METALS EXPLORATION PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

Metals Exploration plc (AIM: MTL) ("Metals Exploration" or "the Company"), the natural resources exploration and development company with assets in the Pacific Rim region, announces its interim results for the six months ended 30 June 2019.

Highlights

- **Gold production of 30,774 ounces, an increase of 34% over the 2018 half-year of 22,952 ounces;**
- **Gold recoveries of 66.1%, an increase of 20.6% over the 2018 half-year of 54.8%;**
- **Gross profit of US$8.49 million achieved compared to gross loss for the 2018 half-year of US$3.46 million;**
- **Positive cashflow from operations of US$3.47 million, compared to a cash outflow from operations for the 2018 half-year of US$1.16 million;**
- **Restructuring negotiations with lenders progressing with a standstill agreement in place; and**
- **New management team in place.**

Production Summary

Runruno Project Production Summary	Units	2019 Actual 6 Months	2018 Actual 6 Months	2018 Actual 12 Months
Mining				
Ore Mined	Tonnes	1,022,148	761,844	1,623,413
Waste Mined	Tonnes	4,667,586	3,271,430	8,061,853
Total Mined	Tonnes	5,689,734	4,033,274	9,685,266
Au Grade Mined	g/tonne	1.51	1.61	1.57
Strip Ratio		4.57	4.29	4.97
Processing				
Ore Milled	Tonnes	922,478	814,997	1,655,368
Gold (Au) Grade	g/tonne	1.57	1.60	1.56
Sulphur Grade	%	0.88	0.92	0.83
Au Milled (contained)	ounces	46,574	41,924	83,025
Recovery	%	66.1	54.8	57.9
Au Poured	ounces	30,774	22,952	48,053
Sales				
Au Sold	ounces	30,870	24,830	48,475
Au Price	$US/oz	1,305	1,267	1,267

Mining

Although impacted by continuing equipment availability issues the total material mined for the half year was 5.69Mt (million tonnes), a 41.1% increase in total material mined compared to the first six months of 2018. Total ore mined increased by 34.2% to 1.02Mt (2018: 0.76 Mt).

Long overdue re-builds of the Group's mobile mining fleet have commenced since the period end.

Actual mine dilution rates continue to be higher than original forecasts, with recovery against model falling to 85%, due to mining in low confidence areas. The higher average dilution is reflective of the historical mining results and is expected to continue. The increased mine dilution rates of 25% have been adopted in the Company's new internal forecasts, so that the plant feed grades and forward production can be more accurately budgeted. Efforts to improve resource confidence are required and a programme of infill resource and mine plan drilling has commenced in mine plan Stages 1, 1.5 and 2.

Process plant

Plant availability in the half-year has been negatively impacted by continual tailings pipe failures. External consultants have been engaged to provide both short and long term solutions to this issue. Notwithstanding this, the overall reliability of the process plant improved during Q2 2019. This allowed the operations team to increase throughput to offset the lower head grade, however, this impacted on flotation recovery with an overall net benefit to the operations. Total ore milled increased by 13.2% to 0.92Mt (2018: 0.81Mt).

The key processing issues affecting the process plant during the half-year were frothing in BIOX®, and flotation recovery due to the higher throughput during Q2 2019. Working with the technical experts from the BIOX® licencing company, management has determined that there are two key components associated with the frothing, these being (i) the non-sulphide gang fines entrained in the flotation concentrate, and (ii) the reagent in use. Various trials are taking place to determine the optimum method to reduce the frothing issue.

Review of Operations

During the half-year the Company commenced and completed the first stage of the review of the process plant. An engineering and offsite testing programme has been approved and commenced. The focus of all work is on improving and increasing flotation capacity, understanding gold deportment and mineralogy and therefore overall gold recovery.

In addition, a review of the future mine plan was undertaken with results to be delivered to management shortly. A short-hole and long-hole in-fill drilling programme in Stage 2 of the mine plan will be undertaken during the next six month period.

The organisational chart for the operations has now been filled with all operations and maintenance personnel on-boarded.

Residual Storage Impoundment ("RSI")

Construction of the next raise of the RSI continues and the installation of a bituminous liner to the upper embankment is expected to be completed in the second half of 2019.

Community & Government Relations

Productive relations with both the community and the government continue. The Company is also in consultation with the government in relation to the impending need to remove illegal miners, their infrastructure and dwellings from those areas scheduled to be mined as part of mine plan Stages 3 and 4. The Company's mine plan requires it to have access to Stage 3 before the end of the year in order to avoid disruption to operations.

Finance

On 31 March 2019 a standstill agreement was entered into with both the Group's lenders, HSBC and BNP Paribas (the "Senior Lenders") and its major shareholders, MTL Luxembourg SARL and Runruno Holdings Ltd, as holders of its mezzanine debt (the "Mezzanine Lenders"). Under this standstill agreement, the Group is not required to make interest or principal payments to either the Senior Lenders or the Mezzanine Lenders until further notice. This standstill agreement was extended on a number of occasions and it remains in place. The aim of this standstill has been to provide time for all parties to consider debt restructuring options.

No principal repayments were made during the quarter and as at the period end the Group had total borrowings of $104.14 million plus $13.81 million in outstanding interest/fees.

Discussions with both the Senior Lenders and the Mezzanine Lenders are ongoing and progressing.

Corporate

On 1 January 2019 Darren Bowden was appointed as a director and Chief Executive Officer; while Andrew Stancliffe was appointed as a non-executive director on 5 February 2019. Messrs Holzberger and Simovici resigned during this half year.

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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CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME for the six months ended 30 June 2019

	Notes	*6 month period ended 30 June 2019 (unaudited) US$*	*6 month period ended 30 June 2018 (unaudited) US$*	*Year ended 31 December 2018 (audited) US$*
Continuing Operations				
Revenue		40,291,728	31,458,528	61,414,966
Cost of sales		(31,803,568)	(34,916,085)	(69,883,233)
Gross profit/(loss)		8,488,160	(3,457,557)	(8,468,267)
Administrative expenses		(7,666,808)	(5,645,966)	(10,352,002)
Operating profit/(loss)		**821,352**	**(9,103,523)**	**(18,820,269)**
Impairment loss		-	-	(179,833,796)
Net finance and other costs		(8,628,306)	(5,049,351)	20,735,018
Share of profit/(losses) of associates		12,254	(25,319)	5,851
Loss on sale of assets		(529,516)	-	-
Fair value gain on forward sales contracts		-	227,268	-
Fair value loss on interest rate swaps		-	(14,722)	-
Loss before tax		**(8,324,216)**	**(13,965,647)**	**(177,913,196)**
Taxation		(247,018)	4,417	1,526,455
Loss for the period attributable to equity holders of the parent		**(8,571,234)**	**(13,961,230)**	**(176,386,741)**
Other comprehensive income:				
Items that may be re-classified subsequently to profit or loss:				
Exchange differences on translating foreign operations		427,457	(14,799,276)	57,880
Items that will not be re-classified subsequently to profit or loss:				
Re-measurement of pension liabilities		-	-	162,938
Total comprehensive loss for the period attributable to equity holders of the parent		**(8,143,777)**	**(28,760,506)**	**(176,165,923)**
Loss per share:				
Basic and diluted cents per share	*4*	**(0.41)**	**(0.67)**	**(8.51)**

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
as at 30 June 2019

	Notes	30 June 2019 (Unaudited)	Restated 30 June 2018 (Unaudited)	31 December 2018 (Audited)
	1	US$	US$	US$
Non-current assets				
Property, plant and equipment		77,771,871	207,676,818	80,416,625
Goodwill		-	1,363,977	-
Other intangible assets		74,078	4,615,840	98,533
Investment in associate companies		150,833	99,789	138,579
Trade and other receivables		3,862,919	7,400,487	3,333,083
		81,859,701	**221,156,911**	**83,986,820**
Current assets				
Inventories		8,175,635	4,616,115	6,973,238
Trade and other receivables		4,445,395	1,262,611	6,166,463
Cash and cash equivalents		3,427,523	1,285,549	1,497,431
		16,048,553	**7,164,275**	**14,637,132**
Non-current liabilities				
Loans	5	(22,430,436)	(41,387,821)	(26,286,052)
Trade and other payables		(673,819)	(678,258)	(673,819)
Deferred tax liabilities		(722,991)	(2,051,741)	(722,977)
Provision for mine rehabilitation		(2,256,633)	(1,862,457)	(2,150,633)
		(26,083,879)	**(45,980,277)**	**(29,833,481)**
Current liabilities				
Trade and other payables		(28,723,866)	(14,101,075)	(22,301,058)
Loans - current portion	5	(81,710,145)	(51,300,276)	(76,955,272)
		(110,434,011)	**(65,401,351)**	**(99,256,330)**
Net (liabilities)/assets		**(38,609,636)**	**116,939,558**	**(30,465,859)**
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
Acquisition of non-controlling interest reserve		(5,107,515)	(5,107,515)	(5,107,515)
Translation reserve		13,605,017	(1,679,596)	13,177,560
Re-measurement reserve		184,838	21,900	184,838
Profit and loss account		(271,097,318)	(105,028,725)	(267,454,236)
Equity attributable to equity holders of the parent		**(38,609,636)**	**116,939,558**	**(30,465,859)**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2019 and 30 June 2018

	Share capital US$	Share premium account US$	Shares to be issued reserve US$	Acquisition of non-controlling interest reserve US$	Translation reserve US$	Re-measurement reserve US$	Profit and loss account US$	Total equity 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	-	-	-	-	(14,799,276)	-	-	(14,799,276)
Loss for the period	-	-	-	-	-	-	(13,961,230)	(13,961,230)
Total comprehensive loss for the period	-	-	-		(14,799,276)	-	(13,961,230)	(28,760,506)
Balance at 30 June 2018	**27,950,217**	**195,855,125**	**4,928,152**	**(5,107,515)**	**(1,679,596)**	**21,900**	**(105,028,725)**	**116,939,558**
Balance at 1 January 2019	27,950,217	195,855,125	4,928,152	(5,107,515)	13,177,560	184,838	(267,454,236)	(30,465,859)
Exchange differences on translating foreign operations	-	-	-	-	427,457	-	-	427,457
Loss for the period	-	-	-	-	-	-	(8,571,234)	(8,571,234)
Total comprehensive loss for the period	-	-	-	-	427,457	-	(8,571,234)	(8,143,777)
Transfer to profit & loss	-	-	(4,928,152)	-	-	-	4,928,152	-
Balance at 30 June 2019	**27,950,217**	**195,855,125**	**-**	**(5,107,515)**	**13,605,017**	**184,838**	**(271,097,318)**	**(38,609,636)**

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. As all share options have expired with no shares issued this reserve has been transferred to profit and loss.
- Acquisition of non-controlling interests reserve; being 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 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.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2018

	Share capital US$	Share premium account US$	Shares to be issued reserve US$	Acquisition of non-controlling interest reserve US$	Translation reserve US$	Re-measurement reserve US$	Profit and loss account US$	Total equity 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 period	-	-	-	-	-	-	(176,386,741)	(176,386,741)
Total comprehensive loss for the period	-	-	-		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 income statement for share based remuneration.
- Acquisition of non-controlling interests reserve; being 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 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.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT for the six months ended 30 June 2019

	Notes	6 month period ended 30 June 2019 (unaudited) US$	6 month period ended 30 June 2018 (unaudited) US$	Year ended 31 December 2018 (audited) US$
Net cash arising from/(used in) operating activities		**3,471,933**	**(1,163,325)**	**(6,078,235)**
Investing activities				
Purchase of property, plant and equipment		(1,801,690)	(552,034)	(6,627,567)
Purchase of intangible assets		-	-	(97,285)
Net cash used in investing activities		**(1,801,690)**	**(552,034)**	**(6,724,852)**
Financing activities				
Repayment of borrowings		-	-	(500,000)
Proceeds from borrowings		899,257	2,000,000	11,720,176
Settlement of gold forward contracts		-	(343,436)	(343,436)
Settlement of interest rate swap contracts		-	(8,100)	(8,100)
Net cash arising from financing activities		**899,257**	**1,648,464**	**10,868,640**
Net increase/(decrease) in cash and cash equivalents		2,569,500	(66,895)	(1,934,447)
Cash and cash equivalents at beginning of period		1,497,431	725,201	725,201
Foreign exchange difference		(639,408)	627,243	2,706,677
Cash and cash equivalents at end of period		**3,427,523**	**1,285,549**	**1,497,431**

Notes to the condensed consolidated interim financial statements

1. General information

These condensed consolidated interim financial statements of Metals Exploration and its subsidiaries (the "Group") were approved by the Board of Directors on 12 September, 2019. Metals Exploration is the parent company of the Group. Its shares are quoted on AIM, part of the London Stock Exchange. The registered address of Metals Exploration plc is 200 Strand, London, WC2R 1DJ.

The condensed interim financial statements for the period 1 January 2019 to 30 June 2019 are unaudited. In the opinion of the Directors the condensed interim financial statements for the period presents fairly the financial position, and results from operations and cash flows for the period in conformity with the generally accepted accounting principles consistently applied. The condensed interim financial statements incorporate unaudited comparative figures for the interim period 1 January 2018 to 30 June 2018 and the audited financial year ended 31 December 2018.

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 2018 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 and their report was unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006. The auditors drew attention to a material uncertainty regarding Going Concern by way of emphasis.

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 were 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 occurred in the statement of changes in equity in 2017. This change is reflected in restating the opening 1 January 2018 balances in the statement of changes in equity for the period ended 30 June 2018 and 31 December 2018.

2. Basis of preparation

These condensed consolidated interim financial statements are for the six-month period ended 30 June 2019, using accounting policies consistent with IFRS as adopted for use in the European Union. The financial information has been prepared on the basis of IFRS that the Board of Directors expect to be applicable as at 30 June 2019.

These condensed consolidated interim financial statements have been prepared under the historical cost convention. There have been no changes in accounting policies as described in the 2018 annual financial statements other than the adoption of *IFRS16 Leases* from 1 January 2019. The adoption of IFRS16 had no material impact on these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements (continued)

3. Going Concern

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

As at 30 June 2019, the Group's current liabilities exceeded its current assets by $94.39 million due primarily to the portion of the Group's external borrowings that was scheduled to be repaid by 30 June 2019. Although the Group reported a loss after tax of $8,571,234 for the six months ended 30 June 2019 (30 June 2018: US$13,961,230) it had positive net cash inflows from operations of $3,471,933 for the six months ended 30 June 2019 (30 June 2018: cash outflow: US$1,163,325).

As at 30 June 2019 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, during the half-year the Group's lenders agreed to a standstill period within which the Group is relieved of making any principal or interest payments. This standstill agreement was extended on a number of occasions and it remains in place. 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.

These condensed consolidated interim financial statements do 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.

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.

	6 month period ended 30 June 2019 (unaudited) US$	*6 month period ended 30 June 2018 (unaudited) US$*	*Year ended 31 December 2018 (audited) US$*
Loss			
Net loss attributable to equity shareholders for the purpose of basic and diluted loss per share	(8,571,234)	(13,961,230)	(176,386,741)
Number of shares			
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,071,334,586	2,071,334,586	2,071,334,586
Basic and diluted loss cents per share	(0.41)	(0.67)	(8.51)

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

5. Loans

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.

The principal balance owing by the Group under the Facility Agreement as at 30 June 2019 was $63,300,000.

In March 2019 the Group sought, and was granted, a standstill period within which the Group is relived of making any principal or interest payments. This standstill agreement was extended on a number of occasions and it remains in place. The purpose of the standstill was 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.

Since 2015 the Company has entered into numerous facility agreements with two major shareholders, MTL (Luxembourg) Sarl and Runruno Holdings Limited (the "Mezzanine Lenders"). The purpose of these unsecured advances was for general corporate and working capital requirements of the Company and to enable completion of the Runruno project.

The principal balance owing by the Company to the Mezzanine Lenders as at 30 June 2019 was $40,840,581.

In conjunction with the Senior Lenders, the Mezzanine Lenders have granted the Group a standstill period within which the Group is relived of making any principal or interest payments; and to provide time for the Group, Senior Lenders and Mezzanine Lenders to negotiate a restructuring of the debt that will provide the Group with a sustainable debt position.

As at 30 June 2019 the Group's outstanding loan position (excluding outstanding interest/fees) was:

	June 2019 *$*	*June 2018* *$*	*Dec 2018* *$*
Total loans due within one year	81,710,145	51,300,276	76,955,272
Total loans due after more than one year	22,430,436	41,387,821	26,286,052

6. Subsequent Events

Other than as disclosed in Note 5 above there has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.