

Regulatory Story

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Metals Exploration PLC - MTL Interim Results
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METALS EXPLORATION PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

Metals Exploration plc (AIM: MTL) ("Metals Exploration" or "the Company"), the natural resources exploration and development company with assets in the Pacific Rim region, is pleased to announce its interim results for the six months ended 30 June 2016.

Chairman's Statement

It is my pleasure to report the interim financial position of the Runruno Gold project for the six month period ended 30 June 2016. The Runruno project achieved its first gold pour on 13 July 2016 as part of the test run including debugging ("**Test Run**") phase of the ore commissioning operations. A number of gold pours have been completed since that date but no gold sales have been achieved due to limitations on the sale of commercial products during the Test Run phase. Pursuant to the Company's Financial or Technical Assistance Agreement ("**FTAA**"), and so as to be able to commence the process of gold export and first sales, the Company declared the commencement of Commercial Production ("**Declaration**") on 9 September 2016.

The conditions attached to lifting the 2015 Residual Storage Impoundment ("**RSI**") partial suspension order are expected to be completed during October 2016. Mining operations and the gold processing and recovery circuits are in the ramp up phase which is expected to be completed by the end of November 2016.

The Runruno project achieved the international environment accreditation ISO 14001:2015 in July, a requirement of all operating mines in the Philippines.

Debt restructuring discussions are ongoing with Hongkong and Shanghai Banking Corporation Limited and BNP Paribas (the "**Lenders**") with the objective of realigning the economic deliverables of the Project with the capital and interest repayments profile.

Commercial Operations

The FTAA defines several project stages (known as periods) which must be observed for a mining project to proceed into production being: (i) Exploration, (ii) Pre-feasibility study, (iii) Feasibility study, (iv) Development and Construction and (v) Operating. Each stage is prescriptive requiring compliance with various activities, declarations, verifications and undertakings which are obligatory. The Runruno Gold Project (the "**Project**") declared to the Mines and Geosciences Bureau ("**MGB**") on 9 September 2016 that it has commenced

Commercial Operations, which has the effect of triggering the transition of the Project from the Development and Construction stage to the Operating stage. The Test Run phase of commissioning previously undertaken by the company fell within the Development and Construction stage of the FTAA. The Project is now awaiting the approval from the MGB that it has commenced the Operating stage.

On approval by the MGB that the Project has entered the Operating stage the date of the Declaration, 9 September 2016 (the "**Date**"), is significant for the following reasons:

- i. Defined items of expenditure incurred by FCF Minerals Corporation ("**FCF**" the Company's 100% owned Philippine subsidiary) for the benefit of the FTAA Contract Area from the date of filing the FTAA (19 September 2009) up to the Date comprise the 'Pre-Operating Expenses'.
- ii. From the Date the five year Recovery Period commences wherein the 'Pre-Operating Expenses' are recovered prior to the payment of the Additional Government Share; which will align the Government and FCF sharing the Project's Net Mining Revenues equally, 50%.

The MGB is currently reviewing the Company's Declaration. It is expected that the first export will take place in early October 2016 with revenues received shortly after the export of gold doré.

Process Plant and ramp up phase

On 13 June 2016 the Project announced that it had achieved its first gold pour from its gravity circuit. Since that date there have been several other gold pours from recoveries out of the gravity circuit. In addition there have been a number of gold pours from recoveries out of the 'Carbon in Leach' ("**CIL**") circuit both before the BIOX[®] (Biological Oxidation) feed to the CIL was operational, and subsequently since the circuit was commissioned. The BIOX[®] circuit is now being ramped up and optimised which will take place over a two month period.

After commencing ore commissioning activities early in May 2016, during the last week of June 2016 and into early July 2016 milling activities were suspended due to the discovery of an issue with a feed end trunnion bearing of the mill requiring repair. Unfortunately the mill was out of service for nearly four weeks before replacement parts were delivered to site and the repairs made. Prior to the trunnion bearing incident the mill had been commissioned and was ramping up towards its design parameters.

By the middle of July 2016 the mill was back in commission and the Test Running and ramp-up process resumed and continued through to 9 September 2016, when the Project made its Declaration. The mill is now achieving design parameters. Weekly gold recoveries and pours have occurred since the mill was re-commissioned.

The BIOX[®] circuit is in ramp-up phase and the initial levels of biological oxidation activity are favourable but require further time to generate activation levels sufficient to provide design recoveries and throughput.

Residual Storage Impoundment

On 21 October 2015 the MGB suspended construction works on the Residual Storage Impoundment ("**RSI**") because of water damage caused by Typhoon Lando (Koppu). This included suspension to certain works in the Malilibeg Dump Site and the tailings pipeline bench areas. The Project was directed to undertake rehabilitation and enhancement works in these areas before the suspension order would be lifted. The rehabilitation works were completed in early 2016 and the enhancement works had advanced sufficiently for the MGB to lift the suspension order. However, as announced by the Company on 25 April 2016 there were ongoing performance monitoring and conditions attached to lifting the order.

The Project should be fully compliant with all of the additional conditions included in lifting the order during October 2016. The main work carried out to the RSI in compliance with the

conditions of lifting is the construction of an 'over the wall' spill way, capable of managing a 'probable maximum flood' event. The spillway has been designed in such a way that as the routine ongoing RSI construction works advance the spillway will be raised through each stage of the build.

Mining

During 2016 most of the Project's mining activity has been focused on the enhancement works in the RSI while supplying sufficient ore for the Processing Plant operations. Once the Project has been validated by the MGB as having commenced the 'operating' stage the mine will ramp up fully to design production rates.

The completion of the RSI works associated with the MGB lifting order will once again open up the RSI area for the disposal of mine waste which will support the ramp up of mining operations to design rates.

ISO 14001:2015 Environment

An MGB requirement of all operating mines in the Philippines is to obtain the international environmental standard of ISO 14001. FCF commenced working towards this accreditation in late 2015 and achieved the required accreditation during July 2016. The certificate authenticating its accreditation was awarded in August 2016 and marks an important milestone and achievement for the Project. FCF has consistently upheld the values of responsible mining and the Project has embraced ISO 14001 in its daily working culture and proud to have met the environmental management standards required.

Finances

Project capital expenditure:

At the end of August 2016 capital expenditure is only being incurred on the enhancement works in the RSI and a summary of the capital expenditure costs of the Project is as follows:

	Budget	Expenditure to date	Forecast at completion
	US \$	US \$	US \$
Mining	\$19,703,614	\$18,371,768	\$18,371,768
Process Plant	\$80,801,822	\$85,582,688	\$85,583,017
Residual Storage Impoundment	\$12,240,028	\$28,045,955	\$31,745,955
On-site infrastructure	\$14,526,276	\$13,744,584	\$13,744,584
Off-site infrastructure	\$5,069,940	\$3,785,783	\$3,785,783
Indirect costs	\$10,413,578	\$13,837,509	\$14,040,852
Owners costs	\$23,006,717	\$32,222,549	\$32,229,647
VAT contingency	\$4,690,923	\$7,278,869	\$7,278,869
Project contingency	\$12,311,102	\$0	\$0
Project related costs	\$182,764,000	\$202,869,705	\$206,780,475

At 30 June 2016 there were outstanding capital commitments amounting to £157k (US \$211k) but it is expected a further £2.75 million (US \$3.7 million) will be required to complete the enhancement works in the RSI and finalise the capital spend on the project. This will bring the total capital spend on the construction of the Project to \$206,780,475.

Facility Agreement capital and interest payments:

On 31 March 2016 the first capital payment amount of US \$2.0 million was paid to the lenders together with an interest payment amounting to US \$32,825. The next scheduled calculation date of 30 June 2016 and a capital payment of US \$15.0 million was due to be paid but which has been waived until 31 October 2016. An interest payment of US \$2,763,308 was however paid on the calculation date of 30 June 2016. One of the conditions applicable to waiving the US \$15.0 million capital payment is that the interest associated with this principal is paid at the end of each month. Associated interest of \$75,041 and US \$85,878 was paid at the end of July 2016 and August 2016 respectively. The

total principal and interest payments paid by FCF to the Lenders in the Facility Agreement amounts to US \$10,190,066 and is represented as follows:

Calculation date	\$83m facility, principal repaid	\$75m facility, interest paid	\$8m facility, interest paid	Rescheduling penalty	Total principal and interest
	US \$	US \$	US \$	US \$	US \$
31/12/2014		\$842,987			\$842,987
30/06/2015		\$1,607,965			\$1,607,965
23/10/2015				\$400,000	\$400,000
31/12/2015		\$1,964,219	\$247,399	\$170,444	\$2,382,062
31/03/2016	\$2,000,000	\$27,658		\$5,167	\$2,032,825
30/06/2016		\$2,081,027	\$268,947	\$413,334	\$2,763,308
31/07/2016		\$62,124		\$12,917	\$75,041
31/08/2016		\$72,128		\$13,750	\$85,878
	\$2,000,000	\$6,658,108	\$516,346	\$1,015,612	\$10,190,066

On 19 October 2015 FCF entered into an Amendment deed to the Finance Facility under which the principal sums due were rescheduled. The benefit of obtaining the rescheduled dates was at a cost of US \$1.25m of which US \$400,000 was paid on signing the agreement on 23 October 2015. The remaining US \$825,000 is recovered through a 1% interest penalty on interest payments due on the US \$75 million senior facility and US \$8 million cost overrun facility. To date US \$615,612 has been recovered leaving a further US \$209,388 still to recover from future interest payments.

Under the Amendment Deed to the Finance Facility there was a principal payment of US \$15.0 million due on 30 June 2016 but due to the lack of cash flow received from zero sales of gold doré at that point in time it was agreed to waive the payment to a later date. FCF has an agreement with the Lenders that the US \$15.0 million capital payment due 30 June 2016 is waived until 31 October 2016 or upon successful completion of the current debt rescheduling discussions, whichever arrives soonest.

Forward gold sales hedging contracts:

The two quarterly forward gold sales hedging commitments up to 30 June 2016, with Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") and BNP Paribas ("**BNPP**") were closed out early during 2016. There were four contracts each for 3,750 ounces of gold and the strike price realised for each contract resulted in all four contracts being 'in the money'. The contracts settled at their contracted settlement dates to provide the following income stream to the Runruno Project:

Lender	Ounces of gold	Settlement Date	Forward Price by Contract	Forward Strike Price achieved	In the Money Amount
			US \$	US \$	US \$
HSBC	3,750	04/04/2016	\$1,293.45	\$1,270.51	\$86,000.00
BNPP	3,750	04/04/2016	\$1,287.49	\$1,271.60	\$59,587.50
HSBC	3,750	05/07/2016	\$1,293.45	\$1,231.99	\$230,467.50
BNPP	3,750	05/07/2016	\$1,287.49	\$1,231.66	\$209,373.75
	15,000				\$585,428.75

The two remaining quarterly forward gold sales hedging commitments in 2016 were also closed out early and the result was that the four contracts are also 'in the money' and will settle at their contracted settlement dates to provide the following income streams to the Runruno Project:

Lender	Ounces of gold	Settlement Date	Forward Price by Contract	Forward Strike Price achieved	In the Money Amount
			US \$	US \$	US \$
HSBC	3,750	04/10/2016	\$1,281.38	\$1,234.15	\$177,093.75
BNPP	3,750	04/10/2016	\$1,287.49	\$1,233.67	\$201,810.00
HSBC	3,750	04/01/2017	\$1,281.38	\$1,236.40	\$168,656.25
BNPP	3,750	04/01/2017	\$1,287.49	\$1,235.77	\$193,935.00
	15,000				\$741,495.00

A total of twelve forward gold sales contracts have been closed out for a total of 45,000 ounces of gold and this leaves a balance of twelve forward gold sales contracts (six with HSBC and six with BNPP) still to settle, as follows:

Fixing date	Settlement Date	Ounces of gold	Forward Price by Contract	
			HSBC	BNPP
			US \$	US \$
31/03/2017	04/04/2017	7,500	\$1,281.38	\$1,287.49
30/06/2017	05/07/2017	7,500	\$1,281.38	\$1,287.49
29/09/2017	03/10/2017	7,500	\$1,286.88	\$1,287.49
29/12/2017	03/01/2018	7,500	\$1,286.88	\$1,287.49
30/03/2018	04/04/2018	7,500	\$1,286.88	\$1,287.49
29/06/2018	03/07/2018	7,500	\$1,286.88	\$1,287.49

45,000

Private share placings:

The Company had three occasions during 2016 to approach its major shareholders to offer private share placements at various intervals, to raise working capital for short term liquidity gaps. The shortfall in cash causing the liquidity gaps had arisen because of delays in realising sustainable cash flow from sales of gold doré. The first of these occasions was in March 2016 where a total of £4.3 million (US \$6.2 million) was successfully raised via the issue of 148,300,536 new ordinary shares of 1 pence each at a placing price of 2.9 pence per share. Four of the Company's major shareholders took part in the private placing as follows:

PRIVATE SHARE PLACEMENT MARCH 2016						
SHAREHOLDER	CURRENT SHARES	%	NEW SHARES	NEW REGISTER	%	GBP
MTL (Luxembourg) Sarl	740,905,659	46.80%	85,431,490	826,337,149	47.73%	£2,477,513
Runruno Holdings Ltd	300,407,305	18.98%	34,639,017	335,046,322	19.35%	£1,004,531
Baker Steel CM LLP ¹	141,922,845	8.97%	16,658,476	158,581,321	9.16%	£483,096
Investec Wealth	105,297,639	6.65%	11,571,553	116,869,192	6.75%	£335,575
Others	294,471,897	18.60%	0	294,471,897	17.01%	£0
Total	<u>1,583,005,345</u>		<u>148,300,536</u>	<u>1,731,305,881</u>		<u>£4,300,715</u>

The second occasion occurred in July 2016 where a total of £3.8 million (US \$5.0 million) was successfully raised via the issue of 76,128,414 new ordinary shares of 1 pence each at a placing price of 5.0 pence per share. Four of the Company's major shareholders took part in the private placing as follows:

PRIVATE SHARE PLACEMENT - JULY 2016						
SHAREHOLDER	CURRENT SHARES	%	NEW SHARES	NEW REGISTER	%	GBP
MTL (Luxembourg) Sarl	826,337,149	47.73%	41,796,379	868,133,528	48.03%	£2,089,819
Runruno Holdings Ltd	335,046,322	19.35%	16,946,743	351,993,065	19.47%	£847,337
Ruffer LLP	200,455,373	11.58%	10,139,093	210,594,466	11.65%	£506,955
Baker Steel CM LLP ¹	143,261,291	8.27%	7,246,199	150,507,490	8.33%	£362,310
Others	226,205,746	13.07%		226,205,746	12.52%	£0
Total	<u>1,731,305,881</u>		<u>76,128,414</u>	<u>1,807,434,295</u>	100.00%	<u>£3,806,421</u>

The third occasion occurred during September 2016 where a total of £4.85 million (US \$6.4 million) was successfully raised via the issue of 97,002,174 new ordinary shares of 1 pence each at a placing price of 5.0 pence per share. Six of the Company's shareholders took part in the private placing as follows:

PRIVATE SHARE PLACEMENT - SEPTEMBER 2016						
SHAREHOLDER	CURRENT SHARES	%	NEW SHARES	NEW REGISTER	%	GBP
MTL (Luxembourg) Sarl	868,133,528	48.03%	56,552,267	882,889,416	48.29%	£2,827,613

Runruno Holdings Ltd	351,993,065	19.47%	22,931,314	357,977,636	19.58%	£1,146,566
Baker Steel CM LLP ¹	149,907,490	8.29%	6,268,119	206,723,492	11.31%	£313,406
Investec Wealth	119,033,014	6.59%	7,000,474	150,261,765	8.22%	£350,024
Lynchwood Nominees	2,633,783	0.15%	3,750,000	3,750,000	0.21%	£187,500
HSBC Marking Name Nominees	5,000,756	0.28%	500,000	500,000	0.03%	£25,000
Others	310,732,659	17.19%		226,205,746	12.37%	£0
Total	1,807,434,295		97,002,174	1,828,308,055		£4,850,109

Notes to share placing tables:

¹ Baker Steel CM LLP - Baker Steel Capital Managers LLP (acting on behalf of various Funds for which it acts as full discretionary Investment Manager).

Cash held by the Group after the September 2016 private share placing is £5.3 million (US\$6.9 million). In addition the Runruno project is holding about US \$4 million of physical gold.

Ian Holzberger
Executive Chairman

CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME for the six months ended 30 June 2016

	<i>6 month period ended 30 June 2016 (unaudited)</i>	<i>6 month period ended 30 June 2015 (unaudited)</i>	<i>Year ended 31 December 2015 (audited)</i>
<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>
Continuing Operations			
Revenue	-	-	-
Cost of sales	-	-	-
Gross loss	-	-	-
Administrative expenses	(3,781,295)	(3,002,872)	(5,206,287)
Operating loss	(3,781,295)	(3,002,872)	(5,206,287)
Finance income and similar items	207	281	1,028
Finance costs	(921,079)	(7,487)	(2,898,071)
Fair value (loss)/gain on forward sales contracts	3 (11,438,864)	1,769,956	8,511,399
Fair value (loss)/gain on interest rate swaps	3 (114,937)	(23,778)	(146,101)
Share of losses of associates	(12,440)	(15,252)	(26,325)
(Losses)/gains before tax	(16,268,408)	(1,279,152)	235,643

Taxation	3,816,934	(666,326)	(2,384,810)
Losses for the period	(12,451,474)	(1,945,478)	(2,149,167)
Other comprehensive income:			
Items that may be re-classified subsequently to profit or loss:			
Exchange differences on translating foreign operations	8,957,921	(2,695,317)	182,115
Total comprehensive loss for the period	(3,493,553)	(4,640,795)	(1,967,052)
Loss for the period attributable to:			
Equity holders of the parent	(12,451,474)	(1,945,478)	(2,149,167)
Total comprehensive loss attributable to:			
Equity holders of the parent	(3,493,553)	(4,640,795)	(1,967,052)
Loss per share:			
Basic and diluted	⁴ (0.751)p	(0.141)p	(0.151)p

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET as at 30 June 2016

	<i>As at 30 June 2016</i>	<i>As at 30 June 2015</i>	<i>As at 31 December 2015</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	£	£	£
Non-current assets			
Property, plant and equipment	170,040,927	131,437,484	148,012,151
Goodwill	1,010,816	1,010,816	1,010,816
Other intangible assets	8,283,267	6,994,871	7,436,054
Derivative asset	-	4,170,473	7,402,121
Investment in associate companies	110,860	108,935	97,862
Trade and other receivables	2,595,900	1,847,441	2,160,956
	182,041,770	145,570,020	166,119,960
Current assets			
Derivative asset	551,865	1,615,250	4,010,014
Trade and other receivables	791,422	1,088,079	871,115
Cash and cash equivalents	1,585,249	10,352,286	10,969,449
	2,928,536	13,055,615	15,850,578
Non-current liabilities			
Loans	(30,923,944)	(31,177,028)	(37,895,318)
Derivative liability	(1,189,512)	(182,207)	(80,386)
Deferred tax liabilities	(632,553)	(2,441,912)	(4,270,103)
Provision for mine rehabilitation	(1,458,795)	(1,236,307)	(1,324,736)
	(34,204,804)	(35,037,454)	(43,570,543)
Current liabilities			
Derivative liability	(482,842)	-	-
Trade and other payables	(4,063,060)	(4,036,088)	(4,790,342)
Loans - current portion	(33,491,712)	(16,542,913)	(21,685,730)
	(38,037,614)	(20,579,001)	(26,476,072)
Net assets	112,727,888	103,009,180	111,923,923

Equity			
Share capital	17,313,059	13,749,721	15,830,054
Share premium account	131,566,251	124,591,071	128,751,738
Shares to be issued reserve	3,652,155	3,652,155	3,652,155
Acquisition of non-controlling interest reserve	(3,785,077)	(3,785,077)	(3,785,077)
Translation reserve	12,492,610	657,257	3,534,689
Profit and loss account	(48,511,110)	(35,855,947)	(36,059,636)
Equity attributable to equity holders of the parent	112,727,888	103,009,180	111,923,923

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2016

	<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>Profit and loss account</i>	<i>Total equity</i>
	£	£	£	£	£	£	£
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	-	-	-	8,957,921	-	-	8,957,921
Loss for the period	-	-	-	-	-	(12,451,474)	(12,451,474)
Total comprehensive income for the period	-	-	-	8,957,921	-	(12,451,474)	(3,493,553)
Issue of equity share capital	1,483,005	2,817,710	-	-	-	-	4,300,715
Share issue expenses	-	(3,197)	-	-	-	-	(3,197)
Balance at 30 June 2016 (unaudited)	17,313,059	131,566,251	3,652,155	12,492,610	(3,785,077)	(48,511,110)	112,727,888

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 2015

<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>Profit and loss account</i>	<i>Total equity</i>
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	£	£	£	£	£	£	£
Balance as at 1 January 2015	13,749,721	124,591,071	3,652,155	3,352,574	(3,785,077)	(33,910,469)	107,649,975
Exchange differences on translating foreign operations	-	-	-	(2,695,317)	-	-	(2,695,317)
Loss for the period	-	-	-	-	-	(1,945,478)	(1,945,478)
Total comprehensive loss for the period	-	-	-	(2,695,317)	-	(1,945,478)	(4,640,795)
Balance as at 30 June 2015 (unaudited)	13,749,721	124,591,071	3,652,155	657,257	(3,785,077)	(35,855,947)	103,009,180

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 2015

	<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>Profit and loss account</i>	<i>Total equity</i>
	£	£	£	£	£	£	£
Balance at 1 January 2015	13,749,721	124,591,071	3,652,155	3,352,574	(3,785,077)	(33,910,469)	107,649,975
Exchange differences on translating foreign operations	-	-	-	182,115	-	-	182,115
Loss for the year	-	-	-	-	-	(2,149,167)	(2,149,167)
Total comprehensive income for the year	-	-	-	182,115	-	(2,149,167)	(1,967,052)
Issue of equity share capital	2,080,333	4,160,667	-	-	-	-	6,241,000
Balance at 31 December 2015 (audited)	15,830,054	128,751,738	3,652,155	3,534,689	(3,785,077)	(36,059,636)	111,923,923

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 2016

	<i>6 month period ended 30 June 2016</i>	<i>6 month period ended 30 June 2015</i>	<i>Year ended 31 December 2015</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	£	£	£
(Loss)/gain before taxation	(16,268,408)	(1,279,152)	235,643
Fair value loss/ (gain) on forward sales contracts	11,438,864	(1,769,956)	(8,511,399)
Fair value loss/ (gain) on interest rate swaps	114,937	23,778	146,101
Impairment	-	293,705	-
Depreciation	1,057,981	1,091,621	1,726,688
Amortisation	74,405	37,579	70,834
Share of losses of associates	12,440	15,252	26,325
Net finance costs	920,809	7,206	2,897,043
(Increase)/decrease in receivables	(48,415)	55,979	(40,572)
Increase/(decrease) in payables	(1,278,105)	(262,422)	(294,824)
Cash used in operating activities	(3,975,492)	(1,786,410)	(3,744,161)
Interest received	207	281	1,028
Interest paid	(444,663)	(7,487)	(274,977)
Net cash used in operating activities	(4,419,948)	(1,793,616)	(4,018,110)
Investing activities			
Purchase of property, plant and equipment	(7,973,242)	(19,974,764)	(34,090,272)
Purchase of intangible assets	(145,278)	(20,092)	(51,040)
Net cash used in investing activities	(8,118,520)	(19,994,856)	(34,141,312)
Financing activities			
Repayment of borrowings	(1,488,521)	-	-
Proceeds from borrowings	-	20,012,502	29,084,416
Net proceeds from issue of share capital	4,297,518	-	6,241,000
Proceeds from settlement of gold forward contracts	1,041,465	-	1,277,813
Net cash arising from financing activities	3,850,462	20,012,502	36,603,229
Net increase/(decrease) in cash and cash equivalents	(8,688,006)	(1,775,970)	(1,556,193)
Cash and cash equivalents at beginning of year	10,969,449	12,251,994	12,251,994
Foreign exchange difference	(696,194)	(123,738)	273,648
Cash and cash equivalents at end of year	1,585,249	10,352,286	10,969,449

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 30 September, 2016.

The results for the year ended 31 December 2015 have been audited whilst the results for the six months ended 30 June 2015 and 30 June 2016 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 2015 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 the Going Concern principle by way of emphasis.

2. Basis of preparation

These condensed consolidated interim financial statements are for the six month period ended 30 June 2016. They have been prepared in accordance 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 31 December 2016.

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

3. Hedging

Under the terms of the debt financing facility FCF Minerals Corporation, a wholly owned subsidiary of the Company, entered into two hedging arrangements with each of the facility banks: an interest rate hedge for approximately 40% of the interest exposure; and a gold forward sales programme representing a total of 90,000 ounces of gold. 45,000 ounces of forward sales contracts remain open. The movement in fair value of these derivative financial instruments is charged to the condensed consolidated statement of total comprehensive income and derivative financial assets and liabilities recognised on the condensed consolidated balance sheet. The Group has elected not to apply hedge accounting.

Notes to the condensed consolidated interim financial statements (continued)

4. 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.

	<i>6 month period ended 30 June 2016 (unaudited) £</i>	<i>6 month period ended 30 June 2015 (unaudited) £</i>	<i>Year ended 31 December 2015 (audited) £</i>
Loss			
Net loss attributable to equity shareholders for the purpose of basic and diluted loss per share	(12,451,474)	(1,945,478)	(2,149,167)
Number of shares			
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,657,155,614	1,374,972,025	1,420,447,578
Basic and diluted loss per share	(0.751)p	(0.141)p	(0.151)p

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.

5. Capital Commitments

As at 30 June 2016 the Group had £156,868 of outstanding capital commitments (30 June 2015: £3,463,304).

6. Subsequent Events

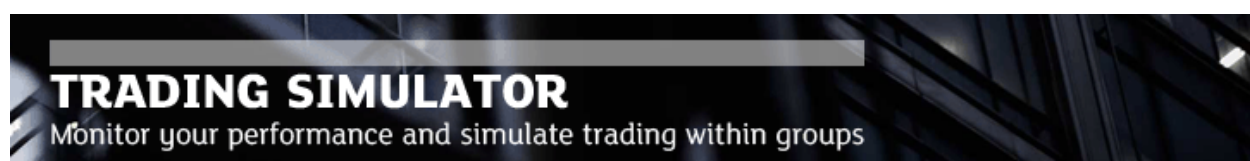
In the period following 30 June 2016 to the current date, the Company announced that it has successfully raised a total of £8,656,530 by way of two private share placements to its major shareholders. A private share placement in July 2016 raised £3,806,421 from a share placing of 76,128,414 new ordinary shares of 1 pence each at a placing price of 5.0 pence per share. During September 2016 a private share placement raised £4,850,109 from a share placing of 97,002,174 new ordinary shares of 1 pence each at a placing price of 5.0 pence per share.

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