

METALS EXPLORATION PLC

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

Metals Exploration plc (AIM: **MTL**) (the “**Company**” or the “**Group**”), the natural resources exploration and development company with assets in the Pacific Rim region, is pleased to announce its final audited results for the year ended 31 December 2017.

Highlights

Operational – Runruno Gold Project

- 54,765 troy ounces contained in gold doré bullion produced for the fifteen months to the end of March 2018 of which 10,593 ounces were produced during Q1 of 2018;
- Since the year end, the BIOX[®] circuit has achieved and operated at design throughput for periods in excess of up to a month;
- The Residual Storage Impoundment (“RSI”) is operating to design with an excellent environmental performance;
- Receipt of the third tree cutting permit, allowing for a more efficient mining operation, due to the establishment of permanent waste dumps;
- All relevant permits for operations have now been received by the Runruno mine;
- Since the year end, process plant operations are at or around design throughput and the overall circuit recovery is increasing towards the design recovery of circa 91% as the overall circuit is fully integrated and fine-tuned;
- Mine life remains at approximately 10 years, largely in part a positive mined gold reconciliation against reserves;
- Remainder of the process plant is now being optimized as a result of the BIOX[®] circuit achieving the design parameters; and,
- No material health, safety or environmental incidents experienced throughout the reporting period.

Environment and Community

- Planting of 150,000 trees, with a total of almost two million new trees planted to date; and,
- Implementation of a number of social programs to assist the residents of the Barangay of Runruno and surrounding Barangays.

Corporate

- Appointment of Canaccord Genuity as Nomad and sole broker; and,
- Resignation of two Directors in May 2018, Mr Tim Dean and Mr Julian Wilson after ten years and five years continual service, respectively.

Financial

- Cash and cash equivalents of £0.537 million at 31 December 2017;

- Loss on ordinary activities was £13.396 million (2016: loss of £18.033 million);
- All interest payments due and payable have been made, a total of US \$6,254,445 interest payments were made in 2017 (2016: US \$5,392,204);
- Waivers have been secured from the Senior Lenders to defer the capital payments of US \$6.48 million due in each quarter ended 31 December 2017 and 31 March 2018, until 30 June 2018,
- US\$ 2 million standby loan facility secured from the Company's two major shareholders,
- US\$ 21 million Mezzanine Debt Facility documentation completed to repay two short term shareholder loans; and,
- Total interest-bearing liabilities as at 31 March 2018 were US\$90.8 million.

For further information please visit or contact www.metalsexploration.com

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CHAIRMAN'S STATEMENT

Dear Shareholder,

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

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

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

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

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

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

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

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

STRATEGIC REPORT

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

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

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

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

MINING OPERATIONS

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

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

PROCESS PLANT

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

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

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

A significant amount of management time has been focused on getting the BIOX[®] circuit to perform and after a number of setbacks, the BIOX[®] circuit has achieved design and is currently increasing in productivity.

With this circuit now proving its capability to achieve design parameters, the rest of the process plant is being optimized to suit.

RESIDUAL STORAGE IMPOUNDMENT (RSI)

The RSI is operating to design with an excellent environmental performance.

TULINGAN DUMP SITE

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

COMMUNITY AND SOCIAL DEVELOPMENT

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

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

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

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

HEALTH AND SAFETY

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

ENVIRONMENT

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

REFORESTATION AND REHABILITATION

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

Company's operations. Through its various programs, the Company is responsible for planting almost 2 million endemic and cash crop trees.

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

ENVIRONMENTAL MONITORING

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

LEGAL COMPLIANCE

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

HEDGING

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

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

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

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

INTEREST PAYMENTS

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

FOREIGN EXCHANGE

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

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

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

	2017 £	2016 £
Non-current assets		
Property, plant and equipment	171,470,172	186,598,682
Goodwill	1,010,816	1,010,816
Other intangible assets	9,495,718	10,252,068
Derivative asset	-	1,427,473
Investment in associate companies	97,067	105,556
Trade and other receivables	5,641,218	2,093,155
	187,714,991	201,487,750
Current assets		
Other assets	853,541	499,264
Derivative asset	11,469	2,854,948
Trade and other receivables	2,021,400	2,641,167
Cash and cash equivalents	537,432	5,986,493
	3,423,842	11,981,872
Non-current liabilities		
Loans	(42,311,183)	(23,669,976)
Trade and other payables	(539,979)	-
Derivative liability	-	(10,076)
Deferred tax liabilities	(1,636,886)	(2,259,897)
Provision for mine rehabilitation	(1,444,912)	(1,505,708)
	(45,932,960)	(27,445,657)
Current liabilities		
Trade and other payables	(10,402,551)	(6,065,077)
Loans - current portion	(26,555,934)	(47,200,085)
Derivative liability	(271,985)	-
	(37,230,470)	(53,265,162)
Net assets	107,975,403	132,758,803
Equity		
Share capital	20,713,347	20,713,347
Share premium account	145,144,316	145,144,316
Shares to be issued reserve	3,652,155	3,652,155
Acquisition of non-controlling interest reserve	(3,785,077)	(3,785,077)
Translation reserve	9,722,731	21,100,367
Remeasurement reserve	16,230	25,872
Profit and loss account	(67,488,299)	(54,092,177)
Equity attributable to equity holders of the parent	107,975,403	132,758,803

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

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

Equity is the aggregate of the following:

- Share capital; being the nominal value of shares issued
- Share premium account; being the excess received over the nominal value of shares issued less direct issue costs
- Shares to be issued reserve; being the credit side of the entry relating to the expense recognised in the Statement of Total Comprehensive Income for share based remuneration
- Translation reserve; being the foreign exchange differences on the translation of foreign subsidiaries
- Remeasurement reserve: being the cumulative actuarial gains and losses, return on plan assets and changes in the effect of the asset ceiling (excluding net interest on defined benefit liability) recognised in the Statement of Comprehensive Income.
- Profit and loss account; being the cumulative loss attributable to equity shareholders

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

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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

NOTES

1. Loss per share

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

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

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

2. Net cash used in operating activities - Group

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

3. Annual report and accounts

A copy of the annual report and accounts will be posted to the shareholders shortly and will also be available from the Company's registered office, 200 Strand, London, WC2R 1DJ, and on the Company's website: www.metalsexploration.com.

Notice of an annual general meeting of the Company to be held at 11:00 a.m. on 19 June 2018 will be posted together with the annual report and financial statements.

4. Financial information

The financial information set out in this announcement does not comprise the Group's statutory accounts for the year ended 31 December 2017 or for the year ended 31 December 2016. The financial information has been extracted from the statutory accounts of the Group for the year ended 31 December 2017 and the year ended 31 December 2016. The auditors reported on these accounts. Their reports were unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006. The auditors made reference to a material uncertainty related to going concern in their report on the statutory accounts for the years ended 31 December 2017 and 31 December 2016.

The statutory accounts for the year ended 31 December 2016 have been delivered to the Registrar of Companies, whereas those for the year ended 31 December 2017 will be delivered to the Registrar of Companies following the Company's annual general meeting.

The accounting policies are consistent with those applied in the preparation of the interim results for the period ended 30 June 2017 and the statutory accounts for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.