Mazowe	Total/Average
Underground Mining						
Ore production ('000 tonnes)	368	78	297	9	129	881
Ore grade (g/t)	4.84	3.95	3.02	2.48	3.59	3.94
Recovery (%)	92.9	84.8	84.1	86.6	83.8	87.8
Surface Mining (Including Sands)						
Ore production ('000 tonnes)	10	104	0	220	0	334
Ore grade (g/t)	1	1.01	0	0.65	0	0.71
Recovery (%)	31.6	44.2	0	50	0	47.6
Production (ounces)	52,833	9,924	24,265	2,929	12,450	102,401
Cash cost per ounce (US\$)	648	1 701	1,169	2,736	1,444	1,030
Cost/ounce increase/(decrease) %	3.96%	(12.83%)	(0.01%)	51.02%	(8%)	(0.02%)

Year to September 2012						
	How	Arcturus	Shamva	Redwing	Mazowe	Total/Average
Underground Mining						
Ore production ('000 tonnes)	304	81	246	0	100	731
Ore grade (g/t)	5.09	3.71	3.20	0	3.56	4.05
Recovery (%)	90.3	84.8	80.9	0	83.4	86.5
Surface Mining						
Ore production ('000 tonnes)	0	106	0	286	0	392
Ore grade (g/t)	0	1.11	0	0.73	0	0.83
Recovery (%)	0	38.7	0	57.6	0	50.2
Production (ounces)	44,911	9,712	20,501	3,833	9,551	88,508
Cash cost per ounce (US\$)	624	1,951	1,175	1,811	1,575	1,051
Cost/ounce increase/(decrease) %	(24.6%)	48.9%	(18.8%)	(3.4%)	19.8%	(12.9%)

The cash operating cost per ounce of US\$1,030 was 0.02% lower than the previous year.

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Ore Reserves and mineral reserves

The tables below summaries the company's Statements of Mineral Reserves and Resources. This Mineral Reserves and Resources Statement is classified according to the South African Code For Reporting Of Mineral Resources And Mineral Reserves (The SAMREC Code) prepared by the South African Mineral Resource Committee (SAMREC) under the auspices of the South African Institute of Mining and Metallurgy.

In presenting the Mineral Resources and Mineral Reserves Statements, the following points apply:

- The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce Mineral Reserves;
- Mineral Resources are quoted at an appropriate in-situ economic cut-off-grade with tonnages and grades based on planned minimum mining widths;
- All Mineral Resources and Mineral Reserves are quoted as at 31 December 2013;
- Unless otherwise stated all Mineral Reserves and Mineral Resources are quoted as 100% and not attributable with respect to ownership;
- All Mineral Reserves quoted in terms of Run Of Mine grades and tonnage as delivered to the metallurgical processing facility and are therefore fully diluted;
- Mineral Reserve statements include only Measured and Indicated Mineral Resources modified to produce Mineral Reserves and planned for extraction in the Life of Mine Plans;
- All Mineral Resources are quoted at an in-situ cut-off based on a gold price of US\$1,250/oz;

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Proved and Probable Reserves as at 31st December 2013

	Proved			Probable			Total		
	Ton (kt)	Grade (g/t)	Ounce s (oz)	Ton (kt)	Grade (g/t)	Ounce s (oz)	Ton (kt)	Grade (g/t)	Ounce s (oz)
How – Underground Surface	1,753	5.14	290	2,459	3.80	302	4,212	4.37	592
	-	-	-	817	1.10	30	817	1.10	30
	1,753	5.14	290	3,276	3.13	332	5,029	3.86	622
Arcturus – Underground	296	6.19	59	880	5.21	147	1,176	5.46	206
	296	6.19	59	880	5.21	147	1,176	5.46	206
Shamva – Underground	1,178	2.97	113	3,819	3.06	375	4,997	3.03	488
	1,178	2.97	113	3,819	3.06	375	4,997	3.03	488
Redwing – Underground	18	3.00	2	105	2.80	9	123	2.83	11
	18	3.00	2	105	2.80	9	123	2.83	11
Mazowe – Underground	296	5.97	57	229	5.61	41	525	5.81	98
	296	5.97	57	229	5.61	41	525	5.81	98
TOTAL	3,541	4.58	521	8,309	3.38	904	11,850	3.74	1,425

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Measured and Indicated Resources as at 31st December 2013

	Measured			Indicated			Total		
	Ton (kt)	Grade (g/t)	Ounce s (oz)	Ton (kt)	Grade (g/t)	Ounce s (oz)	Ton (kt)	Grade (g/t)	Ounce s (oz)
How – Underground Surface	1,820	5.30	313	2,786	4.10	368	4,606	4.60	681
	-	-	-	817	1.10	30	817	1.10	30
	1,820	5.30	313	3,603	3.42	398	5,423	4.08	711
Arcturus – Underground Surface	361	6.74	78	2,510	5.21	420	2,871	5.40	498
	1,272	1.09	45	-	-	-	1,272	1.09	45
	1,633	2.34	123	2,510	5.21	420	4,143	4.08	543
Shamva – Underground Surface	1,980	2.60	166	8,315	3.00	802	10,295	2.92	968
	-	-	-	2,548	0.86	71	2,548	0.86	71
	1,980	2.60	166	10,863	2.50	873	12,843	2.52	1,039
Redwing – Underground Surface Sands	1,425	2.70	122	7,982	4.30	1,101	9,407	4.06	1,223
	-	-	-	2,774	0.30	29	2,774	0.30	29
	1,425	2.70	122	10,756	3.27	1,130	12,181	3.20	1,252
Mazowe – Underground Surface	492	9.58	151	761	7.09	174	1,253	8.07	325
	4,905	0.79	124	-	-	-	4,905	0.79	124
	5,397	1.59	275	761	7.09	174	6,158	2.27	449
TOTAL	12,255	2.54	999	28,493	3.27	2,994	40,748	3.05	3,994

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Inferred, Measured and Indicated Resources as at 31st December 2013

	Inferred			Measured & Indicated			Total		
	Ton (kt)	Grade (g/t)	Ounces (oz)	Ton (kt)	Grade (g/t)	Ounces (oz)	Ton (kt)	Grade (g/t)	Ounces (oz)
How – Underground Surface	5,286	3.50	590	4,606	4.60	681	9,892	4.00	1,271
	3,650	1.77	205	817	1.10	30	4,467	1.64	235
	8,936	2.79	795	5,423	4.08	711	14,359	3.26	1,506
Arcturus – Underground Surface	3,212	4.90	506	2,871	5.40	498	6,083	5.14	1,004
	-	-	-	1,272	1.09	45	1,272	1.09	45
	3,212	4.90	506	4,143	4.08	543	7,355	4.44	1,049
Shamva – Underground Surface	12,398	2.35	937	10,295	2.92	968	22,693	2.61	1,905
	18,580	1.38	827	2,548	0.86	71	21,128	1.32	898
	30,978	1.77	1,764	12,843	2.52	1,039	43,821	1.99	2,803
Redwing – Underground Surface Sands	14,457	2.60	1,219	9,407	4.06	1,223	23,864	3.18	2,442
	-	-	-	2,774	0.30	29	2,774	0.30	29
	14,457	2.60	1,219	12,181	3.20	1,252	26,638	2.89	2,471
Mazowe – Underground Surface	5,208	7.03	1,176	1,253	8.07	325	6,461	6.81	1,501
	1,300	5.00	209	4,905	0.79	124	6,205	1.60	333
	6,508	6.62	1,385	6,158	2.27	449	12,666	4.50	1,834
TOTAL	64,091	2.75	5,669	40,748	3.05	3,994	104,839	2.87	9,663

Capital expenditure

Capital expenditure for the 15 months to December was US\$8,212,000 compared to US\$6,236,000 for the prior period. Major expenditure was on underground development (US\$3,030,000), underground equipment (US\$432,000), surface plant and equipment (US\$2,004,000), vehicles (US\$634,000), insurance spares (US\$79,000) and projects in progress (US\$1,675,000). Financial constraints inhibited the company's ability to capitalise operations to levels which could increase capacity utilisation.

The group undertook projects at Shamva and How Mines. The major ones being the installation of the new rod mill at Shamva and 16N7 shaft deepening, equipping and installation of a 23 level hoist and loading infrastructure at How.

Safety, Occupational Health and Environment (SHE)

There were no occupational fatal accidents experienced during the 15 months period under review. A total of 224 accidents were recorded for the period under review, compared with 189 in 2012 and 296 in 2011. A total of 34 lost time accidents were recorded, compared with 29 in 2012. The Group accident lost time injury frequency rate (LTIFR) was 3.19, compared with 3.30 recorded last year.

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The historical fatal accidents are distributed as follows for the previous years;

YEAR	2012	2011	2010	2009	2008	2007	2006	2005
FATALITIES	1	0	1	0	0	1	2	3

The Company continues to address SHE risks through a systematic approach. How Mine and Shamva Mine successfully retained certification to ISO14001:2004 (both mines) and OHSAS18001:2007 (How Mine), while Mazowe Mine completed the ISO14001:2004 planning phase and is set to be certified next year.

A Value Based Safety (VBS) programme meant to harness team power in improving behavioral safety was launched and initially implemented at Shamva Mine. A safety campaign aimed at reducing the high level of accidents associated with high risk drilling and tramming activities was also launched at all the mines.

All new prescribed projects were subjected to Environmental Impact Assessments (EIAs), statutory SHE monitoring/surveillance monitoring conducted and authorities notified of reportable SHE incidents and accidents.

Notable events and achievements:

- The group partnered the Green Business Awards initiative which was launched by the Minister of Environment and Natural Resources.
- How Mine received the Fourth Runner Up Green Business Awards Ministry of Mines and Mining Development Award of Excellence.
- How Mine and Redwing Mine received regional and provincial National Social Security Authority (NSSA) awards for outstanding occupational safety and health performance in the calendar year 2012. How Mine also received the second position Silver National Award for best Occupational Health and Safety Performance.
- The How Mine underground team attained first position in the underground category of the Chamber of Mines National First Aid Competitions.
- How Mine came first in the Bulawayo Region Chamber of Mines Safety, Health and Environmental audits.

Going forward, SHE systems will be implemented at other mines, to ensure effective management of SHE risks and continual improvement in SHE performance.

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Key Performance Indicators

Management monitors the group's liquidity requirement on a weekly basis. Financial and operational performance is measured regularly and operational updates are published quarterly. Key performance indicators are specific to each area of the business:

The board considers the following to be key performance indicators:

<i>Key performance Indicators</i>	<i>Measure</i>
<i>Gold price realised</i>	Gold revenue at spot price less realisation & royalty costs divided by the ounces produced in a period
<i>Cash operating cost per ounce</i>	The total operating cost divided by the ounces produced in a period
<i>Ounce per employee</i>	The total number of ounces in a period divided by the number of employees that produced those ounces
<i>Cost per tonne</i>	Costs incurred in processing a tonne of ore
<i>Development meters</i>	Meters advanced in a period (measured per month)

Principal risks and uncertainties

The principal risks and uncertainties to which the group is exposed relate to changes in the market prices of gold, resource and reserves risk, processing risk, environmental risk, mining and operating risk, financing risk and political risk.

2014 and beyond

Vision & Strategy

The Company's vision is to establish itself as a significant gold producer across Africa, focusing on the staged expansion, re-development and exploration of its assets in Zimbabwe and expanding into new geographic regions.

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Positioning for Growth

Metallon's strategy is to maximise the value of our current operational assets and to increase our production through expansion projects and new opportunities. The Company is committed to operating safely and in an environmentally and culturally sensitive manner. This is of paramount importance in the execution and achievement of our strategic objectives.


Our strategic objectives are:

- Increasing production through more efficient capacity utilisation
 - Ramp up from 80,000oz/pa in 2013 to over 100,000oz/pa in 2014
 - Reduction of costs
 - Aiming to achieve capacity levels of approx. 513,000oz/pa within the next five years
- Expansion projects
 - Increase production by expansion of current operations
- Near mine exploration
 - High priority targets at Shamva, Mazowe and Redwing Mines
- Future exploration projects
 - Exploration in DRC and Tanzania
- Focused M&A activities
 - Pursuing growth through successful exploration and acquisitions

Our relationships and experience in Zimbabwe will position Metallon for growth into other parts of Africa and beyond.

The requirements of sections 414A to E of the Companies Act 2006 as regards the production of a strategic report are satisfied in the Strategic report contained at pages 1 to 2 which is incorporated by reference in this section. The Strategic report provides an overview of the development and performance of Metallon's business for the financial period ended 31 December 2013 and also provides information relevant to future developments in the business.

Approved by the Board of Directors on September 2014 and signed on its behalf by:



Tulani Sikwila
Director

Date : 29 September 2014

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Directors Report

The Directors present their annual report and the consolidated financial statements for the 15 month period ended 31 December 2013.

The principal activity of the Company is the holding of operating mines through its subsidiary with an exposure to the mining sector in Zimbabwe through equity holdings.

Metallon Corporation Limited (previously Metgold Limited. Name changed 26 June 2014) is a private company incorporated in the United Kingdom whose principal activities include the exploration, development and operation of gold mineral assets. The Company was incorporated on 23 April 2007 with the registration number 06223345 as a private company with limited liability by shares.

Financing Risk

Financing risk has a critical impact on the going concern of the group and the directors disclose current uncertainties and plans to mitigate them in the basis of preparation note of the financial statements. Mining is a capital intensive business and there is a risk that if finance is not available for the development or further exploration of a project then the value of the project may not be realised.

Metallon's financing risk is linked to the availability of funding in the capital which are impacted by their perception of commodity and country risk. Metallon seeks to mitigate its financing risk by diversifying its sources of finance for the development of its projects. The impact of the financing raised during the period is discussed in the Financial Review and the current and expected funding requirements are disclosed in Note 1 to the financial statements (regarding Going Concern).

Political Risk

There is a political risk impacting the group's operations in Zimbabwe. The group is facing a risk linked to the indigenisation regulation in Zimbabwe. Details of this risk and the actions undertaken to mitigate it are detailed in the following section of the Directors' Report regarding Zimbabwean indigenisation.

The company has initiated activities to ensure compliance with indigenisation law which requires 51% of local ownership of foreign owned businesses.

Strategic Risk

Single country risk

All of the Group's revenue is derived from production at its five operations in Zimbabwe. In order to ensure continued growth, the Group needs to identify new resources and development opportunities through exploration and acquisition targets. This is particularly the case in the context of the identification of potential growth opportunities in other territories, something which is required to strengthen the business through geographic diversification in order to mitigate the effects that significant in-country developments could have on our operations and business.

Resource and Reserve Risk

The Group's stated mineral reserves and resources are estimates based on a range of assumptions, including geological, metallurgical and technical factors, such that no assurances can be given that the anticipated tonnages or grades will be achieved. There is a risk that estimates of Mineral Resources and Reserves overstate their

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economic potential. This uncertainty could give rise to a situation where a mine is, or becomes, commercially unviable. The group manages risk by ensuring that all Mineral Resource and Reserve estimates are calculated by reference to internationally accepted standards. In addition all Mineral Resource estimates published by the group are signed off by an independent qualified person.

Metal Price Risk

Fluctuations in metal prices can clearly affect the profitability of mining operations. The group seeks to protect itself from adverse fluctuations by investing in projects which can operate economically in lower metal price environments and by controlling operating costs. The group uses no financial instruments or hedging products to fix metal prices. The impact of the metal prices on the performance of the period is assessed in note 20.

Processing Risk

There is a risk that the processing of ore to recover metal fails to deliver recoveries expected and this may have the effect of reducing projected profitability. All of the group's existing mining operations have a long history of economic production and the processing techniques used are well understood. When the group invests in new projects the metallurgical processes are thoroughly tested and reviewed by independent consultants before any investment is made.

Environmental Risk

Exploration and development of a project can be adversely affected by environmental legislation and the unforeseen results of environmental studies carried out during evaluation of a project. Once a project is in production unforeseen events can give rise to environmental liabilities and or temporary closure of mining operations. The group takes every care to comply with environmental legislation in the countries in which it operates and designs its training and procedures to minimise the environmental impact of operations.

Mining and Operating Risk

Mining is an inherently risky activity and can involve ground instability, failure of machinery and human error. The group makes every effort to ensure that these risks are minimised by ensuring that mining operations are professional, that a high level of workforce training and education is maintained and by prompt reporting of incidents to management. Information about the Health and Safety framework is included in the section 'Workplace Health and Safety' of the Overview of Social and Environmental Responsibility.

Creditor payment policy

The group does not follow a published code or standard on payment practice. Its policy is to fix terms of payment with each supplier in accordance with its requirements and financial procedures. The group ensures that suppliers are aware of those terms and abides by them subject to the resolution of any disagreement regarding the supply.

There are creditor balances that are more than 120 days. Negotiations with these creditors have been made and payment plans have been agreed to pay these down. In addition to paying the balances down for all current purchases the terms agreed, for current purchases, with suppliers do not exceed more than 30 – 45 days of their invoice date. The total trade creditors of Metallon subsidiary Metallon Gold Zimbabwe (Private) Limited at 31 December 2013 were \$14,045,780 which represent 178 days (2012: \$13,301,000 – 170 days). The Company itself has no trade creditors.

Metallon Corporation Limited
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for the period ended 31 December 2013

Financial Instruments

The Group's financial instruments primarily comprise cash, cash equivalents, and other instruments such as trade receivables, available-for-sale investments, payables, non-controlling put option, and borrowings, which arise directly from its operations. Note 20 to the accounts gives details of the Group's risks and policies regarding financial instruments.

Directors

The directors of the Company during the year were:

K Akosah – Bempah

A Reve

M Khumalo

N Bonsor appointed 23 July 2014

R Robertson appointed 23 July 2014

T Sikwila appointed 1 May 2014

I Matunhire appointed 1 May 2014

M Tsomondo appointed 1 May 2014

K Mekani appointed 1 May 2014

The directors did not, at the end of the financial year have, any interest in the shares of the Company.

According to the register of directors' interests, no rights to subscribe for shares in the Company were granted to the directors or their immediate family, or exercised by them during the financial year.

Metallon Corporation Limited
Report and Financial Statements
for the period ended 31 December 2013

Directors' responsibilities

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law to prepare the group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 group and of the profit or loss of the group for that period.

In preparing the group financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

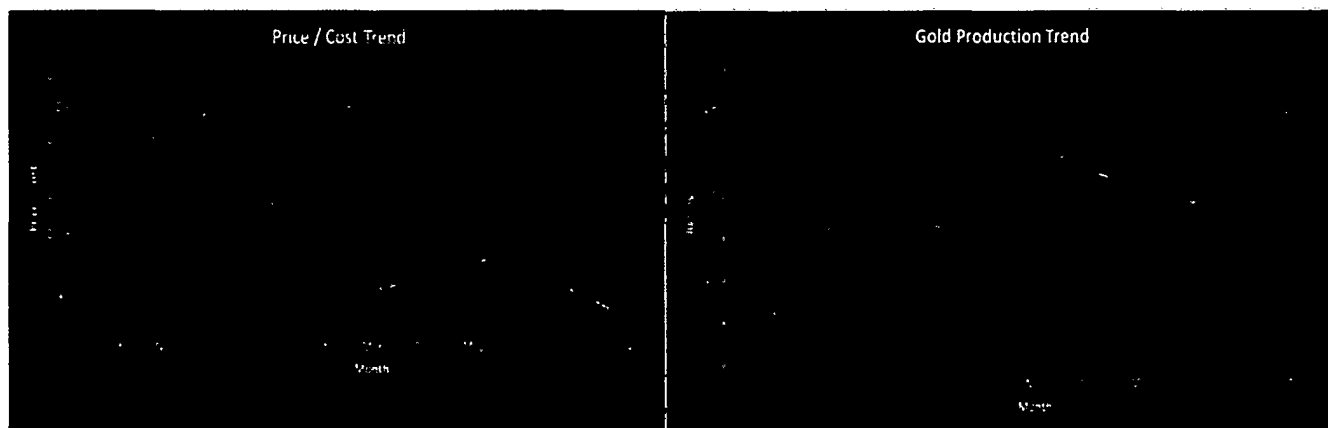
Metallon Corporation Limited
Report and Financial Statements
for the period ended 31 December 2013

Going concern

The Group currently has net assets of \$12,142,000 (2012 – net assets \$8,114,000) and in addition the Group will meet its financial obligations as they fall due for a period of no less than twelve months from the date of these financial statements. The group has a net liability position of \$12,082,000 after the exclusion of held to maturity investments.

The production for the eight months of 2014 is 62,364oz against a budget of 71,407oz. The operating profit is \$24m (budget \$35m), this was generated with a total operating cost per ounce (C3) of \$944/oz (budget \$858/oz) at a realised gold price of \$1,182/oz (budget \$1,202).

As illustrated below in the analysis of the trend in production and cost per ounce over the last nine months shows an upward and downward trend respectively.



Cash flows are monitored on a weekly basis and efforts have been made to ensure lower costs and ultimately a lower cost per ounce through;

- Lowering consumable costs by procuring from outside Zimbabwe
- monitoring of costs on a weekly basis as well as efficient use of resources
- Increase of capacity utilisation (particularly at Shamva)

In managing the working capital

- The company has entered into payment arrangements with creditors for the payment of old debt, while they continue to support the business on terms not exceeding 30 – 45 days for all purchases going forward. The group continues to have the support of creditors as the mining operations are supplied with consumables by creditors as and when required.
- As of August 2014 \$2.2m has been paid to banks. The banking institutions have agreed to support the mining operations for the next year. It is envisaged that this support will continue into the foreseeable future.
- The company also anticipates the issuing of Treasury Bills in exchange for the Gold Bonds issued by the Reserve Bank of Zimbabwe. When received the Treasury Bills will be used to reduce the amount owed to the banks by ceding these to them (*refer note 14 for detail*)

The production and cost trends will continue as the company expects to improve on capacity utilisation. In the financial year 2014 the net trading revenue is expected to be at least \$127m with a net profit of \$20m. Total cash to be generated before capital expenditure is expected to be \$14m. Production is being sold on the open market and prices reflect the market demand for Gold.

Based on the above the Directors therefore consider it appropriate to continue to prepare the financial statements of the Group on a going concern basis.

Metallon Corporation Limited
Report and Financial Statements
for the period ended 31 December 2013

Auditor

Baker Tilly UK Audit LLP have indicated their willingness to continue in office.

Approved by the Board of Directors on 29 September 2014 and signed on its behalf by:

A handwritten signature in black ink, consisting of a large, stylized 'S' or 'T' shape with a horizontal line crossing through it.

Tulani Sikwila
Director

Metallon Corporation Limited
Group statement of comprehensive income
For the period ended 31 December 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METALLON CORPORATION LIMITED

We have audited the group and parent company financial statements ("the financial statements") on pages 21 to 51. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 more fully explained in the Directors' Responsibilities Statement set out on page 16 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 Financial Reporting Council's website at <http://www.frc.org.uk.auditscopeukprivate>.

Opinion on financial statements

In our opinion

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

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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 14 of the financial statements concerning the Reserve Bank of Zimbabwe Gold Backed Bonds which were due to mature on 4 August 2014. The ability of the group to redeem these bonds cannot presently be determined and no provision for impairment has been made in the financial statements.

Metallon Corporation Limited
Group statement of comprehensive income
For the period ended 31 December 2013

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.

Baker Tilly UK Audit LLP

.....
Paul Watts (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

Date *30 September 2014*

Metallon Corporation Limited
Group statement of comprehensive income
For the period ended 31 December 2013

		15 months ended 31 December 2013	Year ended 30 September 2012
	Note	\$'000	\$'000
Revenue	3	148,608	147,154
Cost of Sales		(123,186)	(107,616)
		<hr/>	<hr/>
Gross profit		25,422	39,538
Other operating income		1,297	505
Administrative expenses		(13,888)	(15,116)
Management fees paid	4	(1,998)	(1,981)
Other operating expenses		(595)	(1,420)
		<hr/>	<hr/>
Profit from operations	5	10,238	21,526
Finance costs	8	(8,294)	(8,114)
Finance income	8	2,266	1,698
		<hr/>	<hr/>
Profit before taxation		4,210	15,110
Income tax expense	9	(182)	(6,139)
		<hr/>	<hr/>
Total comprehensive income for the period/year attributable to owners of the parent		4,028	8,971
		<hr/>	<hr/>

All amounts relate to continuing activities.

The notes on pages 29 to 51 are an integral part of these consolidated financial statements

Metallon Corporation Limited
Company statement of comprehensive income
For the period ended 31 December 2013

	Note	15 months ended 31 December 2013 \$'000	Year ended 30 September 2012 \$'000
Revenue	3	2,960	27,935
Management fee paid	4	(1,998)	(1,982)
Gross profit		962	25,953
Administrative expenses		(2,009)	(1,927)
(Loss) / profit from operations	5	(1,047)	24,026
Finance expense	8	(31)	(31)
(Loss) / profit before taxation		(1,078)	23,995
Income tax expense	9	(296)	(1,544)
Total comprehensive income for the period/year		(1,374)	22,451

All amounts relate to continuing activities

The notes on page 29 to 51 form part of these financial statements

Metallon Corporation Limited
Consolidated statement of financial position
as at 31 December 2013

	Note	31 December 2013 \$'000	31 December 2013 \$'000	30 September 2012 \$'000	30 September 2012 \$'000
ASSETS					
Non – current assets					
Plant, Property and Equipment	10	30,843		26,136	
Intangible asset	11	1,000		1,000	
			31,843		27,136
Current assets					
Inventories	12	7,112		8,410	
Held to maturity investments	14	24,224		21,958	
Trade and other receivables	13	49,373		42,262	
Cash and cash equivalents		1,549		4,039	
			82,258		76,669
Total Assets			114,101		103,805
LIABILITIES					
Non – current liabilities					
Provision for rehabilitation cost	16		8,663		7,686
Loan from related party	17		11,458		12,908
Deferred tax	18		4,772		4,985
Current Liabilities					
Trade and other payables	15		49,660		43,324
Taxation			3,106		3,007
Short term loans	19		24,300		23,781
Total liabilities			101,959		95,691
Total net assets			12,142		8,114
Equity attributable to owners of the parent					
Share capital	21	-	-	-	-
Retained Earnings		11,778		7,750	
Other Reserves		364		364	
			12,142		8,114
Total Equity			12,142		8,114

The financial statements were approved and authorised by the Board of Directors on 29 September 2014 and signed on its behalf by:



Tulani Sikwila
Director

The notes on page 29 to 51 form part of these financial statements

Metallon Corporation Limited
Company statement of financial position
as at 31 December 2013

Company number 6223345

	Note	31 December 2013 \$'000	31 December 2013 \$'000	30 September 2012 \$'000	30 September 2012 \$'000
ASSETS					
Non – current assets					
Investment in subsidiary		11,954		11,954	
			11,954		11,954
Current assets					
Trade and other receivables	13	44,596		20,311	
			44,596		20,311
Total Assets			56,550		32,265
LIABILITIES					
Non – current liabilities					
Loan from related party	17		11,458		12,908
Current Liabilities					
Trade and other payables	15		27,676		567
Total liabilities			39,134		13,475
Total net assets			17,416		18,790
CAPITAL AND RESERVES					
Share capital	21	-		-	
Retained Earnings		17,416		18,790	
			17,416		18,790
Total Equity			17,416		18,790

The financial statements were approved and authorised by the Board of Directors on 29 September 2014 and signed on its behalf by:


Tulani Sikwila
Director

The notes on page 29 to 51 form part of these financial statements

Metallon Corporation Limited
Consolidated statement of changes in equity
for the period ended 31 December 2013

Attributable to owners of the parent	Share Capital	Other Reserves	Retained Earnings	Total
Balance as at 30 September 2011	-	25,364	(26,221)	(857)
Transfer of NDR to Retained Earnings	-	(25,000)	25,000	-
Total comprehensive income for the year	-	-	8,971	8,971
Balance as at 30 September 2012	-	364	7,750	8,114
Total comprehensive income for the period	-	-	4,028	4,028
Balance as at 30 December 2013	-	364	11,778	12,142

The notes on page 29 to 51 form part of these financial statements

Metallon Corporation Limited
Company statement of changes in equity
For the period ended 31 December 2013

	Share Capital	Retained Earnings	Total
	\$'000	\$'000	\$'000
Closing balance 30 September 2011	-	(3,661)	(3,661)
Total comprehensive profit for the year	-	22,451	22,451
	<hr/>	<hr/>	<hr/>
Closing balance 30 September 2012	-	18,790	18,790
Total comprehensive income for the period	-	(1,374)	(1,374)
	<hr/>	<hr/>	<hr/>
Closing balance 31 December 2013	-	17,416	17,416
	<hr/>	<hr/>	<hr/>

The notes on page 29 to 51 form part of these financial statements

Metallon Corporation Limited
Consolidated statement of cash flow
for the period to 31 December 2013

	15 months ended 31 December 2013 \$'000	Year ended 30 September 2012 \$'000
Cash flows from operating activities		
Profit from operations	10,238	21,526
Adjustments for:		
- Finance income		42
- Finance expense	(8,263)	(8,079)
- Depreciation	3,125	2,079
- Increase in rehabilitation provision	977	700
- Amortisation of Intangible asset	-	87
- Loss on disposal of plant and equipment	377	1,133
Cash flows from operating activities before changes in working capital and provisions	6,454	17,488
Decrease in inventories	1,298	2,594
Increase in receivables	(11,264)	(15,020)
Increase in payables	10,483	8,283
	6,971	13,345
Taxes paid		
Zimbabwean income tax & withholding tax paid	(296)	(4,047)
	6,675	9,298
Net cash flow from investing activities		
Purchases of property, plant and equipment	(8,212)	(6,236)
Proceeds from sale of property, plant and equipment	6	3
	(1,531)	3,065
Net cash flow from financing activities		
Increase / (Repayment) of borrowings	519	(2,516)
Repayment of Cableair loan	(1,478)	-
	(2,490)	549
Increase in cash and cash equivalents	4,039	3,490
Cash and cash equivalents at the beginning of the period/year		
	1,549	4,039

The notes on page 29 to 51 form part of these financial statements

Metallon Corporation Limited
Company statement of cash flows
for the period to 31 December 2013

	15 months ended 31 December 2013 \$'000	Year ended 30 September 2012 \$'000
Cash flows from operating activities		
(Loss) / Profit before taxation	(1,078)	23,995
	<hr/>	<hr/>
Cash flows from operating activities before changes in working capital and provisions	(1,078)	23,995
(Increase) in receivables	(24,711)	(19,091)
Increase / (Decrease) in payables	26,085	(3,360)
	<hr/>	<hr/>
	296	1,544
Withholding tax paid	(296)	(1,544)
	<hr/>	<hr/>
Change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the period	-	-
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	-	-
	<hr/>	<hr/>

The notes on page 29 – 51 form part of these financial statements.

Metallon Corporation Limited
Notes forming part of the financial statements
for the period ended 31 December 2013

1 Accounting policies

Metallon Corporation Limited is a private company incorporated and domiciled in England and Wales.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of Metallon Corporation Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), the Companies Act 2006 that applies to companies reporting under IFRS, and interpretations of the IFRS Interpretations committee (formerly IFRIC). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1.10.

The financial statements are presented in US dollars (\$) being the most applicable reporting currency for the sector in which the Company and Group operates.

Going concern

The Group currently has net assets of \$12,142,000 (2012 – net assets \$8,114,000) and in addition the Group will meet its financial obligations as they fall due for a period of no less than twelve months from the date of these financial statements. The Group has a net liability position of \$12,082,000 (\$13,845,000) after the exclusion of held to maturity investments.

The production for the eight months of 2014 is 62,364oz against a budget of 71,407oz. The operating profit is \$24m (budget \$35m), this was generated with a total operating cost per ounce (C3) of \$944/oz (budget \$858/oz) at a realised gold price of \$1,182/oz (budget \$1,202).

Cash flows are monitored on a weekly basis and efforts have been made to ensure lower costs and ultimately a lower cost per ounce through;

- Lowering consumable costs by procuring from outside Zimbabwe
- Monitoring of costs on a weekly basis as well as efficient use of resources
- Increase of capacity utilisation (particularly at Shamva)

In managing the working capital

- The Company has entered into payment arrangements with creditors for the payment of old debt, while they continue to support the business on terms not exceeding 30 – 45 days for all purchases going forward. The group continues to have the support of creditors as the mining operations are supplied with consumables by creditors as and when required.
- In the half year we have made payments to banks totalling \$2.1m. These payments will continue and the result will be a reduction in the interest payments going forward which will improve cash flows as these payments are at rates above 18% per annum. The banking institutions have agreed to support the mining operations for the next year. It is envisaged that this support will continue into the foreseeable future.
- The Company also anticipates the issuing of Treasury Bills in exchange for the Gold Bonds issued by the Reserve Bank of Zimbabwe. When received the Treasury Bills will be used to reduce the amount owed to the banks by ceding these to them (refer note 14 for detail)

The production and cost trends will continue as the company expects to improve on capacity utilisation therefore achieving targets. In the financial year 2014 the net trading revenue is expected to be at least \$127m with a net profit

Metallon Corporation Limited
Notes forming part of the financial statements
for the period ended 31 December 2013

of \$20m. Total cash to be generated before capital expenditure is expected to be \$14m. Production is being sold on the open market and prices reflect the market demand for Gold.

Based on the above the Directors therefore consider it appropriate to continue to prepare the financial statements of the Group on a going concern basis.

- i Standards, amendments and interpretations effective in the accounting period but not relevant for the Group:

Given below are all standards and amendments issued and are effective for the 2013 accounting period.

Standard		Effective date
IAS 19	Employee Benefits – Amendments	1 January 2013
IFRS1	First – time Adoption of IFRS – Amendments ; Government Loans	1 January 2013
IFRS 7	Financial Instrument – Disclosure Amendments; Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 32	Financial Instruments – Presentation Amendment: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 27 (Amended 2012)	Separate financial statements	1 January 2013
IFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013
Annual Improvements to IFRS	IFRS 1 (First time Adoption), IAS 1, IAS 16, IAS 32, IAS 34	1 January 2013

- ii Standards, amendments and interpretations that are not yet effective and have not been early adopted:

Standard		Effective date
IFRS 9	Financial instruments	1 January 2015*
IAS 28	Investments in Associates and Joint Ventures	1 January 2014*
IFRS 10	Consolidated Financial Statements	1 January 2014*
IFRS 11	Joint Arrangements	1 January 2014*
IFRS 12	Disclosure of interest in other entities	1 January 2014*
IAS 27	Separate Financial Statement – Amendment; Investment Entities	1 January 2014*
IAS 39	Financial Instruments: Recognition & Measurement	1 January 2014*
IAS 36	Impairments of Assets – Amendment; Recoverable Amount Disclosures for Non – Financial Asset	1 January 2014*
IFRIC 21	Levies	1 January 2014*
IAS 19	Employee Benefits – Amendment; Defined Benefit Plans	1 July 2014*

* Not yet endorsed by the EU

Metallon Corporation Limited
Notes forming part of the financial statements
for the period ended 31 December 2013

1 Accounting policies (continued)

1.1 Basis of consolidation

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

1.2 Property, plant and equipment

Items of property, plant and equipment are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets into a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Capital work-in-progress is stated at cost and not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of the vehicles and equipment are recognised in the income statement as incurred.

Subsequent to initial recognition property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Plant & Equipment	10 – 20 years
Buildings	10 – 20 years
Mining assets	10 – 20 years
Motor vehicles	5 years
Furniture and fittings	5 – 10 years

Depreciation methods, useful lives and residual values are re-assessed for appropriateness at each reporting date and adjusted if necessary.

Impairment of property, plant and equipment

The carrying amount of property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment loss is recognised directly through the income statement when the carrying amounts of the assets exceed the fair values of the respective assets.

Metallon Corporation Limited
Notes forming part of the financial statements
for the period ended 31 December 2013

1 Accounting policies (continued)

Derecognition of property, plant and equipment

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from use or disposal. The gain or loss on disposal of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognised in other income in the income statement.

1.3 Intangible assets

Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and accumulated impairment losses. At each reporting date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.4 Inventories

Inventories are initially recognised at cost. Subsequently they are measured at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less any costs of disposal.

1.5 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and a reliable estimate of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

1.6 Exploration expenditure

Exploration expenditure which meets the asset recognition criteria is capitalised and amortised over the life of the mine. All other exploration expenditure is recognised through the income statement as an expense in the period in which it is incurred. In the event that in subsequent periods exploration activities whose expenditure was previously expensed results in bankable ore reserves, such costs are reversed and capitalised less the amortisation costs that would have been recognised if the costs had not been expensed.

Metallon Corporation Limited
Notes forming part of the financial statements
for the period ended 31 December 2013

1 Accounting policies (continued)

1.6 Exploration expenditure (continued)

Exploration expenditure for each exploration licence are carried forward, until the existence (or otherwise) of commercial reserves are determined. If commercial reserves have been discovered, the related exploration assets are assessed for impairment on an individual licence or cost pool basis, as appropriate, and the carrying value, after any impairment loss, is then reclassified to property plant and equipment.

1.7 Revenue recognition

1.7.1 Gold and silver sales

Revenue is derived from gold and silver sales and is recognised when the ownership has transferred to the buyer at the price ruling on the date of the transaction, and is stated gross of royalties.

1.7.2 Interest income

Interest is recognised on a time proportionate basis, by reference to the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the company.

1.7.3 Dividend paid

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the annual general meeting.

1.8 Cost of sales

Cost of sales includes mine working costs, bullion transportation costs, concentrates and bullion refinery charges and depreciation of property, plant and equipment involved in the extraction of gold.

1.9 Financial assets

The company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

(i) Held to maturity assets

These assets are financial assets with a fixed or determinable payment and fixed maturity and the company has the intent and ability to hold to maturity. These include gold backed bonds. Financial assets classified as held to maturity by the company are carried at amortised cost using the effective interest method less any provision for impairment.

(ii) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

1.9.1 De-recognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the company has also transferred substantially all risks and rewards of ownership. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

Metallon Corporation Limited
Notes forming part of the financial statements
for the period ended 31 December 2013

1 Accounting policies (*continued*)

1.9.2 Impairment of financial assets

A financial asset is deemed to be impaired when its carrying amount is greater than its estimated receivable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements.

1.9.3 Impairment of non – financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment i.e. intangible assets. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are compared at the lowest levels for which there are separately identifiable cash flows (cash-generating units). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years.

A reversal of the impairment loss is recognised as income immediately unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as an increase in the revaluation reserve.

1.9.4 Financial liabilities at amortised cost

Other financial liabilities include bank borrowings and trade and other payables. Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. Interest expense in this context includes initial transaction costs and other payable on maturity, as well as any interest or coupon payable while the liability is outstanding.

1.9.5 Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates as at the date of the initial transactions.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

Metallon Corporation Limited
Notes forming part of the financial statements
for the period ended 31 December 2013

1 Accounting policies (continued)

1.10 Income tax

i) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

ii) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except: "where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures. Deferred tax assets are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets at each reporting date are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at reporting date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority. Deferred capital gains tax arises on the revalued property, plant and equipment. The capital gains tax liability is computed on the revaluation adjustment based on rates ruling on the reporting date, except when it relates to items charged or credited directly to equity.

Metallon Corporation Limited
Notes forming part of the financial statements
for the period ended 31 December 2013

1 Accounting policies (continued)

1.10 Critical Judgements in applying the Group's accounting policies

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgments include:

- (a) **Impairment of financial assets**
The company assesses its financial assets for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit and loss, the company makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.
- (b) **Impairment of property, plant and equipment**
Property, plant and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on estimates of the quantities of economically recoverable ore reserves and mineral resources for which there is a high degree of confidence of economic extraction, future production levels, future commodity prices and future cash costs of production. Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

- (c) **Life of mines**
There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves could impact on depreciation and amortisation rates, asset carrying values and provision for rehabilitation costs.
- (d) **Provision for rehabilitation costs**
The company records the present value of the estimated cost of restoring operating locations in the period in which the obligation arises, which is typically at the commencement of production. The nature of restoration activities includes the removal of facilities, abandonment of mine sites and rehabilitation of the affected areas. The application of this policy necessarily requires judgmental estimates and assumptions regarding the date of abandonment, future environmental legislation, the engineering methodology adopted, future technologies to be used and the asset specific discount rates used to determine the present values of these cash flows.

1.11 Interest expense on loan from related party

The loan from related party (note 17) does not bear any fixed repayment terms. The loan bears interest at 1 month US Dollar LIBOR. Should the interest rate increase significantly or the terms of the loan be re-negotiated, the related change in interest expense may impact the profit and loss and net asset position of the Group significantly.

Metallon Corporation Limited
Notes forming part of the financial statements
for the period ended 31 December 2013

1.12 Pension contributions

All permanent employees of the subsidiary company are members of defined contribution plans administered by either the national industrial council of the mining industry of Zimbabwe or the Old Mutual Staff Pension Fund. Contributions are at the rate of 12% and 16% of pensionable emoluments of which employees pay 5% and 6.5% respectively.

1.13 Sterling Exchange Rate

The Group's functional currency is US Dollars. The US\$ - Sterling exchange rate as at 31 December 2013 was US\$1.6488/£ (2012: US\$1.6164/£)

2 Operating segments

In the opinion of the directors, the Group currently operates in one business segment based in Zimbabwe. The financial information presented reflects all the activities of this single reportable segment.

Operating results are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the board of Directors.

Revenues from Fidelity Printers (Pvt) Limited of Zimbabwe represent 100% of the group's total revenue.

3	Revenue	Group 15 months ended 31 December 2013 \$'000	Group Year ended 30 September 2012 \$'000	Company 15 months ended 31 December 2013 \$'000	Company Year ended 30 September 2012 \$'000
	Gold Sales	148,011	147,014	-	-
	Silver Sales	597	140	-	-
	Management fees	-	-	2,960	2,935
	Dividend received	-	-	-	25,000
		148,608	147,154	2,960	27,935

Metallon Corporation Limited
Notes forming part of the financial statements
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4 Management fees paid

	Group & Company 15 months ended 31 December 2013	Group & Company Year ended 30 September 2012
	\$'000	\$'000
Management fees paid	1,998	1,981

On 1 October 2012, Metallon Corporation Limited entered into an agreement with Redwing Mining Limited incorporated in Jersey.

In this agreement Redwing Mining Limited undertakes to provide Metallon Corporation Limited with technical and management services needed in order for Metallon Corporation Limited to fulfil its obligations under the agreement signed with Metallon Gold Zimbabwe (Private) Limited.

As compensation for these management and technical services, Redwing Mining Limited is entitled to charge a fee which is 75% of the annual revenue of Metallon Corporation Limited from management fees. The management fee transactions in 2013 in terms of this agreement was \$1,998,000 (2012 - \$1,981,248). See related party disclosures in Note 22 for the balances receivable from Redwing Mining Limited.

5 Profit from operations is stated after charging:	Group	Group	Company	Company
	15 months ended 31 December 2013 \$'000	Year ended 30 September 2012 \$'000	15 months ended 31 December 2013 \$'000	Year ended 30 September 2012 \$'000
Audit fees	315	200	116	75
Consulting fees	124	48	124	48
Staff costs (see note 7)	44,431	43,190	72	1,388
Depreciation charge	3,125	2,079	-	-
Movement in Rehabilitation provision	977	701	-	-
Exploration costs expensed	67	1,286	-	-
Loss on disposal of assets	6	47	-	-
Investment in joint venture write off	-	87	-	-
 Audit services	 Group 2013 \$'000	 Group Year ended 30 September 2012 \$'000	 Company 2013 \$'000	 Company Year ended 30 September 2012 \$'000
Statutory audit fees paid to Baker Tilly UK Audit LLP for the audit of the parent and consolidated financial statements	99	75	99	75
Other auditors fees	216	125	17	-

Metallon Corporation Limited
Notes forming part of the financial statements
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6 Directors emoluments	Group & Company 15 months ended 31 December 2013 \$'000	Group & Company Year ended 30 September 2012 \$'000
Emoluments	62	744
Pension costs	10	119
	<u>72</u>	<u>863</u>

The highest paid director in the year received remuneration totalling \$72,000 (2013: \$863,000). There was 1 director to whom pension contributions were made.

7 Staff costs	Group 15 months ended 31 December 2013 \$'000	Group Year ended 30 September 2012 \$'000	Company 15 months ended 31 December 2013 \$'000	Company Year ended 30 September 2012 \$'000
Staff costs (include directors emoluments) comprise				
Wages and salaries	42,444	40,744	62	1,181
Pension costs	1,987	2,446	10	207
	<u>44,431</u>	<u>43,190</u>	<u>72</u>	<u>1,388</u>

There were 3,345 employees (including three directors) in the current year (2013 – 3,770), analysed as follows;

	Group 15 months ended 31 December 2013 \$'000	Group Year ended 30 September 2012 \$'000	Company 15 months ended 31 December 2013 \$'000	Company Year ended 30 September 2012 \$'000
Administration	60	64	4	8
Operational	3,285	3,706	-	-
	<u>3,345</u>	<u>3,770</u>	<u>4</u>	<u>8</u>

Metallon Corporation Limited
Notes forming part of the financial statements
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8 Net finance expense	Group 15 months ended 31 December 2013 \$'000	Group Year ended 30 September 2012 \$'000	Company 15 months ended 31 December 2013 \$'000	Company Year ended 30 September 2012 \$'000
<i>Finance income</i>				
Interest received on held to maturity investments	(2,266)	(1,698)	-	-
<i>Finance expense</i>				
Interest on loan from related party	29	30	29	30
Bank interest payable	8,263	8,079	-	-
Unrealised exchange losses	2	5	2	1
	<u>6,028</u>	<u>6,416</u>	<u>31</u>	<u>31</u>
9 Taxation expense	Group 15 months ended 31 December 2013 \$'000	Group Year ended 30 September 2012 \$'000	Company 15 months ended 31 December 2013 \$'000	Company Year ended 30 September 2012 \$'000
Current tax	99	3,908	-	-
Deferred tax	(213)	687	-	-
Withholding tax	296	1,544	296	1,544
	<u>182</u>	<u>6,139</u>	<u>296</u>	<u>1,544</u>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax applied to gains for the period are as follows:

	Group 15 months ended 31 December 2013 \$'000	Group Year ended 30 September 2012 \$'000	Company 15 months ended 31 December 2013 \$'000	Company Year ended 30 September 2012 \$'000
Profit / (Loss) before taxation	<u>4,210</u>	<u>15,110</u>	<u>(1,078)</u>	<u>23,995</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 23% (2012 - 25%)	968	3,778	(248)	5,999
Withholding tax	296	1,544	296	1,544
Withholding tax on dividend income	-	-	-	(6,500)
Tax effect of utilisation of tax losses not previously recognised	225	219	248	501
Tax effect of expenses that are not deductible in determining taxable profit	154	447	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	151	-	-
Effect of changes in tax rates and other	(1,461)	-	-	-
	<u>182</u>	<u>6,139</u>	<u>296</u>	<u>1,544</u>

Metallon Corporation Limited
Notes forming part of the financial statements
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10 Property, Plant and Equipment

	Mining Assets US\$'000	Land & Buildings US\$'000	Plant & Equipment US\$'000	Fittings & Motor vehicles US\$'000	Capital work in progress US\$'000	Total US\$'000
Net carrying amount at 30 September 2011	3,295	803	15,113	437	3,467	23,115
Gross carrying amount- cost	17,873	4,850	38,793	3,641	3,898	69,055
Accumulated depreciation	(14,578)	(4,047)	(23,680)	(3,204)	(431)	(45,940)
Additions	625	20	2,401	878	2,312	6,236
Depreciation charge	(395)	(63)	(1,381)	(240)	-	(2,079)
Impairment loss	-	-	-	-	-	-
Decommissioning costs	-	-	-	-	-	-
Transfers from work in progress	562	84	134	-	(780)	-
Disposals	-	-	(1,137)	-	-	(1,137)
Cost/valuation	-	-	(1,137)	-	-	(1,137)
Accumulated depreciation	-	-	-	-	-	-
Net carrying amount at 30 September 2012	4,087	844	15,130	1,076	4,999	26,136
Gross carrying amount- cost	19,060	4,954	40,191	4,519	5,430	74,154
Accumulated depreciation	(14,973)	(4,110)	(25,061)	(3,443)	(431)	(48,018)
Additions	3,139	18	1,023	636	3,396	8,189
Depreciation charge	(558)	(77)	(2,007)	(483)	-	(3,125)
Transfers from work in progress	-	-	4,187	-	(4,193)	(6)
Disposals	-	-	(374)	-	-	(374)
Cost/valuation	-	-	(374)	(28)	-	(402)
Accumulated depreciation	-	-	-	28	-	28
Net carrying amount at 31 December 2013	6,668	784	17,959	1,172	4,202	30,843
Gross carrying amount- cost	22,199	4,972	45,027	5,126	4,633	82,015
Accumulated depreciation	(15,531)	(4,188)	(27,068)	(3,954)	(431)	(51,172)

Movable assets with a carrying amount of \$5 million were pledged as security over the ZB Bank Limited facility.

Metallon Corporation Limited
Notes forming part of the financial statements
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11	Intangible Assets	Group 31 December 2013 \$'000	Group 30 September 2012 \$'000
	Carrying amount at 30 December (September)	1,000	1,000

Intangible assets represent mineral rights that were purchased from Oleaster Investments in 2003. No amortisation has been charged since mining has not started on the claim. The company does not have any other Intangible assets for 2013 and 2012.

12	Inventories	Group 31 December 2013 \$'000	Group 30 September 2012 \$'000
	Finished goods	6,734	8,410
	Gold in progress	378	-
		7,112	8,410

- Inventory is comprised of gold in circuit and consumable stores utilised by the mines.
- The amount of inventories recognised as an expense in the period amount to \$28,702,271 (2012: \$27,156,361).

The company does not have any inventories for 2013 and 2012.

13	Trade and other receivable	Group 31 December 2013 \$'000	Group 30 September 2012 \$'000	Company 31 December 2013 \$'000	Company 30 September 2012 \$'000
	Trade	624	6,911	-	-
	Other	4,153	10,905	-	-
	Due from related party	44,596	24,446	44,596	20,311
		49,373	42,262	44,596	20,311

The prior year group receivables have been reallocated. In the prior period a related party balance of \$23,456,000 was included in other receivables. This amount has now been reallocated to receivable due from related party and offset against various related party payables.

Metallon Corporation Limited
Notes forming part of the financial statements
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14	Held to maturity investments	Group	Group
		31	30
		December	September
		2013	2012
		\$'000	\$'000
	Opening balance	21,958	20,303
	Interest accrued	2,266	1,655
		<hr/>	<hr/>
	Closing balance	24,224	21,958
		<hr/>	<hr/>

Held to Maturity Investments represents gold bonds issued by the Reserve Bank of Zimbabwe. The bonds are carried at amortised cost and accrue interest at 8% per annum. Gold bonds amounting to US\$7.5 million were pledged as security over a BancABC Limited facility as explained in Note 19.

In March 2014, the Reserve Bank of Zimbabwe announced plans to float treasury bills to clear part of its debt owed to corporates (including gold bonds that it issued). The purpose will be to facilitate the proper functioning of the interbank lending as banks will use these instruments as collateral when they borrow from each other. The Zimbabwe Government and Afrexim Bank have launched an interbank market guarantee facility to support this. When these are issued it is the intention of the company to use them to liquidate the current facilities with banks. At the date these accounts were signed, the treasury bills had not yet been issued. The ability of the group to redeem these bonds cannot presently be determined and no provision for impairment has been made in the financial statements.

15	Trade and other Payables	Group	Group	Company	Company
		31	30	31	30
		December	September	December	September
		2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
	Trade payables	14,069	13,303	-	-
	Other payables	34,986	29,496	58	42
	Accruals	605	99	605	99
	Due to related parties	-	426	27,013	426
		<hr/>	<hr/>	<hr/>	<hr/>
		49,660	43,324	27,676	567
		<hr/>	<hr/>	<hr/>	<hr/>

16	Provision for Rehabilitation costs	Group	Group
		31 December 2013	30
			September
			2012
		\$'000	\$'000
	Opening Balance	7,686	6,986
	Movement in provision	977	700
		<hr/>	<hr/>
	Closing Balance	8,663	7,686
	This is a provision for costs which are going to be incurred on decommissioning plant and equipment as well as restoring the environment. The company does not have any provisions for rehabilitation costs for 2013 and 2012.	<hr/>	<hr/>

Metallon Corporation Limited
Notes forming part of the financial statements
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17	Non – current payables	Group 31 December 2013 \$'000	Group 30 September 2012 \$'000
	Loan from related party	10,475	11,954
	Other	983	954
		<hr/>	<hr/>
		11,458	12,908
		<hr/>	<hr/>

The amount due to the related party bears interest at 1 month US LIBOR. The loan has no fixed terms of repayment and is not secured against any of the Company's assets. During the year \$1,479,000 was repaid to Cableair. The company does not have any non-current payables for 2013 and 2012.

18	Deferred tax	Group 31 December 2013 \$'000	Group 30 September 2012 \$'000
	Provision for rehabilitation cost	(2,231)	(1,979)
	Accelerated capital allowances	7,918	6,964
	Leave pay provision	(915)	-
		<hr/>	<hr/>
	Deferred tax liabilities	4,772	4,985
	Reconciliation		
	At 1 October 2012	4,985	4,298
	Income statement charge at 30 December 2013	(213)	687
		<hr/>	<hr/>
		4,772	4,985
		<hr/>	<hr/>

The company does not have any deferred tax liabilities or assets for 2013 and 2012.

Metallon Corporation Limited
Notes forming part of the financial statements
for the period ended 31 December 2013

19 Short term borrowings

	Group 31 December 2013 \$'000	Group 30 September 2012 \$'000
BancABC Limited	12,462	14,653
ZB Bank Limited	11,838	9,128
	<hr/> 24,300 <hr/>	<hr/> 23,781 <hr/>

BancABC Limited

These are banker's acceptances with a tenor of 90 days and an option to roll over. The facility is secured by an unregistered pledge over gold bonds amounting to US\$7.5million and accrues interest at rates ranging from 10.1% to 19% per annum.

ZB Bank Limited

These are bankers' acceptances with a tenor of 90 days with option to roll over and accrue interest at 18% per annum. The facility is secured by a Notarial General Covering Bond for US\$5million over the company's movable assets and a cession of book debts.

The company has no short term borrowings.

20 Financial instruments

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Trade and other payables

All financial assets are designated as loans and receivables and all financial liabilities are measured at amortised cost.

Metallon Corporation Limited
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	Loans and Receivables 31 December 2013 \$'000	Loans and Receivables 30 September 2012 \$'000	Financial liabilities measured at Amortised cost 31 December 2013 \$'000	Financial liabilities measured at Amortised cost 30 September 2012 \$'000
<i>Current financial assets</i>				
Trade receivables	624	6,911	-	-
Receivables from related party	44,596	990	-	-
Held to maturity investments	24,224	21,958	-	-
Other	4,153	34,361	-	-
<i>Current financial liabilities</i>				
Trade payables	-	-	14,069	13,303
Payables to related party	-	-	-	426
Accruals	-	-	605	99
Other payables	-	-	34,986	29,496
<i>Non – Current liabilities</i>				
Loan from related party	-	-	11,458	12,908
Short term borrowings	-	-	24,300	23,781
	73,597	64,220	85,418	80,013

General objectives, policies and procedures

The Board of Directors have overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The group's management also review the risk management policies and processes and report their finding to the board.

General objectives, policies and procedures (continued)

Market risk

The revenues of the Group are primarily derived from the sale of gold and, to a lesser extent, silver. The Company's current policy is to sell its products at prevailing market prices and not to enter into price hedging arrangements. The market prices for these commodities fluctuate widely. These fluctuations are caused by numerous factors beyond the company's control. For example, the market price of gold may change for a variety of reasons, including:

- speculative positions taken by investors or traders in gold;
- monetary policies announced or implemented by central banks, including the US Federal Reserve;
- changes in the demand for gold as an investment or as a result of leasing arrangements;
- changes in the demand for gold used in jewellery and for other industrial uses, including as a result of prevailing economic conditions;

During the 15 month period the average gold price realised was \$1,455/oz (2012: \$1,658) at the production of 102,401 ounces (2012: 88,508) a \$100/oz (6%) drop in the gold price would have resulted in a drop in the net profit before tax for the year of \$9,523,293 (2012: \$8,231,244).

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Interest rate risk

The Group manages the interest rate risk associated with the group's cash assets by ensuring that interest rates are as favourable as possible. The interest bearing liability in the group is the loan from banking institutions. The average interest rate on the loan during the year was 34% (2012 - 34%). If interest rates had been 0.5% higher during the year, profit for the year would have decreased and net assets decreased by \$120,200 (2012 - \$125,445).

Currency risk

Foreign exchange risk arises because the Group carries out transactions with its subsidiary and uses the services of other companies that do not operate in US dollars.

The table below shows the Group's currency exposures that give rise to the net currency gains and losses recognised in the income statement. Such exposures comprise the financial assets and financial liabilities of the Group that are not denominated in the operating ('functional') currency of the operating unit involved.

	Financial Assets 31 December 2013 \$'000	Financial Assets 30 September 2012 \$'000	Financial Liabilities 31 December 2013 \$'000	Financial Liabilities 30 September 2012 \$'000
British Pounds	-	-	232	75
US Dollars	73,597	40,470	85,186	79,368
	73,597	40,470	85,418	79,443

The foreign currency exposures disclosed above arise in the UK only. The Group's overseas subsidiary's functional currency is US dollars. It has no significant exposure to other currencies.

If the exchange rate on uncovered exposures were to move significantly between the year-end and date of payment or receipt there could be an impact on the Group's gross loss. At year end a 10% increase in the value of the British pound against the US dollar would have decreased the profit for the year and decreased net assets by \$23,200 (2012 - \$6,456).

General objectives, policies and procedures (continued)

Liquidity risk

This is the risk of insufficient liquid funds being available to cover commitments. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Adequate banking facilities are maintained. Borrowing facilities are negotiated with approved financial institutions at acceptable interest rates. The table below summarises the maturity profile of the group's financial liabilities at 31 December 2013.

	Up to 3 months 31 December 2013 US\$'000	Between 3 and 12 months 31 December 2013 US\$'000	Up to 3 months 30 September 2012 US\$'000	Between 3 and 12 months 30 September 2012 US\$'000
Trade and other payable	49,055	-	38,052	-
Short term borrowings	24,300	-	23,781	-
	73,355	-	61,833	-

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Credit risk

Credit risk arises from the Group's receivables from related parties. There are no fixed terms for the receivables. The Group's maximum exposure to credit risk is the carrying value of the receivables. The Group only deposits cash with reputable banks with high credit ratings. The following is information regarding credit quality of assets;

	31 December 2013 US\$'000	30 September 2012 US\$'000
Neither past due nor individually impaired	44,596	40,044
Past due but not individually impaired	-	-
Individually impaired	-	-
	<u>44,596</u>	<u>40,044</u>

The credit quality of receivables that are neither past due nor individually impaired is satisfactory. It is expected that the assets will be recovered in full.

Capital

The Group considers its capital to comprise its ordinary share capital and retained deficit. In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs

21 Share capital

	Number	\$
<i>Authorised</i>		
Ordinary shares of £0.1 each	10,000	2,000
	<u> </u>	<u> </u>
	Number	\$
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £0.1 each	2	1
	<u> </u>	<u> </u>

All the authorised and allotted shares are of the same class and rank pari passu.

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share capital	The nominal value of shares issued
Retained earnings/deficit	Cumulative net gains and losses recognised in the comprehensive income statement

Metallon Corporation Limited
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22 Related party transactions

Balances

Entity	Relationship	Receivables		Payables	
		31	30	31	30
		December	September	December	September
		2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
Hurrican Ivan	1	1,221	990	-	-
Redwing Mining Limited	2	43,375	23,456	-	(426)
Cableair Limited (Detailed Below)	3	-	-	(11,456)	(12,908)
Payable to related party				2013	2012
				\$'000	\$'000
Cableair Limited					
Loan				10,473	11,954
Interest payable on loan				599	570
Other payable				384	384
				11,456	12,908
				11,456	12,908

- 1 Hurrican Ivan is a Company under common control and is therefore a related party. The receivable relates to advances made to Hurican Ivan to meet its expenses totalling \$231,000 (2012: \$990,000). The balances outstanding at the year-end is \$1,221,000 (2012: \$990,000).
- 2 Redwing Mining Limited is a Company under common control and is therefore a related party. The receivable relates to advances made to / from Redwing to meet its expenses, as well as reallocation adjustments totalling \$20,344,000 (2012: expenses of Redwing of \$803,249). The balances receivable at the year-end is \$43,375,000 (2012: payable of \$426,000).
- 3 Cableair Limited is a company under common control and is therefore a related party. The loan bears interest at 1 month US Dollar LIBOR and has no fixed terms of repayment. The loan is denominated in US dollars. The other payable relates to management fees received by Metallon Corporation Limited on behalf of Cableair Limited. Details of transactions and balances are noted above.

23 Post reporting date events

Metallon Gold Zimbabwe board resolved to restructure the organisation in order to improve operational efficiency by devolving managerial responsibility to the asset level and to facilitate the implementation of an indigenisation plan that empowers the communities surrounding each mine. The restructuring will involve the sale of assets and liabilities to the newly formed subsidiaries for 100% shareholding in each subsidiary. Only assets and liabilities relating to Head Office will remain in Metallon Gold Zimbabwe otherwise assets and liabilities relating to mines will be sold to the subsidiary formed for that mine's purpose.

24 Ultimate parent company

At 31 December 2013 the Company's immediate and controlling parent Company was Redwing Mining Limited, a company incorporated in Jersey, there are no accounts drawn up at this level. Details of the company's subsidiaries at 31 December 2013 are in note 25

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25 Investment in Subsidiaries

Name of subsidiary	Place of incorporation	Ownership interest %	Proportion of voting power held %	Principal activity
Metallon Gold Zimbabwe (Private) Limited	Zimbabwe	100	100	Gold mining
Independence Gold Mining Zimbabwe (Privated) Limited	Zimbabwe	100	100	Dormant
Metallon Exploration Zimbabwe (Private) Limited	Zimbabwe	100	100	Dormant
Midwinter Consolidation Mines (Private) Limited	Zimbabwe	100	100	Dormant
Real Enterprise (Private) Limited	Zimbabwe	100	100	Dormant
Kilvo Investments (Private) Limited	Zimbabwe	100	100	Dormant
W. Spenser (Private) Limited	Zimbabwe	100	100	Dormant
Arcturus Consolidated Mines (Private) Limited	Zimbabwe	100	100	Dormant
How Consolidated Mines (Private) Limited	Zimbabwe	100	100	Dormant
Jumbo consolidated Mines (Private) Limited	Zimbabwe	100	100	Dormant
Redwing Consolidated Mines (Private) Limited	Zimbabwe	100	100	Dormant
Cymric Consolidated Mines (Private) Limited	Zimbabwe	100	100	Dormant
Bulawayo Mining Company (Private) Limited	Zimbabwe	100	100	Dormant
Goldfields of Mazowe (Private) Limited	Zimbabwe	100	100	Dormant
Mineral Fields of Shamva (Private) Limited	Zimbabwe	100	100	Dormant
The King's Daughter Mining Company (Private) Limited	Zimbabwe	100	100	Dormant

All the above subsidiaries, with the exception of Metallon Gold Zimbabwe, were dormant during the year and there was no change in percentage holding from prior year. Metallon Gold Zimbabwe carrying amount is as follows;

The aggregate capital and reserves for Metallon Gold Zimbabwe (Private) Limited is \$6,400,000. The profit and loss for the period is \$5,122,000.

	31 December 2013 \$'000	30 September 2012 \$'000
At 1 October 2012 & 1 October 2011	11,954	11,954
Additions	-	-
Disposals	-	-
Impairment	-	-
At 31 December 2013 & 30 September 2012	11,954	11,954

Investments in subsidiaries are accounted for at historical cost less provision for impairment, which is the fair value of consideration paid.

26 Capital commitments

The following were capital commitments contracted for as at the reporting date

	Authorised		Authorised	
	Contracted 31 December 2013 US\$'000	Not Contracted 31 December 2013 US\$'000	Contracted 30 September 2012 US\$'000	Not Contracted 30 September 2012 US\$'000
How mine	-	24,346	937	-

The capital commitments will be financed from borrowings and internally generated resources.

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28 Post-Employment Benefits

28.1 Defined contribution plan

All permanent employees of Metallon Gold Zimbabwe (Private) Limited are members of defined contribution plans administered by either the National Industrial Council for the Mining industry of Zimbabwe or the Old Mutual Staff pension Fund. Contributions are at the rate of 12% and 16% of pensionable emoluments of which employees pay 5% and 6.5% respectively. The cost of pension contributions during the year is made up as follows;

	Group 15 months ended 31 December 2013 US\$'000	Group Year ended 30 September 2012 US\$'000
	<hr/>	<hr/>
Contributions for the period	1,736	2,058
	<hr/>	<hr/>

28.2 National Social Security Scheme

Metallon Gold Zimbabwe (Private) Limited makes contributions to the National Social Security Scheme, a defined benefit pension scheme promulgated under the National Social Security Act of 1989. The company's obligation under the scheme is limited to specific contributions legislated from time to time

	Group 15 months ended 31 December 2013 US\$'000	Group Year ended 30 September 2012 US\$'000
	<hr/>	<hr/>
Contributions for the period	241	273
	<hr/>	<hr/>