METALS EXPLORATION PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Metals Exploration plc (AIM: MTL) ("Metals Exploration" or "the Company"), the natural resources exploration and development company with assets in the Pacific Rim region, announces its interim results for the six months ended 30 June 2018.

Chairman's Statement

On behalf of the Directors, I report the results of the Company and its subsidiaries (together "the Group") for the 6-month period ended 30 June 2018.

The gold production was lower than budget due to a few issues primarily around the BIOX ®. These largely were related to external factors (electrical supply) which the Company had previously identified as a key risk and had put in mitigating systems. It was unfortunate that as the final component was being installed, the operations suffered repeated power failures or brown outs which caused a deep passivation of the BIOX ® system. This was particularly disappointing given that this occurred after significant improvements and sustained reliability was being evidenced in the BIOX ® systems. The Company has spent significant resources to ensure that this event has minimal adverse effects in the future.

Since these series of events, the BIOX ® circuit has re-activated and as of the time of this report operating at 80% of design for over 10 weeks. This is a deliberate strategy to match ore delivery to sustained BIOX ® performance. The Company has taken over the technical aspects of the BIOX ® circuit and this has had a significant contribution in improving the reliability and performance. Individually, BIOX ® reactors have operated, at various times, at 120% of the design capacity which demonstrates the capability to run consistently at design

The Company has all the necessary permits and permissions to operate.

It has been satisfying to see the improved performance of the gold recovery circuits and I expect this trend to continue.

It has been gratifying to see the continuing support of the major Shareholders.

The key operating metrics for the six months ended 30 June 2018 and for the operations to date are summarised in the following table:

Key metric	Unit of measure	Quarter ended 30 June 2018	Quarter ended 31 Mar 2018	Year to date 2018	Period to 31 Dec 2017
Mining activities					
Ore mined	Tonnes	**407,884**	353,960	**761,844**	1,815,669
Waste mined	Tonnes	**1,799,213**	1,472,217	**3,271,430**	7,644,821
Total material movements	**Tonnes**	**2,207,097**	**1,826,177**	**4,033,274**	**9,460,490**
Strip ratio	waste / ore	4.41	4.16	4.29	4.05
Au grade mined	grams / tonne	1.61	1.60	1.61	1.62
Ctd. ounces gold mined	Ounces	21,113	18,251	39,364	92,363
S Grade	%	0.82	0.99	0.90	0.82
Processing activities					
Tonnes milled	Tonnes	424,053	435,775	859,828	1,688,254
S Feed grade	%	0.93	0.96	0.95	0.82
Au feed grade	grams / tonne	1.43	1.38	1.41	1.38
Gold recovery	%	69.6%	54.7%	62.0%	47.9%
Change in GIC	Ounces	1,330	207	1,537	491
Gold in feed	Ounces	19,538	19,380	38,918	74,149
Gold in tails	Ounces	(5,972)	(8,762)	(14,734)	(36,020)
Gold recovered	Ounces	12,236	10,411	22,647	37,638
Gold sold	Ounces	13,496	11,445	24,941	35,697
Achieved gold price	US$ / ounce	1,312	1,322	1,317	1,205

Notes to above table.
S – Sulphur, Au – Gold, GIC – Gold in Circuit

Facility Agreement capital and interest payments:

The Company's subsidiary, FCF Minerals Corporation, sought from and received from Hong Kong Shanghai Banking Corporation Limited and BNP Paribas (Singapore) (the "Senior Lenders"), various waivers for capital repayments of US$ 20.25 million, which relate to the December 2017, March and June 2018 quarters. All other fees and charges, interest have been made for these periods. At the date of this report, FCF Minerals has been negotiating a potential restructuring of the Group's senior finance facility with the Senior Lenders as outlined in the Company's announcement dated 29 August 2018. The Company is also investigating other potential sources of finance. The outstanding amount due to the Senior Lenders is US$ 63.8 million.

During the six months the Group drew down an additional US$ 2 million in advances from its shareholders. As at 30 June 2018 the principal value of shareholder loans was US$ 28.9 million, including US$ 21 million mezzanine loan.

Forward gold sales hedging contracts:

As at 30 June 2018, the Group had no outstanding forward gold sales contracts.

Corporate

As previously reported there were two Directors, Messrs. Tim Dean and Julian Wilson, who resigned during this half year.

A Director of the Company, Mr Eduard Simovici, purchased 935,000 ordinary shares at 3.766 pence.

Ian Holzberger
Executive Chairman

CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME for the six months ended 30 June 2018

	Notes	*6 month period ended 30 June 2018 (unaudited)* US$	*6 month period ended 30 June 2017 (unaudited)* US$	*Year ended 31 December 2017 (audited)* US$
Continuing Operations				
Revenue		31,458,528	21,236,757	46,855,457
Cost of sales		(34,916,085)	(21,236,757)	(46,855,457)
Gross profit		(3,457,557)	-	-
Administrative expenses		(5,645,966)	(6,158,426)	(11,215,975)
Operating income (loss)		**(9,103,523)**	**(6,158,426)**	(11,215,975)
Finance income and similar items		-	375,	580
Finance costs		(5,049,351)	(3,094,971)	(2,208,241)
Fair value gain (loss) on forward sales contracts	*4*	227,268	(3,958,871)	(5,125,463)
Fair value loss on interest rate swaps	*4*	(14,722)	(20,735)	(90,006)
Share of losses of associates		(25,319)	(12,053)	(11,455)
Losses before tax		**(13,965,647)**	**(13,244,681)**	**(18,650,560)**
Taxation		4,417	(20,245)	574,074
Losses for the period		**(13,961,230)**	**(13,264,926)**	**(18,076,486)**
Other comprehensive income:				
Items that may be re-classified subsequently to profit or loss:				
Exchange differences on translating foreign operations		(14,799,276)	(14,052,236)	(15,352,777)
Remeasurement of pension liabilities		-	-	(13,011)
Total comprehensive loss for the period		**(28,760,506)**	**(27,317,162)**	**(33,442,274)**
Loss for the period attributable to:				
Equity holders of the parent		**(13,961,230)**	**(13,264,926)**	**(18,076,486)**
Total comprehensive loss attributable to:				
Equity holders of the parent		**(28,760,506)**	**(27,317,162)**	**(33,442,274)**
Loss per share:				
Basic and diluted	*5*	**(U$0.0067)**	**(U$0.0064)**	**(U$0.0087)**

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
as at 30 June 2018

	As at 30 June 2018	*As at 30 June 2017*	*As at 31 December 2017*
	Unaudited	*Unaudited*	*Audited*
	US$	*US$*	*US$*
Non-current assets			
Property, plant and equipment	207,676,818	233,420,643	231,378,761
Goodwill	1,363,977	1,363,977	1,363,977
Other intangible assets	4,615,840	13,286,294	12,813,351
Derivative asset	-	-	-
Investment in associate companies	99,789	130,383	130,980
Trade and other receivables	7,400,487	2,644,281	7,612,158
	221,156,911	**250,845,578**	**253,299,227**
Current assets			
Other assets	4,616,115	520,960	1,151,753
Derivative asset	-	945,755	15,476
Trade and other receivables	1,262,611	323,888	2,727,641
Cash and cash equivalents	1,285,549	1,702,457	725,201
	7,164,275	**3,493,060**	**4,620,071**
Non-current liabilities			
Loans	(41,387,821)	(49,845,416)	(57,093,948)
Trade and other payables	(678,258)	-	(728,638)
Derivative liability	-	-	-
Deferred tax liabilities	(2,051,741)	(2,861,827)	(2,208,784)
Provision for mine rehabilitation	(1,862,457)	(1,943,765)	(1,949,738)
	(45,980,277)	**(54,561,008)**	**(61,981,108)**
Current liabilities			
Derivative liability	-	(12,866)	(367,012)
Trade and other payables	(14,101,075)	(6,841,480)	(14,037,015)
Loans - current portion	(51,300,276)	(41,008,107)	(35,834,099)
	(65,401,351)	**(47,862,453)**	**(50,238,126)**
Net assets	**116,939,558**	**151,825,177**	**145,700,064**
Equity			
Share capital	27,929,545	27,929,545	27,929,545
Share premium account	195,855,125	195,855,125	195,855,125
Shares to be issued reserve	4,928,152	4,928,152	4,928,152
Acquisition of non-controlling interest reserve	(5,107,515)	(5,107,515)	(5,107,515)
Translation reserve	(2,955,981)	14,420,219	11,843,295
Remeasurement reserve	21,144	(1,242,227)	21,144
Profit and loss account	(103,730,912)	(84,958,122)	(89,769,682)
Equity attributable to equity holders of the parent	**116,939,558**	**151,825,177**	**145,700,064**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2018

	Share capital US$	*Share premium account US$*	*Shares to be issued reserve US$*	*Translation reserve US$*	*Acquisition of non-controlling interest reserve US$*	*Remeasurement Reserve US$*	*Profit and loss account US$*	*Total equity US$*
Balance at 1 January 2018	27,929,545	195,855,125	4,928,152	11,843,295	(5,107,515)	21,144	(89,769,682)	145,700,064
Exchange differences on translating foreign operations	-	-	-	(14,799,276)	-	-	-	(14,799,276)
Loss for the period	-	-	-	-	-	-	(13,961,230)	(13,961,230)
Total comprehensive income for the period	-	-	-	(14,799,276)	-	-	(13,961,230)	(28,760,506)
Issue of equity share capital	-	-	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-	-
Balance at 30 June 2017 (unaudited)	**27,929,545**	**195,855,125**	**4,928,152**	**(2,955,981)**	**(5,107,515)**	**21,144**	**(103,730,912)**	**117,554,925**

Equity is the aggregate of the following:

- Share capital; being the nominal value of shares issued.
- Share premium account; being the excess received over the nominal value of shares issued less direct issue costs.
- Shares to be issued reserve; being the credit side of the entry relating to the expense recognised in the income statement for share based remuneration.
- Translation reserve; being the foreign exchange differences on the translation of foreign subsidiaries.
- Acquisition of non-controlling interests reserve; being an acquisition of 15% of FCF Minerals Corporation's shares after previous acquisitions which had provided the Group with control of the board of the subsidiary company.
- Profit and loss account; being the cumulative loss attributable to equity shareholders.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2017

	Share capital US$	*Share premium account US$*	*Shares to be issued reserve US$*	*Translation reserve US$*	*Acquisition of non-controlling interest reserve US$*	*Remeasurement Reserve US$*	*Profit and loss account US$*	*Total equity US$*
Balance at 1 January 2017	27,929,545	195,855,125	4,928,152	28,472,455	(5,107,515)	(1,242,227)	(71,693,198)	179,142,337
Exchange differences on translating foreign operations	-	-	-	(14,052,236)	-	-	-	(14,052,236)
Loss for the period	-	-	-	-	-	-	(13,264,924)	(13,264,924)
Total comprehensive income for the period	-	-	-	(14,052,236)	-	-	(13,264,924)	(27,317,160)
Issue of equity share capital	-	-	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-	-
Balance at 30 June 2017 (unaudited)	**27,929,545**	**195,855,125**	**4,928,152**	**14,420,219**	**(5,107,515)**	**(1,242,227)**	**(84,958,122)**	**151,825,177**

Equity is the aggregate of the following:

- Share capital; being the nominal value of shares issued.
- Share premium account; being the excess received over the nominal value of shares issued less direct issue costs.
- Shares to be issued reserve; being the credit side of the entry relating to the expense recognised in the income statement for share based remuneration.
- Translation reserve; being the foreign exchange differences on the translation of foreign subsidiaries.
- Acquisition of non-controlling interests reserve; being an acquisition of 15% of FCF Minerals Corporation’s shares after previous acquisitions which had provided the Group with control of the board of the subsidiary company.
- Profit and loss account; being the cumulative loss attributable to equity shareholders.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY for the year ended 31 DECEMBER 2017

	Share capital US$	*Share premium account US$*	*Shares to be issued reserve US$*	*Translation reserve US$*	*Acquisition of non-controlling interest reserve US$*	*Remeasurement Reserve US$*	*Profit and loss account US$*	*Total equity US$*
Balance at 1 January 2016	27,929,545	195,855,125	4,928,152	27,195,316	(5,107,515)	34,911	(71,693,196)	179,142,338
Exchange differences on translating foreign operations	-	-	-	(15,352,021)	-	-	-	(15,352,021)
Change in remeasurement reserve	-	-	-	-	-	(13,767)	-	(13,767)
Loss for the period	-	-	-	-	-	-	(18,076,486)	(18,076,486)
Total comprehensive income for the period	-	-	-	(15,352,021)	-	(13,767)	(18,076,486)	(33,442,274)
Issue of equity share capital	-	-	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-	-
Balance at 31 December 2017 (audited)	**27,929,545**	**195,855,125**	**4,928,152**	**11,843,295**	**(5,107,515)**	**21,144**	**(89,769,682)**	**145,700,064**

Equity is the aggregate of the following:

- Share capital; being the nominal value of shares issued.
- Share premium account; being the excess received over the nominal value of shares issued less direct issue costs.
- Shares to be issued reserve; being the credit side of the entry relating to the expense recognised in the income statement for share based remuneration.
- Translation reserve; being the foreign exchange differences on the translation of foreign subsidiaries.
- Acquisition of non-controlling interest reserve; being an acquisition of 15% of FCF Minerals Corporation's shares after previous acquisitions which had provided the Group with control of the board of the subsidiary company.
- Profit and loss account; being the cumulative loss attributable to equity shareholders.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT
for the period ended 30 June 2018

	6 month period ended 30 June 2018 Unaudited US$	*6 month period ended 30 June 2017 Unaudited US$*	*Year ended 31 December 2017 Audited US$*
Loss before taxation	(13,961,230)	(13,264,926)	(18,076,486)
Fair value losses on forward sales contracts	-	3,958,869	4,741,108
Fair value losses/ (gains) on interest rate swaps	-	(13,596)	35,836
Depreciation and amortisation	12,139,692	902,302	1,886,154
Provisions	(157,043)	(275,647)	(922,717)
Share of losses of associates	25,319	12,052	11,455
Loss on disposal of assets	-	-	2,973
Net finance costs	5,049,351	3,094,975	2,208,241
(Increase)/decrease in receivables	1,676,701	3,420,239	(3,951,970)
(Increase)/ decrease in other assets	(3,389,902)	152,738	(478,055)
Increase/(decrease) in payables	13,680	(1,342,626)	6,581,547
Cash from (used in) operating activities	**1,396,568**	**(3,355,620)**	**(7,961,914)**
Interest received	-	-	580
Interest paid	(2,499,973)	(2,908,695)	(767,307)
Net cash used in operating activities	**(1,103,405)**	**(6,264,315)**	**(8,728,641)**
Investing activities			
Purchase of property, plant and equipment	(552,034)	(2,755,340)	(3,661,285)
Purchase of intangible assets	-	(67,597)	(233,057)
Net cash used in investing activities	**(552,034)**	**(2,822,937)**	**(3,894,342)**
Financing activities			
Repayment of borrowings	-	(11,495,216)	(30,959,886)
Proceeds from borrowings	2,000,000	12,454,205	33,586,074
Settlement of interest rate swap contracts	(8,100)	-	972,605
Settlement of gold forward contracts	(343,436)	886,863	367,012
Net cash arising from financing activities	**1,648,464**	**1,845,852**	**3,965,805**
Net decrease in cash and cash equivalents	**(6,975)**	**(7,241,400)**	**(8,657,178)**
Cash and cash equivalents at beginning of year	725,201	8,078,066	8,078,066
Foreign exchange difference	567,323	865,791	1,304,313
Cash and cash equivalents at end of year	**1,285,549**	**1,702,457**	**725,201**

Notes to the condensed consolidated interim financial statements

1. General information

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

These condensed consolidated interim financial statements were approved by the Board of Directors on 27 September, 2018.

The results for the year ended 31 December 2017 have been audited whilst the results for the six months ended 30 June 2017 and 30 June 2018 are unaudited.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory accounts for the year ended 31 December 2017 which were prepared under International Financial Reporting Standards ("IFRS") as adopted for use in the European Union, were filed with the Registrar of Companies. The auditors reported on these accounts, their report was unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006. The auditors drew attention to a material uncertainty regarding Going Concern by way of emphasis.

2. Basis of preparation

These condensed consolidated interim financial statements are for the six month period ended 30 June 2018, using accounting policies consistent with IFRS as adopted for use in the European Union with the exception of IAS 34: Interim Financial Reporting. IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Board of Directors expect to be applicable as at 30 June 2018.

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

3. Change in Presentation Currency

The Group's revenues and cash flows are primarily generated in US dollars, and are expected to remain principally denominated in US dollars in the future. During the period, the Group changed the currency in which it presents its consolidated financial statements from pounds sterling to US dollars, in order to better reflect the underlying performance of the Group.

4. Going Concern

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

As at 30 June 2018, the Group's current liabilities exceeded its current assets by US$72,565,626 due primarily to the portion of the Group's external borrowings that is scheduled to be repaid by 30 June 2018. The Group reported a loss after tax of US$13,961,230 for the six months ended 30 June 2018 and net cash outflows from operations of US$1,103,405 for the six months ended 30 June 2018.

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

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

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

- will achieve forecast levels of gold production as the testing and debugging phase of operations is completed;
- will continue to have the support of its financiers; or
- if the above are considered unlikely to be achieved, then the Group may seek alternative financing from its shareholders or third parties.

These condensed consolidated interim financial statements do not include adjustments relating to the recoverability and classification of recorded set amounts, or to the amounts and classifications of liabilities that might be necessary should the Group not continue as a going concern.

5. Hedging

As at 30 June 2018, all gold hedges have been settled.

6. Loss per share

The loss per share was calculated on the basis of net loss attributable to equity shareholders divided by the weighted average number of ordinary shares.

	6 month period ended 30 June 2018 (unaudited) US$	*6 month period ended 30 June 2017 (unaudited) US$*	*Year ended 31 December 2017 (audited) US$*
Loss			
Net loss attributable to equity shareholders for the purpose of basic and diluted loss per share	(13,961,230)	(13,264,926)	(18,076,486)
Number of shares			
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,071,334,586	2,071,734,587	2,071,334,586
Basic and diluted loss per share	(0.0067)	(0.0064)	(0.0087)

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

7. Subsequent Events

In July 2018, the Company's two major shareholders provided an unsecured standby loan facility of up to US$ 4.0 million to be drawn as might be required for general short term working capital use and to facilitate an interest payments due to its senior lenders. The Company has fully drawn this facility as at the date of this report.

As at the date of this report, a waiver has been submitted to the Senior Lenders for the principal amounts for December 2017, March 2018, June 2018 and September 2018. This has been submitted on the basis that a potential restructure of the Senior Debt is under consideration.

Typhoon Mangkhut struck the Philippines to the north of the Company's operations. The Company's Runruno operations enacted its' typhoon procedures before the typhoon struck. There were no injuries and negligible damage sustained to the site. Operations recommenced once the typhoon had moved away from the area.