METALS EXPLORATION PLC
FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Metals Exploration plc (AIM: MTL) (the "Company" or the "Group"), the natural resources exploration and development company with assets in the Pacific Rim region, announces its final audited results for the year ended 31 December 2018.

Highlights

Operational – Runruno Gold Project

- 48,053 troy ounces contained in gold doré bullion produced for 2018 financial year;
- BIOX® performing in a stable manner from mid-year 2018;
- The BIOX® circuit achieved 100% of nameplate design throughput for short periods of time during Q1 2019;
- Production in Q4 2018 of 13,435 ozs gold, a 30% increase on Q1 2018;
- Overall gold recoveries from processing operations during 2018 were 57.9%, below the feasibility forecast of 91%;
- Studies currently underway to determine the optimum process design changes required to extract the highest value from the existing mine plant investment;
- No material health and safety incidents throughout the period; and,
- The Residual Sediment Impoundment ("RSI") is operating to design with an excellent environmental performance.

Environment and Community

- The community interface arm of the Group, continues to maintain strong partnerships with various national agencies and local governments from Barangay to Provincial level;
- The Group is primarily engaged in managing the implementation of identified and prioritised projects within the mandated Social Development and Management Programme;
- The Group is responsible for planting almost two million endemic and cash crop trees during the year;
- During 2018 the Group was the mining industry overall winner of the Philippine government Best Forestry Management Programme award; and
- During 2019 there will be an upcoming requirement to relocate the illegal miners operating on the back of existing operations in Stage 3 and 4 of the mine plan.

Corporate

- Darren Bowden appointed as the CEO and Executive Director on 1 January 2019;
- Since year end Guy Walker appointed as an interim Chairman, Andrew Stancliffe appointed a non-executive director and Mike Langoulant appointed as interim CFO.
- Appointment of Strand Hanson as Nominated and Financial Adviser; and
- Ian Holzberger, Timothy Dean, Julian Wilson and Eduard Simovici resigned from the board of directors, and Andrew Rogers stepped down as Company CFO.
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Financial

- Cash and cash equivalents of $1.5 million at period end (2017: $0.73 million);
- Operating loss for the year of $18.8 million (2017: $ 10.8 million);
- After tax loss for the year of $176.4 million (2017: $17.4 million);
- Mining asset impairment charges of $179.8 million raised in 2018 (2017: nil);

- The Group has been granted two Standstill Agreements from the senior and mezzanine lenders ending 31 May 2019, and has sought a further Standstill Agreement with both its senior bank lenders and the mezzanine lenders during which the Group is relieved of making any principal or interest payments; and
- As at year end the Group has total debt, excluding unpaid interest and fees, of $103.2 million (2017: $89.8 million).

This Announcement contains inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 ("MAR"). Upon the publication of this Announcement, this inside information is now considered to be in the public domain.

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

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CHAIRMAN'S STATEMENT

Dear Shareholder,

The year ended 31 December 2018 was another year of making incremental steps in establishing the Runruno project. Both mine and plant performance have made improvements quarter-on-quarter with BIOX® performing in a stable manner from mid-year 2018 ensuring flotation concentrate could be fed directly to BIOX® with minimal bypass to the carbon-in-leach (CIL) plant. This allowed recovery to ramp up from approximately 50% at the beginning of the year to 64% during Q4 2018 with an overall recovery for the year of 57%. This represented a 20% increase on 2017, but is still significantly below the 91% design recovery rate.

The higher than original design mine dilution and the lower than design recovery has negatively impacted the overall cash position of the Group, which in turn has affected the ability of the operations to maintain sufficient working capital to complete critical maintenance on the equipment. The deferred maintenance will have follow on impacts into 2019 and 2020 where operations will need to catch up in order to bring all equipment back up to a fully operational condition.

In an effort to rectify the Company's poor performance a new CEO was appointed in January 2019 and a number of replacement key executive and operational management appointments soon followed. The Board is of the view this management team has the right blend of appropriate skills and experience to extend on operational improvements made during 2018.

Operational changes, made by this new management team, is extracting an improved performance from the project, maintaining the positive trend from 2018, with Q1 2019 being the first quarter the project has achieved a positive cashflow. Management continues to seek operational improvements to further increase the overall recovery rate and move the plant performance closer to the design rate.

Studies are currently underway to determine the optimum process design changes required to extract the highest value from the existing mine plant investment. This includes options to both increase throughput to offset the higher dilution and to increase recovery. Management are targeting to have the results of these studies and recommendations prepared for the Board to consider by Q3 2019.

The Group has now come to a crossroads in its development where the total debt position will be difficult, if not impossible, to service without assistance from our senior lenders and mezzanine debt lenders. In March 2019 the Group approached both its senior lenders and the mezzanine debt holders in order to seek a solution to the Group's overall debt position. Both the senior lenders and mezzanine debt holders accommodated the Group's request, and successive standstill agreements through to 31 May 2019 have been agreed to allow a constructive dialogue to occur. Whilst negotiations with all lenders are ongoing, the Board is confident of achieving a positive result that will provide business continuity, viability and future growth.

Community responsibility remains an important part of our business and we have continued to invest in the local community through Social Development and Management programmes. This has been achieved through 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 have a number of environmental programmes that the Group undertakes each year. Not only do we undertake mine rehabilitation as soon as practical after ore extraction, 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 Group's efforts or support to date. Our processing operations are closely monitored to ensure that any 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 utilises 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 Group and its people.

Although the regulatory burden in the Philippines remains, the Group continues to successfully navigate within this environment with the help and support of the staff of the many Government and regulatory bodies, which is greatly appreciated.

I look forward to a further improved performance in 2019 with the aim to consolidate a positive cashflow position as we continue to focus on operational improvements.

STRATEGIC REPORT

The Runruno operational performance during 2018 was impacted by ongoing technical issues and cash flow constraints that resulted from the cumulative impacts of those issues. In 2018, several design changes were implemented in the processing plant which resulted in small but important increases in gold recovery. Notwithstanding the ongoing technical issues and design changes, the Board determined that production accounting of the Runruno operation was to commence from 1 January 2018.

For the 2018 financial year, 48,053 troy ounces ("ozs") contained in gold doré bullion were produced at Runruno. Quarter-on-quarter, operations improved over the course of 2018, with Q4 2018 representing the best quarter, achieving production of 13,435 ozs, a 30% increase on Q1 2018. However, these gold production improvements over the year were insufficient to prevent significant operating losses from being recorded for the year.

The principal operational issue during the first half of 2018 was the BIOX® circuit's failure to achieve nameplate design throughput with the majority of concentrate production bypassed directly to the CIL circuit. By mid-2018, BIOX® operations had stabilised with constant BIOX® feed being achieved. A design change to the delivery of gravity residuals significantly impacted flotation recovery in the Q3 2018 and once this was corrected in Q4, the Group saw the first period in the operational ramp up phase which achieved both stable flotation and BIOX® circuits. The BIOX® circuit achieved 100% of nameplate design throughput for short periods of time during Q1 2019 resulting in a steady increase in operating performance. While milling in 2018 saw approximately 1.65Mt (design 1.75Mt) throughput of ore, the grade was impacted by higher than anticipated dilution at approximately 20% versus a design of 5% leading to total of 83,000 ounces processed during the year.

Design considerations for further plant upgrades are currently being studied to find solutions to deal with the high ore variability and the requirement for higher plant throughput due to the true mine dilution. These studies are expected to be completed and presented to the Board for consideration during Q3 2019.

MINING OPERATIONS

The mining operations and mining equipment have performed satisfactorily in 2018 with incremental performance improvements seen quarter on quarter. While a lack of available funding for equipment rebuilds and scheduled maintenance has affected equipment availability and overall performance this effect was minimal against plant performance.

The east wall design has shown to be inadequate to deal with the existing fault on this side of the pit and in Q1 2019 Xenith Consulting were hired to complete a redesign of this wall and all internal pit stages to improve mine efficiency, ensure a correct material balance can be achieved and update mine planning and equipment requirements for the life of mine ("LOM").

Resource recovery reconciliation performed well until Stage 2 of the mine plan. Stage 2 mining commenced in December 2018 and in the 4 months since ore recovery compared to the ore resource model did not perform as well as expected and is showing a poor reconciliation. An infill drilling campaign focused on Stages 2 through to Stage 4 has been approved and is starting in Q2 2019 with the objective of increasing the confidence level of this material up to the required level for mine planning.

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

PROCESS PLANT

Overall gold recoveries from processing operations during 2018 were 57.9% which is significantly below the feasibility forecast of 91%. Continued improvements in recovery have been achieved in 2019 with an average recovery of 66% for Q1 2019.

Notwithstanding the above, the processing plant crushed ore operations are at, or around, design throughput with the following points of note:

- The crushing and grinding circuit is operating at design throughput, with a utilization of 89% for the 2018 year;
- The gravity circuit is operating around design recoveries of 30%;
- Flotation is operating reliably with no maintenance issues. However, performance was hampered during the year due to design changes in the grinding and gravity circuit, which were corrected in October 2018. During a design review it was determined that this circuit is under designed to meet the requirements of all ore types and further testing is being conducted to determine the best option to correct this issue;
- The CIL circuit was affected during the year by the froth created by BiOX®. However, through surveys conducted on the circuit it has been determine that this circuit is performing at 88%-90% recovery against a design recovery of 96%. Design capacity is more than sufficient to meet current throughput with the circuit marginally over designed. The lower recovery is a function of the oxidation achieved in BiOX® and once the BiOX® circuit is stable and oxidation is improved so will gold recovery in CIL;
- The ancillary systems including counter current decantation, neutralisation, reagents, cyanide destruction and residue disposal circuits are all operating adequately but have been affected by a lack of working capital required to undertake necessary maintenance; and
- Plant utilisation is suffering from a lack of working capital and associated maintenance with increasing failures in the piping, pumping and support equipment. In Q1 2019 alone over 3 weeks of operations have been lost due to repeated failures of the residual tailings line. These failures attributed to maintenance issues have led to a plant utilisation of approximately 82% for Q1 2019.

The process plant was designed to treat refractory gold ore, which is considered to make up around only 40% of the LOM ore body. It is now clear that the orebody above the main vein (M201) is highly variable, with less of an association between gold and refractory sulphide and is therefore more problematic within the flotation circuit. This means that the 35 minutes residence time of the current installation is inadequate to achieve +greater than 90% recoveries. Instead, it has been determined that a residence time of two hours is required to achieve the desired recovery rates. This deficiency is compounded by the need to increase throughput due to the higher than design mine dilution. The plant design studies that commenced in Q1 2019 should be completed during Q3 2019 which will determine the optimal economic design changes required to increase recovery levels.

A significant amount of management time has been focused on getting the BIOX® circuit to perform as intended and while we have achieved design throughput, we have yet to achieve this throughput at the required oxidation levels. This lower oxidation has affected final design recovery through the CIL circuit with approximately 88-90% recovery against a design of 96% being achieved since December 2018. Time in stable operations has shown that this oxidation issue can be overcome.

The key processing issue affecting the process plant is foaming in the BIOX® circuit, which affects all downstream processes and recoveries. As throughput rates of contained sulphur introduced into BIOX® are increased the foaming worsens. The Directors believe that the incremental energy in the BIOX® reactors causes the increased foam and operations are being adjusted to address this issue. Efforts are being made to address this issue with technical experts from the BIOX® licencing company visiting the plant in Q2 2019 to assist with this issue.

RESIDUAL STORAGE IMPOUNDMENT (RSI)

The RSI is operating to design with an excellent environmental performance. Typhoon Rosita passed directly over the Runruno project in October 2018 bringing torrential rain and high winds, depositing 354mm of water over the mine site during the event. The RSI performed to design with no uncontrolled discharge experienced.

Stage 4 of the RSI was completed in 2018 and development of Stage 5 has commenced and is expected be complete in 2019.

The performance of the RSI is continuously monitored by an independent international consulting group.

COMMUNITY AND SOCIAL DEVELOPMENT

The Community Relations Department, the community interface arm of the Group, maintains strong partnerships with various national agencies and local governments from Barangay to Provincial level. They are primarily engaged in managing the implementation of identified and prioritised projects within the mandated Social Development and Management Program and other programmes under them as a component of the group's Corporate Social Responsibility.

It is the Group's objective to benefit its host communities by undertaking sustainable development within the community with programmes focused in the following 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 programmes extends to assist the residents of the Barangay of Runruno and surrounding Barangays, the Municipality of Quezon and the Province of Nueva Vizcaya.

There is an upcoming requirement in 2019 to relocate the illegal miners operating on the back of the existing operations in Stage 3 and Stage 4 of the mine plan. The Group is working closely with the local government to ensure the smooth transition of relocation of these itinerant people outside of the mining areas, to ensure access for the Group is available by the end of 2019.

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 all departments, with all staff recognizing their individual responsibilities for their own safety and the safety of others. The operation has achieved 7.5 million man-hours with no lost time incidents occurring since the last lost time incident in December 2016.

ENVIRONMENT

The Group 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. The Group recognises good environmental management as a key parameter in its Corporate Social Responsibility ("CSR") charter. The Group 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 Group 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 disturbed areas, establishment of protection forests and the provision of habitat for wildlife within the FTAA area. These programmes demonstrably improve the environment within and surrounding the Group's operations and are designed for beautification, stabilisation, to off-set green-house gas emissions and the impacts of the Group's operations. Through its various programmes, the Group is responsible for planting almost 2 million endemic and cash crop trees.

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

During 2018 the Group was the mining industry overall winner of the Philippine government Best Forestry Management Program award.

ENVIRONMENTAL MONITORING

The Group 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 programmes extend to reference sites outside the immediate operational area and are used to provide reference and base-line data for future use. The Government programmes quarterly monitoring by an independent, community based Multipartite Monitoring Team. The Group 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 Group 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 2019, the Group has 494 active permits with a number of additional permit applications 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, Forest 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

In prior periods, as part of the Group's finance facility agreements the Group held interest and gold price hedging contracts. The last of these contracts were settled during the 2018 year. As at 31 December 2018 the Group has no hedging contracts.

DEBT FUNDING

The operational losses suffered during 2018 placed severe pressure on the Group's finances such that an additional $11.7 million in mezzanine debt facilities were put in place during 2018. Three separate short-term debt facilities were sourced from the Company's two major shareholders. Given the negative operational cashflows only $500,000 in senior debt principal repayments were made during the year.

As at year end the Group has total debt, excluding unpaid interest and fees, of $103.2 million (2017: $89.8 million), much of which was originally short term in nature with high attaching interest and penalty interest rates.

The Group has sought a Standstill Agreement with both its senior bank lenders and the mezzanine lenders during which the Group is relieved of making any principal or interest payments. This standstill request was agreed to by all external lenders for a period until 31 May 2019. The purpose of the standstill is to provide the Group and its external lenders time to negotiate a restructuring of the debt that will provide the Group with a sustainable debt position.

FOREIGN EXCHANGE

The Group loss for the year includes a foreign exchange gain of $33.4 million (2017: foreign exchange gain of $1.1 million) and a foreign exchange loss in other comprehensive income of $0.06 million (2017: other comprehensive loss of $14.8 million) on the translation of the financial statements of foreign operations. The movements in 2018 are largely due to the change in presentational currency from GB Pounds to US Dollars.

OUTLOOK

Since the end of 2018, the Group has implemented significant changes to the board and executive and senior management. It is hoped that the change in personnel will promote a different perspective to tackling the operational issues that the Group has been faced with since commencing gold production. Significant effort is being put into the various studies that are underway with the ultimate objective of improving the cash flow generated by the Runruno operation. The outcome of these studies and the efforts of new management to improve operational performance is not certain and too early to make a judgement of.

Further the Group will only be able to continue on a sustainable basis if it can secure an acceptable outcome with its debt negotiations with both senior bank and mezzanine lenders.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 US$	Restated 2017 US$	Restated 2016 US$
Continuing Operations				
Revenue		61,414,966	45,030,530	7,817,878
Cost of sales		(69,883,233)	(45,030,530)	(7,817,878)
Gross profit		(8,468,267)	-	-
Administrative expenses		(10,352,002)	(10,779,135)	(12,892,952)
Operating loss		**(18,820,269)**	**(10,779,135)**	**(12,892,952)**
Impairment loss	2	(179,833,796)	-	-
Net finance and other costs	3	20,735,018	(2,121,676)	(5,743,236)
Share of profit / (losses) of associates		5,851	(11,009)	10,793
Fair value gain/(loss) on forward sales contracts		-	(4,925,836)	(9,053,839)
Fair value loss on interest rate swaps		-	(86,501)	(59,458)
(Losses) before tax		**(177,913,196)**	**(17,924,157)**	**(27,738,692)**
Taxation		1,526,455	551,715	3,301,534
Loss for the period attributable to equity holders of the parent		**(176,386,741)**	**(17,372,442)**	**(24,437,158)**
Other comprehensive income:				
Items that may be re-classified subsequently to profit or loss:				
Exchange differences on translating foreign operations		57,880	(14,754,817)	23,804,480
Re-measurement of pension liabilities		162,938	(12,504)	35,061
Total comprehensive loss for the period attributable to equity holders of the parent		**(176,165,923)**	**(32,139,763)**	**(597,617)**
Loss per share:				
Basic and diluted cents per share	4	**(8.51)**	**(0.84)**	**(0.14)**

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Notes	*2018* *US$*	*Restated 2017* *US$*	*Restated 2016* *US$*
Non-current assets				
Property, plant and equipment	2	80,416,625	231,378,761	229,603,399
Goodwill		-	1,363,977	1,243,775
Other intangible assets		98,533	12,813,351	12,614,825
Derivative asset		-	-	1,756,457
Investment in associate companies		138,579	130,980	129,883
Trade and other receivables		3,333,083	7,612,158	2,575,557
		83,986,820	**253,299,227**	**247,923,896**
Current assets				
Inventories		6,973,238	1,151,753	614,328
Derivative asset		-	15,476	3,512,917
Trade and other receivables		6,166,463	2,727,641	3,249,867
Cash and cash equivalents		1,497,431	725,201	7,366,178
		14,637,132	**4,620,071**	**14,743,290**
Non-current liabilities				
Loans	6	(26,286,052)	(57,093,948)	(29,125,109)
Trade and other payables		(673,819)	(728,638)	-
Derivative liability		-	-	(12,398)
Deferred tax liabilities		(722,977)	(2,208,784)	(2,780,727)
Provision for mine rehabilitation		(2,150,633)	(1,949,738)	(1,852,723)
		(29,833,481)	**(61,981,108)**	**(33,770,957)**
Current liabilities				
Trade and other payables		(22,301,058)	(14,037,015)	(7,462,873)
Loans - current portion	6	(76,955,272)	(35,834,099)	(58,078,116)
Derivative liability		-	(367,012)	-
		(99,256,330)	**(50,238,126)**	**(65,540,989)**
Net (liabilities)/assets		**(30,465,859)**	**145,700,064**	**163,355,240**
Equity				
Share capital		27,950,217	27,950,217	27,950,217
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		13,177,560	13,119,680	13,389,910
Re-measurement reserve		184,838	21,900	34,404
Profit and loss account		(267,454,236)	(91,067,495)	(73,695,053)
Equity attributable to equity holders of the parent		**(30,465,859)**	**145,700,064**	**163,355,240**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	*Share premium account*	*Shares to be issued reserve*	*Acquisition of non-controlling interest reserve*	*Translation reserve*	*Re-measurement Reserve*	*Profit and loss account*	*Total equity*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Restated								
Balance at 1 January 2018	**27,950,217**	**195,855,125**	**4,928,152**	**(5,107,515)**	**13,119,680**	**21,900**	**(91,067,495)**	**145,700,064**
Exchange differences on translating foreign operations	-	-	-	-	57,880	-	-	57,880
Change in pension liability	-	-	-	-	-	162,938	-	162,938
Loss for the year	-	-	-	-	-	-	(176,386,741)	(176,386,741)
Total comprehensive income for the year	-	-	-	-	57,880	162,938	(176,386,741)	(176,165,923)
Balance at 31 December 2018	**27,950,217**	**195,855,125**	**4,928,152**	**(5,107,515)**	**13,177,560**	**184,838**	**(267,454,236)**	**(30,465,859)**

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
- Acquisition of non-controlling interest reserve; being the goodwill arising on acquiring additional equity in a controlled subsidiary
- Translation reserve; being the foreign exchange differences on the translation of foreign subsidiaries
- Re-measurement 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 other 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 2017

	Share capital	*Share premium account*	*Shares to be issued reserve*	*Acquisition of non-controlling interest reserve*	*Translation reserve*	*Re-measurement Reserve*	*Profit and loss account*	*Total equity*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Restated Balance at 1 January 2017	**27,950,217**	**195,855,125**	**4,928,152**	**(5,107,515)**	**13,389,910**	**34,404**	**(73,695,053)**	**163,355,240**
Effects of change in presentational currency	-	-	-	-	14,484,587	-	-	14,484,587
Exchange differences on translating foreign operations	-	-	-	-	(14,754,817)	-	-	(14,754,817)
Change in pension liability	-	-	-	-	-	(12,504)	-	(12,504)
Loss for the year	-	-	-	-	-	-	(17,372,442)	(17,372,442)
Total comprehensive income for the year	-	-	-	-	(14,754,817)	(12,504)	(17,372,442)	(32,139,763)
Restated Balance at 31 December 2017	**27,950,217**	**195,855,125**	**4,928,152**	**(5,107,515)**	**13,119,680**	**21,900**	**(91,067,495)**	**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 Statement of Total Comprehensive Income for share based remuneration
- Acquisition of non-controlling interest reserve; being the goodwill arising on acquiring additional equity in a controlled subsidiary
- Translation reserve; being the foreign exchange differences on the translation of foreign subsidiaries
- Re-measurement 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 other of comprehensive income.
- Profit and loss account; being the cumulative loss attributable to equity shareholders

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	Restated 2017	Restated 2016
		US$	*US$*	*US$*
Net cash used in operating activities	5	**(6,078,235)**	**(7,376,280)**	**(10,690,863)**
Investing activities				
Purchase of property, plant and equipment		(6,627,567)	(3,661,285)	(24,827,533)
Purchase of intangible assets		(97,285)	(232,328)	(2,948,654)
Net cash (used in) investing activities		**(6,724,852)**	**(3,893,613)**	**(27,776,187)**
Financing activities				
Repayment of borrowings		(500,000)	(30,959,886)	(1,815,959)
Proceeds from borrowings		11,720,176	33,586,074	-
Proceeds from share issues		-	-	28,709,277
(Cost of)/proceeds from settlement of gold forward contracts		(343,436)	656,520	1,806,339
Settlement of interest rate swap contracts		(8,100)	(120,685)	-
Revaluation of pension fund		-	(13,011)	-
Net cash arising from financing activities		**10,868,640**	**3,149,012**	**28,699,657**
Net increase/(decrease) in cash and cash equivalents		(1,934,447)	(8,120,881)	(9,767,393)
Cash and cash equivalents at beginning of year		725,201	7,366,178	13,497,538
Foreign exchange difference		2,706,677	1,479,904	3,636,033
Cash and cash equivalents at end of year		**1,497,431**	**725,201**	**7,366,178**

NOTES

1. Accounting policies

Change in presentation currency
The Group's revenues and cash flows are primarily generated in US dollars, as are the Group's debt facilities. These are all expected to remain principally denominated in US dollars in the future. In conjunction with the 1 January 2018 commencement of production accounting, the Group changed the currency in which it presents its consolidated and Parent Company financial statements from pounds sterling to US Dollars, effective as at 1 January 2018. This change was made in order to better reflect the underlying transactions, events and conditions relevant to the performance of the Group.

The change in the presentation currency was accounted for retrospectively in accordance with *IAS 21 The Effects of Changes in Foreign Exchange Rates*; consequently, comparative figures for years ended 31 December 2017 and 31 December 2016 have been restated to the new presentation currency. Equity per 1 January 2016 and 1 January 2017 have been translated to US Dollars at the historic USD/GBP exchange rate. The balance sheets were transferred at the closing exchange rate as at 31 December 2016 and 31 December 2017 respectively. The statements of total comprehensive income were transferred at the average exchange rate for the year ended 31 December 2016 and 31 December 2017 respectively. As a result a translation effect occurs which has been shown in the statement of changes in equity in 2017.

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

As at 31 December 2018, the Group's current liabilities exceeded its current assets by $84.62 million (2017: $45.62 million) due primarily to the portion of the Group's external borrowings that is either overdue or scheduled to be repaid by 31 December 2019. The Group reported a loss after tax of $176.39 million for the year ended 31 December 2018 (2017: $17.37 million) and cash outflows used in operations of $6.1 million for the year ended 31 December 2018 (2017: $7.4 million).

As at 31 December 2018 the Group had not made all scheduled principal repayments under its external finance facilities and had obtained waivers from its financiers so that no event of default occurred.

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

However, the Group's lenders have agreed to a standstill period within which the Group is relieved of making any principal or interest payments. This standstill request was agreed to by all lenders for a period until 31 May 2019. The purpose of the standstill is to provide the Group and its lenders time to negotiate a restructuring of the debt that will provide the Group with a sustainable debt position. At the date of this report the Group's discussions with its lenders are ongoing.

The Group believes that there is a reasonable expectation that it will be successful in restructuring its debt facilities, on a basis that will provide a sustainable financial structure to continue to operate the project to produce sustainable cashflows.

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

Project to enable the Group to settle its liabilities (including the expected restructured debt facilities) as they fall due.

As a consequence of the above matters, the Group's 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 may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the Group financial statements.

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

- The Group will be able to implement a restructuring of the Group's debt facilities such that the Group will be able to meet its working capital requirements;
- The Group will achieve its revised forecast levels of gold production; and
- The Group's operations will produce sufficient positive cash flow to enable the Group to pay its debts as and when they fall due.

This Financial Report does not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classifications of liabilities that might be necessary should the Group not continue as a going concern.

2. Impairment charges - Group

Under IAS 36 - *Impairment of Assets*, each asset that forms a cash generating unit should be tested annually for impairment. The Group considers that the entire Runruno project (encompassing capitalised property, plant and equipment, mining licence costs, goodwill on consolidation and deferred exploration expenditure) comprises a single cash generating unit as all stages of the project are interdependent in terms of generating cash flow and do not have the capacity to generate separate and distinct cash flow streams. Accordingly, the annual recoverable value assessment made in accordance with IAS 36 is made on a whole of project basis.

The Group assesses the recoverable amount of the Runruno project cash generating unit based on the value in use of the Runruno operations using cash flow projections over the remaining expected LOM and at appropriate discount rates. In March 2019 the Group reviewed its past operational performance and its future expectations based on a review of the planned mining schedule to determine the recoverable amount Runruno project could deliver.

The recoverable amount estimates were based on the following key assumptions and source information:

- gold resources to be mined based on the October 2018 estimated reserves and resources and a new remaining life of mine (LOM) mining schedule; adjusted for forecast mine and grade dilution;
- estimated gold recoveries forecast to be achieved over the remaining LOM;
- estimated ongoing capital expenditure required for the remaining LOM;
- estimated operating and administration costs for the remaining LOM including an annual inflation factor;
- future gold revenues were based upon the price of gold as per Bloomberg gold price futures;
- future gold revenues were calculated for the remaining LOM of 9 years; and
- a risk discount rate of up to 17.85% based upon the Company's calculation of its weighted average cost of capital.

From this review the Group formed a view that the recoverable value of the Runruno project was in the order of $80.5 million. Thus as at 31 December 2018 it was estimated that the carrying values of the Group's assets exceeded the estimated value-in-use of the cash generating unit and a total impairment charge of $176.4 million was recognised against these assets.

3. Finance costs and other income

	2018	2017
	US$	*US$*
Exchange gains	33,436,775	1,077,174
Loan interest and fees payable	(12,695,377)	(3,108,575)
Bank interest and charges payable	(6,401)	(18,833)
Bank interest receivable	21	558
Finance costs and similar items	**20,735,018**	(2,121,676)

4. Loss per share

	2018	2017
	US$	*US$*
Loss		
Net loss attributable to equity shareholders for the purpose of basic and diluted loss per share	**(176,386,741)**	(17,372,442)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	2,071,334,586	2,071,334,586
Basic and diluted loss cents per share	**(8.51)**	(0.84)

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.

	2018	2017
Weighted average number of potential ordinary shares that are not currently dilutive	**100,000,000**	27,181,932

5. Net cash used in operating activities

Group	**2018**	2017
	US$	*US$*
Loss before tax	(177,913,196)	(17,924,157)
Net finance costs	-	1,440,934
Depreciation	24,852,158	1,853,255
Provisions	200,916	99,779
Impairment	179,833,796	-
Fair value (gain)/loss on forward sales contracts	(227,268)	5,125,463
Fair value loss on interest rate swaps	14,722	90,006
Amortisation	48,364	32,899
Share of losses / (profits) of associates	(5,851)	11,455
Loss on disposal of asset	-	2,973
Foreign exchange gain	(33,436,754)	-
Increase in receivables	(1,832,819)	(3,951,390)
Increase in inventories	(6,973,238)	-
Increase in other assets	1,151,753	(478,055)
Increase in payables	8,209,224	6,320,558
Net cash used in operating activities	**(6,078,235)**	(7,376,280)

6. Loans - Group

On 28 May 2015, the Company entered into a loan Facility Agreement with two foreign international resource banks (the "Senior Lenders"). The original Facility Agreement provided $83,000,000 in project finance. The Facility Agreement has since been amended on a number of occasions as the Group was granted waivers from repayment of due principal.

In 2016, principal totalling $2,000,000 was repaid by the Group, while in 2017 a total of $17,200,000 of principal was repaid.

During 2018 the Group didn't produce sufficient cash flows to repay all principal due, and as a result not all principal repayments that were due in 2018 were made.

In December 2018, the Group repaid $500,000 of loan principal as part of negotiating a new amendment to the Facility Agreement. The balance owing by the Group under the Facility Agreement as at 31 December 2018 was $63,300,000.

A key element of the December 2018 Facility Agreement amendment was a condition precedent that the Group raise a net $20,000,000 in fresh equity; of which $15,000,000 would be utilised to repay loan principal on 31 March 2019. Further deferred rescheduling of the remaining principal repayments was also part of this proposed amendment.

However, in early March 2019 the Group advised the Senior Lenders that the equity raise was not achievable, and the Group could not make the $15 million principal repayment by 31 March 2019. At this point the Group sought a standstill period within which the Group is relived of making any principal or interest payments. This standstill request was agreed to by the Senior Lenders for a period until 2 May 2019. This standstill period was then extended until 31 May 2019. The purpose of the standstill is to provide the Group and the Senior Lenders (together with the Mezzanine Lenders as noted below) time to negotiate a restructuring of the debt that will provide the Group with a sustainable debt position.

As at 31 December 2018 the Group's outstanding loan position was:

	2018	*2017*
	$	*$*
Senior Lenders loans due within one year	63,300,000	35,834,099
Mezzanine Lenders loans due within one year	13,655,272	-
Total loans due within one year	**76,955,272**	35,834,099
Senior Lenders loans due after one year	-	28,311,363
Mezzanine Lenders loans due after one year	26,286,052	28,780,585
Total loans due after more than one year	**26,286,052**	57,093,948

7, 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 3.00 p.m. on 25 June 2019 will be posted together with the annual report and financial statements.

8. Financial information

The financial information set out in this announcement does not comprise the Group's statutory accounts for the year ended 31 December 2018. The financial information has been extracted from the statutory accounts of the Group for the year ended 31 December 2018. 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 year ended 31 December 2018. The statutory accounts for the year ended 31 December 2017 have been delivered to the Registrar of Companies, whereas those for the year ended 31 December 2018 will be delivered to the Registrar of Companies following the Company's annual general meeting. Except where noted in the statutory accounts the accounting policies are consistent with those applied in the preparation of the interim results for the period ended 30 June 2018 and the statutory accounts for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.