METALS EXPLORATION PLC

Registered Number 05098945

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Contents

DIRECTORS AND ADVISERS

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	D.P. Bowden	(Chief Executive Officer)
	A. Stancliffe	(Non-Executive Director)

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Company's registered number 05098945

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 improved 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 flow on effects into 2019 and 2020 where operations will need to play 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 new/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 early 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 our 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 this manifests itself through a number of 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.

Guy Walker, Interim Non-Executive Chairman
29 May 2019

CORPORATE GOVERNANCE STATEMENT

As a result of recent changes to the AIM Rules for Companies (the “AIM Rules”), the Board has reviewed which recognised corporate governance code to apply to the Company on a “comply or explain” basis, as required by AIM Rule 26. The Board has chosen to adhere to the Quoted Companies Alliance’s Corporate Governance Code for small and mid-size quoted companies (as updated in April 2018) (the “QCA Code” or the “Code”).

The Board recognises the importance of maintaining appropriately high standards of corporate governance and has put in place governance structures that would be expected in light of the Group’s size, stage of development and resources. In ensuring good corporate governance the Company applies the principles of the QCA Code as detailed below.

	Principle	Disclosure
1	**Establish a strategy and business model which promotes long-term value for shareholders**	Metals Exploration Plc is a mineral resources exploration and development company. It owns 100% of the Runruno Gold Project located in the north of the Philippines. It is registered in England and Wales and quoted on the AIM market of the London Stock Exchange with ticker identity MTL. Metals Exploration`s management strategy and corporate plan is to: - Provide shareholders with high capital growth potential, delivered by developing a mineral project into a world class mine. - Undertake cost-effective and precise exploration on those targets most likely to deliver real shareholder wealth. - Respect the indigenous culture of the exploration and development areas and to promote social and economic development for the traditional custodians. - Manage the inherent value of its mining properties portfolio by delivering an efficient low-cost mining operation. - Conduct operations in a safe and environmentally responsible manner to industry best practice standards. - Offer employment opportunities to those who live in the exploration project areas. This Annual Report sets out a number of the key risks and uncertainties that may represent challenges to the successful execution of the Company’s strategy and business model, and how such risks and uncertainties are managed by the Company. These risks are set out in the following Directors Report and notes 31 and 32.
2	**Seek to understand and meet shareholder needs and expectations**	The Company has an established programme of engaging openly with its shareholders. Communications occur via its corporate website, the publication of its Annual Report and the Interim Results, trading and other announcements made via a regulatory information service and at its Annual General Meeting and General Meetings where the Board encourages investors to participate. The Company’s website contains information on the Company’s business, corporate information and specific disclosures required under the AIM Rules and the QCA Code. Following the announcement of the Company’s full year and half yearly results the Company may make presentations to institutional shareholders, private client brokers and investment analysts, as appropriate. Periodic meetings and site visits are held with existing and prospective institutional and other investors. Formal feedback from shareholder meetings is provided by the Company’s broker and discussion of this feedback is a standard item on the Board’s agenda.
3	**Consider stakeholder and social responsibilities and their implications for long term-success**	The Company recognises its responsibility to promote its success for the benefit of all its stakeholders and understands that the business has a responsibility towards its shareholders, employees, partners, customers, funders, suppliers and to the local communities where its projects and operations are based. The Board is also conscious that the tone and culture that it sets will impact all aspects of the Company and the way its employees behave and operate. The importance of maintaining sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Company has close ongoing relationships with a broad range of stakeholders, monitoring feedback from them and uses such feedback to develop future policy.

		The Company undertakes its exploration and mining activities in a manner that seeks to minimise or eliminate negative environmental impacts and that seeks to maximise positive impacts of an environmental nature. As a mining company, the Company ensures proper environmental stewardship on its projects that promotes convergence around common environmental and social standards. The Company operates a comprehensive health and safety programme to ensure the wellness and security of its employees. The control and eventual elimination of all work related hazards requires a dedicated team effort involving the active participation of all employees. A comprehensive health and safety programme is the primary means for delivering best practices in health and safety management. This programme is regularly updated to incorporate employee's suggestions, lessons learned from past incidents and new guidelines related to new projects with the aim of identifying areas for further improvement in health and safety management. This results in continuous improvement in the health and safety programme. Employee involvement is fundamental in recognising and reporting unsafe conditions and avoiding events that may result in injuries and accidents.
4	**Embed effective risk management, considering both opportunities and threats, throughout the organisation**	The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve the execution of the Company's strategic objectives and business model. The Board monitors financial controls through the setting and approval of an annual budget and the regular review of monthly management accounts. The management accounts contain a number of indicators that are designed to reduce the possibility of mis-statement in the financial statements. Each year, on behalf of the Board, the Audit Committee reviews the effectiveness of the Company's system of internal controls. This is achieved primarily via a comprehensive review of risks which cover both financial and non-financial issues potentially affecting the Group and from discussions with the external auditor. Details of these risks, and their management, are contained in the Company's Annual Report and Accounts. The Board is not aware of any significant failings or weaknesses in the Company's existing system of internal controls. Although there currently is no internal audit function, the Board will review the need for an internal audit function as the Company's mining operations stablise and mature.
5	**Maintain the Board as a well-functioning, balanced team led by the chair**	The purpose of the Board is to ensure that the business is managed for the long-term benefit of all shareholders, whilst at the same time having regard for employees, customers, suppliers and our impact on the environment and the communities in which we operate. The full Board is responsible and accountable to shareholders for the management and success of the Group and for providing effective controls to assess and manage the risks that the Company faces. The Group's business is directed by the Board and is managed on a day-to-day basis by the Chief Executive Officer. The Board monitors compliance with the objectives and policies of the Group through monthly performance reporting, budget updates and periodic operational reviews. The Company is the subject of a Shareholders Agreement ("Agreement") dated 8 March 2011 (adopted by shareholder resolution at a General Meeting of the Company on 4 April 2011) which influences the composition of the Board and its operations, for the benefit of all shareholders and is explained below. Pursuant to the Agreement the appointment, dismissal and conduct of Directors is regulated in accordance with the Agreement and the Articles of Association ("Articles"). The Company is currently led by a Board comprising: - the interim Non-Executive Chairman nominated to the Board by the significant shareholder Runruno Holdings Limited; - the Chief Executive Officer; and - a Non-Executive Director nominated to the Board by the major shareholder MTL (Luxembourg) Sarl.

The major shareholder can nominate up to three Non-Executive Directors. Those directors nominated by shareholders are not independent but have relevant experience from which the Company can benefit.

Whilst the Company has not appointed an independent non-executive director, the Board considers that this does not detract from the impartiality of the Board in effective decision making and each of the Non-Executive Directors bring an independent judgment to bear. The members of the Board have suitable of knowledge of the Company and expertise to discharge their duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. Any Director must declare a conflict of interest in relation to a particular item of business before commencement of discussion on the topic.

The Board intends to continue to assess and monitor the Company's requirements in this regard, and expect to review the situation on an ongoing basis. The appointment of at least one independent non-executive director with relevant mining industry experience is considered a priority action for the Board to fulfill.

The Board's role is to oversee and manage the Group as responsibly and efficiently as possible. It meets at least once every six weeks, to discuss a broad range of significant matters specifically reserved for its decision making including vision, strategy, operations performance, fund-raising and financial performance. All significant decisions are made by the Directors with all Directors participating in the key areas of decision-making, including the appointment of new Directors. The Board receives timely information on all material aspects for the Group to enable it to discharge its duties. The Executive Director provides an appraisal of the current status and short-term plans for operational and development activities. In addition to its schedule the Board convenes restricted agenda meetings on an 'as required' basis. Minutes of the meetings of the Directors are also circulated to the Board for approval.

On appointment non-executive directors warrant to commit sufficient time on the business of the Company to maintain a full understanding of the business of the Company including visiting the Company's operations in the Philippines on a regular basis. It is expected that non-executive directors spend a minimum of two days per calendar month on Company business.

All Directors are subject to the re-election provisions of the Articles, which requires one third of the Directors to retire by rotation at every annual general meeting and for each Director to offer himself for re-election at least once every three years.

The Directors have delegated some of their responsibilities to various Committees, which operate within specific terms of reference. In the event of a proposal to appoint a new Director, this would be discussed at a Board meeting, with each Director being given the opportunity to meet the candidate prior to any formal decision being taken. Due to the small size of the Board no Nomination Committee has been established.

Mr Guy Walker holds the position as interim Non-Executive Chairman of the Board of Directors of the Company and has been associated with the Company since 2011.

The Chairman has the primary responsibility to deliver the Company's corporate governance model as decided upon by the Board. The Chairman is supported by an experienced Chief Financial Officer ("CFO") for all financial related matters and an experienced Company Secretary ("CoSec") who assists the Chairman prepare for and run effective Board meetings. The CFO and CoSec advise the Chair and the Board on financial, legal and governance developments.

In compliance with UK best practice, the Board has established corporate governance committees with formally delegated duties and responsibilities and implemented certain policies, to ensure that:

- the Company is led by an effective Board of Directors which is collectively responsible for the long-term success of the Company;
- the Board and its Committees have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively;
- the Board establishes formal and transparent arrangements for considering how it applies corporate reporting, risk management, and internal control principles;

- it maintains an appropriate relationship with the Company's auditors; and
- there is a dialogue with shareholders based on a mutual understanding of objectives.

The Company has established an Audit Committee comprising two Non-Executive Directors with relevant financial experience; the Chief Financial Officer attends audit committee meetings on the invitation of the members and provides additional support where required. Directors attendance at audit committee meetings held during the year are disclosed in the following Directors Report.

The Audit Committee is primarily responsible for:

- agreeing the scope of and reviewing the results of the audit
- deciding auditor’s remuneration and auditor independence and objectivity;
- recommending adoption of the annual and interim financial statements of the Company;
- ensuring the financial records of the Company have been properly maintained; and
- ensuring the financial statements comply with appropriate accounting standards to give a true and fair view of the Company’s financial position and performance.

The Audit Committee may examine any matters relating to the financial affairs of the Group including but not limited to its annual and interim financial statements and announcements, internal control procedures, accounting procedures and accounting policies.

During the financial year the audit committee met twice in order to approve the issue of the Group’s financial results and to consider the financial risks faced by the business. The Committee will continue to closely monitor the financial risks faced by the business and progress made towards mitigating these.

The external Auditors have direct access to the members of the Audit Committee, without presence of the executive Directors, for independent discussions.

The main purpose of the Remuneration Committee is to determine and agree the framework or broad policy for and approval of terms of service, remuneration and other benefits of the Executive Directors and senior officers. The Remuneration Committee comprises two Non-Executive Directors.

The remuneration and terms and conditions of appointment of Non-Executive Directors are set by the Board in accordance with the Shareholder’s Agreement. Details of directors’ remuneration are set out in the following Directors Report.

When making remuneration decisions the members take into consideration the size and nature of the business and the importance of retaining and motivating management. The Remuneration Committee generally meets at least once a year and at other times as appropriate.

There were no formal meetings of the Remuneration Committee during the financial year as remuneration matters were considered by the full board, however, the Committee’s future focus will be to ensure that reward at the Company is closely aligned with the delivery of long term shareholder value.

In light of the size of the Board, the Directors do not consider it necessary to establish a Nomination Committee. However, this will be kept under regular review.

The Board and its various committees receive appropriate and timely information prior to each meeting. A formal agenda is produced for each meeting and board committee papers are distributed several days before meetings take place. Any director can challenge proposals with decisions being taken after due discussion. Any director can ask for a concern to be noted in the minutes of the meeting which are circulated to all directors. Specific actions arising from meetings are agreed by the Board or relevant committee and then followed up by management.

All relevant directors attended all board and committee meetings during the Company’s last financial year. All directors spend such time as is necessary to effectively carry out their roles and directors have access to advice or services needed to enable them to carry out their roles and duties effectively.

6	**Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**	The directors of the Company are: • Guy Walker, Interim Non-Executive Chairman • Darren Bowden, Chief Executive Officer • Andrew Stancliffe, Non-Executive Director The skills and experience of the Board are set out in their biographical details included within the About Us and Investor Centre sections of the Company's website and are considered by the Board as representing an appropriate range of capabilities needed to deliver the strategy of the Company for the benefit of its shareholders over the medium to long term. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. Notwithstanding the above the Board intends to appoint at least one additional independent non-executive director with direct mining industry experience to broaden the range of skills and experience of the Board. MSP Corporate Services Limited acts as Company Secretary.
7	**Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**	The collective performance of the Board is reflected in the success of the business. Evaluation of the performance of the Board, its Committees and individual members has historically been implemented on an on-going and ad hoc basis given the stage of the Company's development. The Company does not therefore currently comply with Principle 7 but it is currently reviewing a formal internal board evaluation process that will be led by the Chairman. Succession planning is currently the responsibility of the Board as a whole, the establishment of a Nominations Committee not being considered necessary due to the current size of the Board.
8	**Promote a corporate culture that is based on ethical values and behaviours**	The Board recognises that its decisions will impact the corporate culture of the Group as a whole and that this will affect the performance of the business. The Board is also very conscious that the tone and culture that it sets will greatly impact all aspects of the Group and the way that employees behave and operate. The importance of maintaining sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives. The Company seeks to ensure that responsible business practice is fully integrated into the management of all its operations and into the culture of all parts of the Group's business. It believes that the consistent adoption of responsible business practice is essential for operational excellence, which in turn is expected to ensure the delivery of its core objectives of, *inter alia*, sustained real growth in future profitability. In addition, employee involvement is recognised as fundamental in recognising and reporting unsafe conditions and avoiding events that may result in injuries and accidents, which, in turn, as a mining company, the Board considers, to be a fundamental part of recognising and establishing ethical values and behaviours throughout the Group.
9	**Maintain Governance structures and processes that are fit for purpose and support good decision making by the Board**	The Company maintains appropriate governance structures and processes according to its current size and complexity, and its stage of development and level of resources. There is a clear division of responsibility between the Non-Executive Chairman and the Chief Executive Officer. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. In addition, the Chairman is responsible for the implementation and practice of sound corporate governance. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Group. The role of the Non-Executive Director includes questioning and challenging the Executive Director and assisting where possible in developing strategic proposals, reviewing and commenting on the integrity of the Company's financial reporting systems and the information they provide; recommending appropriate standards of corporate governance; reviewing internal control systems; ensuring that risk management systems are robust and reviewing corporate performance and ensuring that performance is reported to shareholders. The roles of the Board and its Committees are described further in Principle 5 above.

10	**Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**	The Company recognises that meaningful engagement with its shareholders is integral to the continued success of the Group and the Company has actively engaged with its shareholders through meetings, presentations and roadshows. The Board believes that the Annual Report and Accounts, and the Interim Results published at the half-year stage, play an important part in presenting all shareholders with an assessment of the Company's position and prospects. All regulatory announcements are published on the Company's website. The Annual General Meeting and General Meetings are an opportunity for shareholders to meet and discuss the Company's business with the Directors. The Board is supported by the Audit and Remuneration Committees, each of which has access to such information, resources and advice that it deems necessary, at the Company's cost, to enable the committee to discharge its duties. These duties are set out in the Terms of Reference of each committee.

STRATEGIC REPORT

The Runruno operation's 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 significant 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 process 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.

Refer to Note 23 for details of these short term debt facilities.

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.

Approved by the Board of Directors and signed on behalf of the Board

Darren Bowden, *Chief Executive Officer*
29 May 2019

DIRECTORS' REPORT

The Directors present their Annual Report together with the audited financial statements of Metals Exploration plc and its subsidiary undertakings (the 'Group') for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES
The principal activity of the Group is to identify, acquire, explore and develop mining and processing projects, mining companies, businesses or opportunities with particular emphasis on precious and base metals mining opportunities in the Western Pacific Rim region.

The Company was incorporated on 8 April 2004 under the Companies Act 1985 (now Companies Act 2006) and is registered in England and Wales with registered number 05098945.

The principal activity of the Company is that of a holding Company for its subsidiary undertakings, which is set out in Note 15 of the financial statements.

Since the Company's admission to AIM in October 2004, the Group has focused efforts on the acquisition and development of exploration properties in South East Asia.

FINANCIAL RESULTS
For the year ended 31 December 2018 the loss on ordinary activities of the Group was $176.39 million (2017: loss of $17.37 million).

DIVIDENDS
The Directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: $nil).

BUSINESS REVIEW AND FUTURE DEVELOPMENTS
A review of the current and future development of the Group's business is given in the Chairman's Statement on page 3 and the Strategic Report on page 11.

NOMINATED ADVISOR & STOCK BROKER
On 12 April 2019 the Company changed its nominated advisor and stockbroker from Canaccord Genuity Limited to Strand Hanson Limited.

AUDITOR
Nexia Smith & Williamson was re-appointed as auditor of the Company at the Annual General Meeting held in 2018 and it is proposed that they be re-appointed at the Company's forthcoming Annual General Meeting to be held on Tuesday 25 June 2019.

DIRECTORS & DIRECTORS' INTERESTS
The Directors of the Company during the year and since the year end were:

Guy Walker	(Interim Non-Executive Chairman)
Darren Bowden	(Chief Executive Officer) *appointed 1 January 2019*
Andrew Stancliffe	(Non-Executive Director) *appointed 5 February 2019*
Lucian Simovici	(Non-Executive Director) *resigned 5 February 2019*
Ian Holzberger	(Executive Chairman) *resigned 24 January 2019*
Timothy Dean	(Non-Executive Director) *resigned 10 May 2018*
Julian Wilson	(Non-Executive Director) *resigned 10 May 2018*

As at the date of this report no Director held a beneficial interest in the Company nor did any Director have any interest in unissued ordinary shares granted by the Company under share options in his name and/or under controlled subsidiaries.

During the year the following payments were paid by the Company and its controlled subsidiaries to the Directors:

- to Mr Ian R. Holzberger $750,000 (2017: $750,180) for his services provided as Director and Chairman of the Company;
- to MTL (Luxembourg) Sarl[1] $56,696 (2017: $93,372) for services provided by three Non-Executive Directors
- to Runruno Holdings Limited[2] $67,024 (2017: $64,841) for services provided by a Non-Executive Director

Note:

[1] Further details relating to a Services Agreement between MTL (Luxembourg) Sarl and the Company are provided in Note 7 to the Financial Statements.

[2] Further details relating to a Services Agreement between Runruno Holdings Limited and the Company are provided in Note 7 to the Financial Statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, or any of its subsidiary companies was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the year.

DIRECTORS' MEETINGS

The Directors hold meetings on a regular basis, special telephone meetings as required and written resolutions circulated by email as and when required to deal with items of business from time to time. In accordance with the Company's Articles of Association a written resolution requires to be signed by all Directors of the Company. Where it was necessary the Independent Director of the Company dealt with matters where non-independent Directors may be conflicted. Meetings held and attended by each Director during the year of review were:

		SUMMARY OF MEETING ATTENDANCE				
		IAN HOLZBERGER	TIM DEAN	EDI SIMOVICI	GUY WALKER	JULIAN WILSON
Board general meetings	8	100%	100%	100%	100%	100%
Board special meetings	5	100%		100%	100%	
Board written resolutions	4	100%	100%	100%	100%	100%
Meetings of independent directors Only	3	100%	-	-	-	-
	20	**100%**	**100%**	**100%**	**100%**	**100%**
Attended		***20 out of 20***	***4 out of 4***	***17 out of 17***	***17 out of 17***	***4 out of 4***
Audit Committee	2	-	-	100%	100%	-

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The Board of Directors review the principal risks and uncertainties facing the Group on an ongoing and regular basis. Assessments are made as to how to manage these and mitigate as much risk as possible through various controls. Many of these risks and uncertainties are common to all mining projects. The principal risks and uncertainties facing the Group are identified as follows:

Availability of funding

The Group's access to further financing as a source of funding for the Runruno Project and other projects is subject to various factors, many of which are outside of its control, such as political instability, an economic downturn, social unrest, or changes in the Philippine regulatory environment, changes to the Company's regulatory environment (including but not limited to the AIM Rules, the Financial Conduct Authority's Rules and Regulations) which result in an increase in the cost of borrowing of the Group or restrict its ability to obtain financing. There is no assurance that the Group will be able to arrange financing on acceptable terms, if at all. If the Group were unable to obtain financing from banks and other financial institutions or from capital markets this would adversely affect the ability of the Group to execute its development and growth strategies as well as its financial condition and prospects.

If adequate funds are not available to satisfy either short or long-term capital requirements, the Group may be required to limit its operations significantly.

In order to mitigate this risk the Group is in ongoing discussions with both senior lenders and mezzanine debt lenders with the aim to secure a restructuring of its existing debt such that the Group's debt facilities can be funded on a sustainable basis. There is no guarantee that the Group will be able to negotiate an acceptable outcome in this matter.

Market risk

The profitability of the Group's development projects is impacted by the general risks associated with the gold market. Profitability can be affected by factors beyond the Group's control, such as a prolonged decline in world gold prices. The Group regularly tracks gold prices and regularly refines its models on financial profitability in order to have available for the Board at all times, a current view on the future financial viability of its active projects.

Shareholders' decisions to invest in other mining projects are significantly influenced by the availability of funding, relative prices of metals and future expectations for such prices.

The Group is exposed to currency risks in operations; (i) Philippine domestic peso currency exposure from costs associated with mining and gold recovery, (ii) US dollar currency exposure due to sales of its gold output and spares, fuel and process consumables, certain legal fees and borrowings are US dollar denominated or linked, and (iii) GB Pounds currency exposure from UK costs associated with the parent entity and AIM listing compliance. These currency exposures require careful management to maximise shareholder value but the exposure cannot be diversified away altogether.

Nature of mining and resource estimation

Exploration and development of mineral deposits involve a wide range of significant risks over an extended period of time. These risks are seldom constant with new types invariably arising and adding to the industry's and Group's challenges.

Mineral resource and reserves estimation provides no assurance that the potential tonnage and grades will be achieved. The exploration of mineral rights is speculative in nature and any published results are expressions of judgement developed using industry tested measuring techniques, none of which can be relied upon with complete certainty. Each set of published results builds upon the previous published information and includes any new and reliable information from systematic drill results, mining, and recovery and reconciliation activities and is independently verified by qualified persons.

However, this still involves experience, judgement, skill and estimation, all of which are imprecise, interpretative and open to challenge. The actual results of mining may differ upwards and downwards from the published reserves upon which the Group relies in its business projections.

The size of the deposit, its grade, depth and type of orebody, are only some of the particular attributes which determine the costs and recovery methods required to be employed. There is also the length of haul to the processing plant, age and maintenance programmes for plant and equipment, land access, environmental protection and community relations, capital costs, reclamation and closure costs and labour and host community relations. The quantities, costs and assumptions used to identify and interpret these variables can be modelled to the lowest level of detail possible, but they do not provide absolute certainty that the expected cost of mining will be achieved.

Mining regulatory risk
Mining investors are exposed to a high level of regulatory risk under the governing bodies responsible for the Philippine mining sector. There are a wide array of ‘rules and regulations’ (the “Rules”) that govern the regulatory regime for foreign mining investment in the Philippines and the Rules are created and enforced by several layers of government and government agencies nationally, provincially and locally. The Philippines mining industry has also recently been subject to increased audit and review activity by regulatory agencies.

Failure to receive, extend or amend any Regulatory Approval, or delays in receiving, extending or amending any Regulatory Approval may adversely affect the properties, business or operations of the Group including, but not limited to, increasing the costs of the Group’s activities; limiting the Group’s capacity to produce gold; delaying the implementation of any planned changes to the Group’s activities; or requiring the full or partial suspension of the Group’s operations.

The Group has almost 500 approvals, licences and permits to conduct mining, processing and related activities at its Runruno Gold Project in the Philippines (collectively “Regulatory Approvals”) and is routinely required to obtain new permits and Regulatory Approvals or to amend, renew or extend its existing permits and Regulatory Approvals.

As at the date of this Report, neither the Group nor its mining project is subject to any suspension or closure order. The Group has applied for or is in the process of, applying for the issue, extension or renewal of a number of Regulatory Approvals and cannot be certain that they will be issued, extended or renewed on acceptable terms or within the required timeframes.

Key personnel
The Group’s future success is very dependent upon the continued service of senior management, and its highly skilled and trained personnel in all levels of management, however the retention of relevant members of staff cannot be guaranteed. There can be no certainty that the Group can recruit suitably qualified or skilled employees in a competitive, highly skilled, specialist industry and it is very probable the Group will face periods of varying lengths of management and skills shortages. Where key personnel cannot be retained in the medium to long term the Group’s commercial production could be compromised at various intervals.

Environmental risk
Mining operations are by nature environmentally risky ventures. As a responsible miner the Group takes its environmental responsibilities very seriously and is subject to stringent rules and regulations before, during and after its period of exploration and mining development. Open pit mining is mining on a large-scale and has the potential to become entangled in environmental disputes. The Group employs every effort to avoid and mitigate even the most minor of damage to the environment but it is aware it will always be exposed to these risks for as long as it is present at Runruno.

Any breach of its environmental code or obligations to the environment as dictated in its FTAA or its Environmental Compliance Certificate may result in a temporary suspension of operations, fines, and even the possibility of closure of mining operations at Runruno. The Group is aware there will be further environmental standards imposed throughout the life of its mining operations which will involve further costs, time and compromises to be compliant.

Political and Country Risk
The Philippines is a particularly challenging jurisdiction for foreign mining companies to succeed. During the early 70's mining accounted for nearly 20% of the country's GDP but mining currently accounts for approximately 3% of GDP. Political and country risk issues continue to hold back the development of a world class mining industry. Since 1995 there have been a number of attempts to renew the development of the mining sector but bureaucracy and policy uncertainty has made a challenging climate for foreign investing mining companies. Provincial governments, regulators and the judiciary undermine confidence in the Philippines mining industry. These include:

- Several attempts to repeal the 1995 Mining Act;
- Recent environmental protection laws ('Writ of Kalikasan') and judicial procedures opening up the potential for mining opponents to delay mining projects unfairly; and
- Provincial level 'laws' banning open-cut mining, although the legal basis for doing so is questionable.

The Group has no control or influence in these matters and these risks are a constant.

To mitigate this risk, the Group applied for and was granted a Financial or Technical Assistance Agreement, a contract in law with the government. The 1995 Mining Act allows 100% foreign ownership of mining entities where there is a US $50 million investment or higher, through the ownership of a FTAA. Mines operating under a FTAA have recourse for disputes to be arbitrated offshore. Despite opposition to the 1995 Mining Act successive Presidents have supported the framework.

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.

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 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 financing 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 external lenders have agreed to successive standstill periods within which the Group is relieved of making any principal or interest payments, and such that no event of default has occurred. The current 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.

As a result the Group believes that there is a reasonable expectation that it will be successful in restructuring its external financing 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 Gold Project successfully so as to generate sufficient cash flows from the Project to enable the Group to settle its liabilities (including the expected restructured external borrowings) 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 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 total debt such that the Group will be able to meet its working capital requirements; and
- The Group will achieve its revised forecast levels of gold production.

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

KEY PERFORMANCE INDICATORS
The Directors monitor the performance of the Group through the following key performance indicators:

- Ensuring sufficient timely reporting to ensure the Group continues to obtain permits sufficient for its operation to continue. The Group is confident of its satisfaction of the compliance obligations imposed on its operations and its ability to maintain and renew permits as required.
- The outcome of technical work undertaken on the Company's projects measured against budgets, forecasts, expectations and industry benchmarks. Since the commencement of production operations the Runruno project gold recoveries have been well below feasibility forecasts. Significant studies are currently being undertaken in order to better understand the issues surrounding the poor recovery levels and how to economically improve gold recovery. As a result the LOM expectations have been adjusted to account for lower gold recoveries. Gold recoveries are continuously monitored to provide detailed information for ongoing studies.
- The mining results to date at Runruno have cast some uncertainty upon the Group's resource model. The Group has had to mine more ore at a lower grade than was estimated in the feasibility study. These mining results have cast some doubt over the Group's existing JORC compliant resource model. The Group has not updated its JORC compliant resource model since March 2013. Additional drilling will need to be undertaken to improve the understanding of the deposit and to improve confidence in ore zones scheduled to be mined in accordance with the LOM mining plan.
- The cost efficiencies of operations measured against budgets and forecasts. Detailed annual budgets are approved by the Board. Detailed monthly reviews of actual expenditure and committed expenditure are undertaken. Projected costs and physical performance are re-forecast at regular intervals. Refer to the Strategic Report regarding current performance against forecasts.

EVENTS AFTER THE BALANCE SHEET DATE
Details of significant events occurring after the balance sheet date are set out in Note 34 to the consolidated financial statements.

FINANCIAL RISK MANAGEMENT
Details of the Group's policies with respect to financial risk management are given in Note 31 to the financial statements.

Given the size of the Group the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The Group's finance departments implement policies set by the Board of Directors.

CORPORATE RESPONSIBILITY AND ENVIRONMENTAL POLICY
The Group's policy is to conduct operations in a safe and environmentally responsible manner to industry best practice standards, to respect the indigenous culture of the mining project areas, to promote social and economic development for the traditional custodians and to offer employment and training opportunities to those who live in the mining project areas.

POLITICAL CONTRIBUTIONS AND CHARITABLE CONTRIBUTIONS
During the year of review the Group did not make any political contributions or charitable donations.

ANNUAL GENERAL MEETING
This report and the financial statements will be presented to shareholders for their approval at the Annual General Meeting ("AGM").

The Company's AGM is convened for Tuesday 25 June 2019 at 3.00 pm to be held at the offices of Kerman & Co LLP located at 200 Strand, London WC2R 1DJ. The Notice of the AGM is enclosed with the financial statements.

The Notice includes items of Special Business and an explanation regarding such business can be found at the end of the Notice.

Guy Walker will retire by rotation; while Messrs. Andrew Stancliffe and Darren Bowden will also retire as they were appointed to fill casual vacancies. Each of these directors will offer themselves for re-election at the AGM.

SHARE CAPITAL
On 1 January 2018 and 31 December 2018 there were 2,071,334,586 ordinary shares of 1p each in issue.

SUBSTANTIAL SHAREHOLDINGS
At 31 December 2018, the Company is either aware of or has been notified of the following shareholders who hold disclosable interests of 3% or more of the nominal value of the Company's shares:

Substantial Shareholders	Shares held as of 31 December 2018	%	Shares held as of 31 December 2017	%
MTL (Luxembourg) Sarl[1]	970,532,143	46.9%	970,532,143	46.9%
Runruno Holdings Ltd	393,513,302	19.0%	393,513,302	19.0%
Baker Steel Capital Managers LLP[3]	143,077,681	6.9%	143,077,681	6.9%
Ruffer LLP[2]	127,252,718	6.1%	134,844,466	6.5%
JIM Nominees	80,767,865	3.9%	67,131,798	3.2%

[1]MTL (Luxembourg) Sarl includes 1m shares owned by a related party; Ms. Crompton Candy.

[2]Ruffer LLP acting on behalf of its' clients.

[3]Baker Steel Capital Managers LLP acting on behalf of various funds for which it acts as full discretionary Investment Manager.

DISCLOSURE OF INFORMATION TO THE AUDITORS

The Directors at the date of approval of this Annual Report individually confirm that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board

D Bowden, Chief Executive Officer
29 May 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METALS EXPLORATION PLC

Opinion

We have audited the financial statements of Metals Exploration Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that at 31 December 2018 the Group is dependent on securing an agreement with the loan providers for the restructuring of its current debt in order to meet its liabilities as they fall due.

In the event that existing debt is not restructured the Group cannot meet scheduled external debt repayments as at 31 December 2018. In this instance plant and equipment held by the Group at $80,416,625 may be further impaired, additional liabilities may arise and assets and liabilities currently classified as non-current may become current.

As stated in note 1, these conditions represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

We identified the key audit matters described below as those that were of most significance in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Key audit matter	***Description of risk***	***How the matter was addressed in the audit and key observations arising with respect to that risk***
Carrying value and impairment of: goodwill, construction in progress and mining properties (Group); investments in subsidiaries and amounts owed by group undertakings (Company)	The Group has significant goodwill, construction in progress and mining properties asset balances and the Company has significant investments in subsidiaries and amounts owed by group undertakings. In accordance with IAS 16 “Property, plant and equipment” the Directors are required to perform a review for impairment of long-lived assets at any time an indicator of impairment exists. The Directors assessed that there were indicators of impairment at the Runruno Cash Generating Unit (“CGU”) due to delays in gold production reaching forecast levels and reassessment of the life of the mine (LOM) mining schedule. The assessment of the carrying value requires significant judgement in assessing forecast cash flows which are in part dependent on gold recovery rates, market gold prices; and discount rates. The assessment of the carrying value of these balances and consequently any required impairment is sensitive to these assumptions.	We challenged the assumptions used in the impairment model for goodwill, as described in note 8. These assumptions were also used in assessing the carrying value and impairment of construction in progress and mining properties, investments in subsidiaries and amounts owed by group undertakings. As part of our procedures we: • reviewed management’s assessment of whether there were any indicators of impairment to ensure that their conclusions were consistent with our understanding of the Group; • reviewed the findings of the component auditors impairment reviews; • assessed the appropriateness of the assumptions concerning forecast market gold prices and inputs to the discount rate against available market data; • agreed estimated gold reserves to the most recent Competent Person’s Mineral Resource and Ore Reserve Report and assessed the suitability of this management expert; and • performed sensitivity analysis to calculate the minimum production volumes and gold price and maximum discount rate to avoid an asset impairment and compared them to those achieved in previous years.

Revenue recognition (Group)	Revenue is a key performance indicator of the Group. Cash generation is required in order to be able to meet loan capital and interest repayments as they fall due. Revenue based targets may place pressure on management to distort revenue recognition. This may result in overstatement to assist in meeting current targets or expectations.	The Group's revenue recognition policies are stated in note 1. In testing revenue recognition we have reviewed the component auditor's working papers in respect of: • review of revenue contracts; • testing relating to controls over revenue recognition which have been designed by the Group to prevent and detect fraud and errors in revenue recognition; and • detailed testing of a sample of revenue transactions, including confirmation of metal delivery, to ensure that revenue had been recognised in accordance with the Groups accounting policies.

Materiality
The materiality for the group financial statements as a whole was set at $3,470,000. This has been determined with reference to the benchmark of the group's total assets, which we consider to be one of the principal considerations for members of the parent company in assessing the performance of the group. Materiality represents 3% of total assets.

The materiality for the parent company financial statements as a whole was set at $2,255,000. This has been determined with reference to the benchmark of the parent company's total assets as the parent company exists only as a holding company for the group and carries on no trade in its own right. Materiality represents 5% of net assets as presented on the face of the parent company's Statement of Financial Position capped at the materiality level set for the group.

An overview of the scope of our audit
Of the group's 7 reporting components, we subjected 2 to audits for group reporting purposes

The components within the scope of our work covered: 100% of group revenue and 99.9% of group net assets.

For the remaining 5 components, we performed analysis at a group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The group audit team visited two component locations in the UK and the Philippines. Telephone conference and physical meetings were held with the component auditors in the Philippines. At these visits and meetings, the group audit team discussed the component auditors' risk assessments and planned audit approach. Once the audit work was completed, the findings reported to the group audit team were discussed in more detail, and any further work required by the group audit team was then performed by the component auditor. In addition to these planned visits and meetings, the group audit team sent detailed instructions to the component audit teams and reviewed their audit working papers.

Other information
The other information comprises the information included in the Annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Jacques	25 Moorgate
Senior Statutory Auditor, for and on behalf of	London
Nexia Smith & Williamson	EC2R 6AY
Statutory Auditor	
Chartered Accountants	29 May 2019

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	3	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	4	**(18,820,269)**	**(10,779,135)**	**(12,892,952)**
Impairment loss	8	(179,833,796)	-	-
Net finance and other costs	8	20,735,018	(2,121,676)	(5,743,236)
Share of profit / (losses) of associates	16	5,851	(11,009)	10,793
Fair value gain/(loss) on forward sales contracts	21	-	(4,925,836)	(9,053,839)
Fair value loss on interest rate swaps	21	-	(86,501)	(59,458)
(Losses) before tax		**(177,913,196)**	**(17,924,157)**	**(27,738,692)**
Taxation	9/10	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	11	**(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	12	80,416,625	231,378,761	229,603,399
Goodwill	13	-	1,363,977	1,243,775
Other intangible assets	14	98,533	12,813,351	12,614,825
Derivative asset		-	-	1,756,457
Investment in associate companies	16	138,579	130,980	129,883
Trade and other receivables	17	3,333,083	7,612,158	2,575,557
		83,986,820	**253,299,227**	**247,923,896**
Current assets				
Inventories	22	6,973,238	1,151,753	614,328
Derivative asset	21	-	15,476	3,512,917
Trade and other receivables	18	6,166,463	2,727,641	3,249,867
Cash and cash equivalents	19	1,497,431	725,201	7,366,178
		14,637,132	**4,620,071**	**14,743,290**
Non-current liabilities				
Loans	23	(26,286,052)	(57,093,948)	(29,125,109)
Trade and other payables	20	(673,819)	(728,638)	-
Derivative liability		-	-	(12,398)
Deferred tax liabilities	10	(722,977)	(2,208,784)	(2,780,727)
Provision for mine rehabilitation	24	(2,150,633)	(1,949,738)	(1,852,723)
		(29,833,481)	**(61,981,108)**	**(33,770,957)**
Current liabilities				
Trade and other payables	20	(22,301,058)	(14,037,015)	(7,462,873)
Loans - current portion	23	(76,955,272)	(35,834,099)	(58,078,116)
Derivative liability	21	-	(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	25	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**

The financial statements were approved by the Board of Directors on 29 May 2019 and were signed on its behalf by:

Guy R. Walker, *Non-Executive Chairman*
29 May 2019

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 US$	Restated 2017 US$	Restated 2016 US$
Net cash used in operating activities	27	**(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	23	(500,000)	(30,959,886)	(1,815,959)
Proceeds from borrowings	23	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**

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Notes	2018 US$	Restated 2017 US$	Restated 2016 US$
Non-current assets				
Investment in subsidiaries	15	-	8,173,269	7,452,991
		-	**8,173,269**	**7,452,991**
Current assets				
Other assets		-	-	19,829
Trade and other receivables	18	487,126	214,698,680	173,352,785
Cash and cash equivalents	19	664,642	175,796	6,052,290
		1,151,768	**214,874,476**	**179,424,904**
Current liabilities				
Loans	23	(13,655,272)	-	-
Trade and other payables	20	(7,177,732)	(969,996)	(315,159)
Non-current liabilities				
Loans	23	(26,286,052)	(28,780,585)	(6,094,133)
Net assets		**(45,967,288)**	**193,297,164**	**180,468,603**
Equity				
Share capital	25	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
Translation reserve		(830,624)	-	(17,261,335)
Profit and loss account		(273,870,158)	(35,436,330)	(31,003,556)
Equity attributable to equity holders of the parent		**(45,967,288)**	**193,297,164**	**180,468,603**

The Company has taken advantage of the exemption provided under section 408 of Companies Act 2006 not to publish an income statement or a statement of total comprehensive income. The total comprehensive loss for the year ended 31 December 2018 dealt with in the financial statements of the Company was $239,264,452 (2017: $4,432,774).

The financial statements were approved by the Board of Directors on 29 May 2019 and were signed on its behalf by:

Guy R. Walker; Interim Executive Chairman
29 May 2019

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2018 & 31 DECEMBER 2017

	Share capital	*Share premium account*	*Shares to be issued reserve*	*Translation reserve*	*Profit and loss account*	*Total equity*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Restated Balance at 1 January 2017	**27,950,217**	**195,855,125**	**4,928,152**	**(17,261,335)**	**(31,003,556)**	**180,468,603**
Loss for the year	-	-	-		(4,432,774)	(4,432,774)
Total comprehensive loss for the year	-	-	-		(4,432,774)	(4,432,774)
Effects of change in presentational currency	-	-	-	17,261,335	-	17,261,335
Restated Balance at 31 December 2017	**27,950,217**	**195,855,125**	**4,928,152**	**-**	**(35,436,330)**	**193,297,164**
Exchange translating foreign currencies	-	-	-	(830,624)	-	(830,624)
Loss for the year	-	-	-	-	(238,433,828)	(238,433,828)
Total comprehensive loss for the year	-	-	-	(830,624)	(238,433,828)	(239,264,452)
Balance at 31 December 2018	**27,950,217**	**195,855,125**	**4,928,152**	(830,624)	**(273,870,158)**	**(45,967,288)**

Equity is the aggregate of the following:

- Share capital; being the nominal value of shares issued
- Share premium account; being the excess received over the nominal value of shares issued less direct issue costs
- Shares to be issued reserve; being the credit side of the entry relating to the expense recognised in the Statement of Total Comprehensive Income for share based remuneration
- Translation reserve; being the foreign exchange differences arising on the change of presentational currency and upon on the translation of foreign currencies
- Profit and loss account; being the cumulative loss attributable to equity shareholders

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	*2018* *US$*	*2017* *US$*	*2016* *US$*
Net cash used in operating activities	27	**(11,191,002)**	**(24,547,922)**	**(24,319,224)**
Financing activities				
Proceeds from borrowings	23	11,720,176	33,586,074	-
Repayment of borrowings		-	(12,506,902)	-
Proceeds from share issues		-	-	28,709,277
Net cash from financing activities		**11,720,176**	**21,079,172**	**28,709,277**
Net (decrease)/increase in cash and cash equivalents		529,174	(3,468,750)	4,390,053
Cash and cash equivalents at beginning of year		175,796	6,052,290	3,162,621
Foreign exchange difference		(40,328)	(2,407,744)	(1,500,384)
Cash and cash equivalents at end of year		**664,642**	**175,796**	**6,052,290**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies

The principal accounting policies are summarised below. Except as elsewhere disclosed, the accounting policies have all been applied consistently throughout the period covered by these financial statements.

Basis of preparation
The financial information has been prepared on a historical cost basis and in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 and the Directors' Report on pages 11 to 23.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

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.

Changes in accounting policies and disclosures
In the current year, the Group has adopted the disclosure requirements as a result of the issue *IFRS 15: Revenue from Contracts with Customers* and *IFRS 9: Financial Instruments*. Any resulting change in accounting policies have been described elsewhere in note 1. The adoption of these accounting standards has not had a material impact on these financial statements. All other accounting policies and disclosures, except for the changes resulting from the change in presentational currency, applied in the preparation of these financial statements are consistent with the accounting policies and disclosures applied in the preparation of the prior period financial statements.

New standards and interpretations
The financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period on 1 January 2018. The new standards, interpretations and amendments effective from 1 January 2018 had no significant impact on the group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

At the date of authorisation of these financial statements, the following standards and relevant interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- *Amendments to IAS 19: Employee Benefits, Plan Amendment, Curtailment or Settlement*
- *IFRS 16: Leases*
- *Annual improvements to IFRS 2014-2016 cycle*

The Group considers that whilst IAS 19 and IFRS 16 may impact on the Group, the effect will not be significant. The Group will adopt the above standards at the time stipulated by the relevant standard. The Group does not at this time anticipate voluntary early adoption of any of the standards.

Basis of consolidation
The Group financial statements incorporate the financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2018. A subsidiary is an entity controlled, directly or indirectly, by the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiary companies have been included in the Group's financial statements from the date of acquisition when control was passed to the Group using the acquisition method of accounting. The Group financial statements include the results of the Company and its subsidiaries as if they were a single reporting entity. On consolidation, intra-Group transactions and balances are eliminated.

Business combinations and goodwill
On acquisition, the assets, liabilities and contingent liabilities of the Company's subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Goodwill arising on consolidation is recognised as an asset in the consolidated balance sheet and tested annually for impairment and any impairment is accounted for as a reduction in the value of the asset. Goodwill is considered to have an indefinite useful life.

Where there is an acquisition of an increased share of an existing subsidiary's net assets after the Company has previously gained, or had effective control of the decision making of the subsidiary, such that there is no dilution or loss of effective control in the subsidiary, then the transaction is accounted for in equity and reserves in the consolidated balance sheet. This particular type of acquisition transaction does not add to the value of goodwill on consolidation.

Foreign 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. As from 1 January 2018 the functional currency of the Group's main operating entity, FCF Minerals Corporation, was changed from Philippine Peso to US Dollars, to better reflect the underlying performance of that entity. In addition, as from 1 January 2018, the Group and the Company changed the currency in which they present financial statements from pounds sterling to US Dollars, in order to better reflect the underlying performance of the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

Transactions in currencies different to the company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange gains and losses on the settlement of monetary items are recognised in the statement of total comprehensive income.

On consolidation, the assets and liabilities are translated to US Dollars at the rates prevailing at the balance sheet date. Income and expenses are translated at the average exchange rates for the period. Exchange differences are recognised within other comprehensive income in the consolidated statement of total comprehensive income.

Comparison figures in the consolidated and Company financial statements have been restated for the years ended 31 December 2017 and 31 December 2016 to reflect the new presentational currency prevailing exchange rates as at 31 December 2017 and 31 December 2016. This restatement due to the change in presentational currency has given rise to currency translation effects in these restated financial statements.

Taxation and deferred tax

Current tax is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the statement of total comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited, as applicable, as a taxation debit/credit to the statement of total comprehensive income, except when it relates to items charged or credited directly to other comprehensive income in which case, the deferred tax is recognised in the other comprehensive income section within the statement of total comprehensive income.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority, on either the same taxable Group Company or different Group entities, which intend to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Share based payments

The Company enters equity-settled share-based compensation plans for the employees of its subsidiaries and enters equity-settled share-based transactions with its Directors, in which the counterparty provides services to the Company in exchange for remuneration in the form of certain equity instruments of the Company. The equity instruments comprise warrants and share options.

The services received by the Company in these share-based payment agreements are measured by reference to the fair value of the equity instruments at the date of grant and are recognised as an expense in the statement of total comprehensive income with a corresponding increase in equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

The Company estimates the fair value of the equity instruments at the grant date using the Black Scholes model in which the terms and conditions upon which those equity instruments were granted are considered.

For equity instruments granted that do not vest until the counterparty completes a specified period of service, the expense is recognised as the services are being rendered by the counterparty during the vesting period. The expense recognised is based on the best available estimate of the number of equity instruments expected to vest and on the vesting date, the expense is revised to reflect the actual number of equity instruments that vested.

For equity instruments granted that vest immediately and the counterparty is unconditionally entitled to the equity instruments, the expense is recognised in full on the grant date.

Inventories
The Group adopted the commencement of production accounting as from 1 January 2018. From that date inventories of finished goods (bullion), gold in circuit and stockpiles of processed ore are brought to account and stated at the lower of costs and estimated net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated based on normal operating capacity. Costs are assigned to ore stockpiles and gold in circuit items of inventory based on weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business (excluding derivatives) less the estimated costs of completion and the estimated costs necessary to make the sale.

Up until 31 December 2017 production costs were capitalised to mining properties and construction in progress. To the extent that revenue was generated from the sale of gold prior to the commencement of production accounting, revenue from the sale of gold was recognised in the statement of total comprehensive income and an equivalent amount of costs was transferred from construction in progress or mining properties to cost of sales in the statement of total comprehensive income.

Consumables have been valued at cost less an appropriate provision for obsolescence. Cost is determined on a first-in-first-out basis.

Intangible assets
Exploration costs
Costs relating to the exploration of precious and base metal properties are capitalised as intangible assets in the balance sheet once the Group has obtained the legal right to explore an area.

Capitalised exploration costs are reclassified to tangible assets once technical feasibility and commercial viability of extracting a mineral resource are demonstrable. The capitalised exploration costs are tested for impairment annually.

Where exploration costs have been incurred and capitalised for a specific tenement and the commercial and technical requirements to demonstrate positive economic returns using approved mining techniques has not been established, the Company recognises these costs as an intangible asset and tests these costs annually for impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

Other Intangible assets
Intangible assets acquired separately are initially recognised at cost. Intangible assets acquired as part of a business combination are measured at their fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Computer software is amortised over its expected useful life of 3 years using the straight-line method. Licences acquired to support mining operations will be amortised over the expected useful life of the mining operation (or the term of the licence if shorter) when development is complete and mining commences. Intangible assets are tested annually for impairment.

Property, plant and equipment
Property, plant and equipment are initially recognised at cost plus directly attributable costs and are subsequently carried at cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated over their expected useful lives, using the straight-line method.

The classes of depreciable assets, their expected useful lives and their depreciation methods are:

Buildings	10 years	Straight-line
Drilling equipment	5 years	Straight-line
Motor vehicles	3-5 years	Straight-line
Leasehold improvements	10 years	Straight-line
Fixtures, fittings and equipment	3 years	Straight-line
Freehold land	this is not a depreciable asset.	
Construction in progress	these costs are depreciated by applying the units of production method over the useful life of the mine from the point at which the mine's plant becomes available for use as intended by management.	
Mining properties	these costs are depreciated by applying the units of production method over the useful life of the mine from the point at which the mine's plant becomes available for use as intended by management.	

Mining properties costs have arisen entirely because of a reclassification of the intangible assets deferred exploration costs, advances to surface occupants, and mining licenses. As of 20 October 2011, the extraction of gold from the Runruno site was assessed as being both technically feasible and commercially viable. Further costs since this date have been capitalised directly to mining properties.

Construction in progress tangible assets have been incurred after 1 December 2011, the date the board of Directors announced that the Group had moved into the capital construction phase of its development. The costs were substantially incurred throughout 2012 to 2017.

The recovery of the mining property and construction in progress costs is dependent upon achieving profitable mining operations sufficient to recover the carry forward value-in-use of the assets.

Mining property costs will be depreciated over the useful life of the mine as from 1 January 2018, being the date upon which the process plant was assessed as being available for use as intended by management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

Construction in progress costs will be appropriately identified and allocated to a property, plant and equipment tangible asset category, once the relevant asset has been assessed as being available for use as intended by management. The costs will be treated as being reclassified and will be depreciated according to the adopted method of the appropriate asset category.

Investments
Investments in subsidiaries and investment in associates are recognised at cost less any impairment losses in the Company accounts.

Equity accounting is applied to investments in associates on a Group basis. Investments in associates are recognised at the cost of investment as adjusted for post-acquisition changes in the Group's share of net assets of the associate. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Provision for mine rehabilitation and decommissioning
Provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) at the end of the reporting period when the related environmental disturbance occurs, based on the estimated future costs using information available at the end of the reporting period.

The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is classified as interest accretion in the statement of total comprehensive income. At the time of establishing the provision, a corresponding asset is capitalised and depreciated over future production from the operations to which it relates.

The provision is reviewed on an annual basis for changes to obligations or legislation or discount rates that affect change in cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate, and the adjusted cost of the asset is depreciated prospectively.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each end of the reporting period and the cost is charged to the statement of total comprehensive income.

Revenue recognition
Gold sales
The Group is principally engaged in the business of producing gold. Revenue is recognised when the Group transfers control of its gold to a customer at the amount at which payment is expected. Sales revenue represents the gross proceeds receivable from the customer.

For gold sales, the enforceable contract is each purchase order, which is an individual, short-term contract, while the performance obligation is the delivery of the metals.

Recognition of sales revenue for the gold is based on determined metal in concentrate and the London Bullion Market Association (LBMA) quoted prices, net of smelting and related charges.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

Revenue is recognized when control passes to the customer, which occurs at a point in time when the metal concentrate is credited to the buyer's account and provisionally paid by the buyer. Under the terms of offtake agreements with the customer, the Company issues a provisional invoice for the entire volume of concentrate loaded to customer's vessel. Final invoice is made thereafter upon customer's outturn of concentrates delivered and submission of their final assay report. Adjustment is accordingly made against the final invoice with respect to provisional collections received by the Company within two days to determine amounts still owing from/to customers.

As the enforceable contract for the arrangements is the purchase order, the transaction price is determined at the date of each sale (i.e., for each separate contract) and, therefore, there is minimal future variability within scope of IFRS 15 and no further remaining performance obligations under those contracts.

Revenue from the sale of by-products such as silver is accounted for as a credit to the cost of sales.

Interest
Revenue is recognised as interest accrues using the effective interest method.

Borrowing costs
Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Capitalisation of borrowing costs commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded.

When funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. When surplus funds are temporarily invested, the income generated from such temporary investment is deducted from the total capitalised borrowing cost. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Production Fee
Production Fees, incurred pursuant to the Mezzanine Debt facility, are recognised in profit or loss in the period in which they are incurred.

Financial instruments
<u>Financial Assets</u>
Initial Recognition and Measurement (applicable starting January 1, 2018 upon adoption of IFRS 9) Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss.

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of comprehensive income when the asset is derecognized, modified or impaired.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and other financial liabilities, net of directly attributable transaction costs.

The Company's financial liabilities include payables and loans and borrowings.

Subsequent measurement

Payables

This category pertains to financial liabilities that are not held for trading or not designated as at fair value through profit or loss upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable and accrued liabilities).

Payables are recognised initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction cost.

As at December 31, 2018 and 2017, the Company's payables include trade and other payables and advances from related parties.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statements of total comprehensive income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of total comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates, assumptions and judgements that affect the application of policies, and reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from reported amounts in the financial statements.

The estimates, assumptions and judgements which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are:

Estimates

Impairment of tangible and intangible assets

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

During the financial year gold production and operating cash flows continued to be below feasibility study levels. A review of future operations resulted in the creation of a new life of mine model detailing future cash flows that the Runruno operation is expected to produce. The net present value of these expected future cash flows was less than the carrying cost of the relevant tangible and intangible assets. As a result the Group has for the year ended 31 December 2018 booked an impairment loss against its mining properties, plant and equipment, deferred exploration, mining licence and goodwill on consolidation. Refer to note 8(a) for detail on the calculation parameters in relation to determining the quantum of the impairment charges.

Recovery of intercompany receivable accounts - Company

The recoverability of amounts due to the Company from other Group entities is assessed on an annual basis and is determined from value-in-use calculations. The key assumptions for these value-in-use calculations are those regarding risk discount rates, the price of gold, gold recovery levels, plant availability levels, changes in the resource statements and forecast changes in direct costs, the availability of economic funding and the ability to renew its mining permit(s).

After consideration of the above matters and the revised life of mine (LOM) model the Company considers that an impairment of these loans has occurred. Accordingly the Company has booked an impairment charge against these intercompany loans. Refer to note 8(b) for detail on the calculation parameters in relation to determining the quantum of the impairment charges.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Determination of mineral resources and ore reserves
The determination of mineral resources and ore reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for decommissioning and restoration.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated which may impact asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for decommissioning and restoration.

During the financial year no change was made to the previous estimation of mineral resources and ore reserves which was calculated in 2013. However, the Group is in the process of reviewing the calculation of its mineral resource and ore reserves. An updated estimation is expected to be issued during Q4 2019. This new statement of mineral resources and ore reserves will be calculated and reported in accordance with the Aus.IMM "Australian Code for reporting of Identified Mineral Resources and Ore Reserves"; and will be prepared by or under the supervision of competent persons as identified by the Code.

Determining the beginning of production
Estimations are made in the determination of the point at which development ceases and production commences for a mine development project. This point determines the cut-off between pre-production and production accounting.

The Group ceases capitalising pre-production costs and begins depreciation and amortisation of mine assets at the point at which the mine's plant becomes available for use as intended by management. Determining when this is achieved is an assessment made by the Group's management and includes the following factors:

- The level of development expenditure compared to project cost estimates.
- Completion of a reasonable period of testing of the mine plant and equipment.
- Achieved mineral recoveries, plant availability and throughput levels at or near expected/budgeted levels.
- The ability to produce gold into a saleable form.
- The achievement of continuous production.

After consideration of the combined weight of all factors the Group determined that 1 January 2018 was the date upon which production accounting was to commence. As a result the financial statements for the year ended 31 December 2018 are prepared on a production basis.

The financial statements for the year ended 31 December 2017 were prepared on the pre-production basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Judgements
Functional currency of Group companies
The Group's revenues and cash flows are primarily generated in US Dollars, as are the Group's debt facilities. These are expected to remain principally denominated in US Dollars in the future. As from 1 January 2018 the functional currency of the Group's main operating entity, FCF Minerals Corporation, was changed from Philippine Peso to US Dollars. In addition and in conjunction with the 1 January 2018 commencement of production accounting the Group and Company changed the currency in which they present their financial statements from pounds sterling to US Dollars, effective as at 1 January 2018. These changes were made in order to better reflect the underlying transactions, events and conditions relevant to the performance of the Group and Company.

Comparison figures in the consolidated and Company financial statements have been restated for the years ended 31 December 2017 and 31 December 2016 to reflect the new presentational currency prevailing exchange rate as at 31 December 2017 and 31 December 2016.

The Group comprises several entities in three different countries; Philippines, Singapore and United Kingdom. The financial statements of the Philippine and Singapore subsidiary entities are prepared using Philippine Peso and US Dollars as the functional currency respectively. The functional currency of the Parent Company is pounds sterling. On preparation of Group consolidated financial statements, management chooses an appropriate exchange rate to translate functional currencies to US Dollars.

Debt Facilities & Standstill Agreement
As at 31 December 2018 the Group had secured a waiver agreement from the Group's senior lenders, HSBC and BNPP, such that it was not in default notwithstanding the non-payment of due principal and interest under the terms of the Facility Agreement dated May 28, 2014.

Subsequent to year end the Group had secured a Standstill Agreement until 31 May 2019 from the Group's senior lenders and its mezzanine lenders, under which the Group was excused from payment of due principal and interest. The purpose of the Standstill Agreement is to allow the Group time to evaluate, and negotiate a restructuring of its debt. Judgement is required in assessing the possible impact of these negotiations. These financial statements have been prepared on the basis that the Group will be able to reach agreement with its lenders on a satisfactory restructure of its debt facilities.

3. Revenue

	2018	*2017*
	US$	*US$*
Revenue from sale of gold	61,414,966	45,030,530

As from 1 January 2018, the Group accounted for its Runruno Gold Project operations on a production basis. During the production phase all direct costs of producing gold doré are accounted for as cost of sales. Cost of sales includes depreciation and amortization of plant and mining assets. In the period to 31 December 2017, the Group applied pre-production accounting with revenue from the sale of gold being recognised in the consolidated statement of total comprehensive income with an equivalent amount of costs being charged to cost of sales and credited against property, plant and equipment.

The Group sells its gold as doré bars under a contract of sale for which 95% of the estimated value of the doré is paid to the Group within 3 days of the doré leaving the Group's mine site. Revenue is recorded as from the date the doré bars leave the Group's mine site.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

4. Operating loss for the year is stated after charging:

	2018	*2017*
	US$	*US$*
Depreciation of property, plant and equipment(see note 12)	24,852,158	1,853,255
Amortisation (see note 14)	48,364	32,899
Foreign exchange losses	666,291	1,830,002
Staff costs (see note 7)	9,310,513	4,343,740
Auditors remuneration (see note 5)	145,679	108,402

5. Auditor's remuneration

	2018	*2017*
	US$	*US$*
Fees payable to the Group and Company's auditor for the audit of the Group and Company's accounts	100,060	71,196
Fees payable to the Company's auditor and its associates for other audit related services	-	5,447
Taxation compliance services	45,619	31,759
	145,679	108,402

6. Segmental analysis

Operating segments have been identified based on the Group's internal reporting to the Chief Operating Decision Maker ('CODM') and in particular the components of the Group which are regularly reviewed by the CODM. The operating segments included in internal reports are determined on the basis of their significance to the Group. The CODM has been determined to be the Board of Directors as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments. The primary segments have been identified into four geographic areas of the UK, Philippines, Singapore and Indonesia. The CODM uses 'loss before tax', 'cash & cash equivalents' and 'total liabilities' as the key measures of the segments' results and these measures reflect the segments' underlying performance for the period under evaluation.

The segment results for the year ended 31 December 2018 and 2017 and the reconciliation of the segment measures to the respective statutory items in the consolidated financial information are as follows:

Year ended 31 December 2018	UK	Philippines	Singapore	Total
	US$	US$	US$	US$
Segment results				
Sales revenue	-	61,414,966	-	61,414,966
Group operating loss	(5,720,184)	(13,083,213)	(16,872)	(18,820,269)
Other income & charges	-	(179,790,866)	(42,930)	(179,833,796)
Finance costs	(7,639,457)	28,375,364	(889)	20,735,018
Share of losses of associates	-	-	5,851	5,851
(Losses) before tax	**(13,359,641)**	**(164,498,715)**	**(54,840)**	**(177,913,196)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

6. Segmental analysis (continued)

Year ended 31 December 2018	UK	Philippines	Singapore	Total
	US$	US$	US$	US$
Segment assets				
Segment tangibles & intangibles	-	80,515,158	-	80,515,158
Segment receivables & inventories	487,126	15,983,631	2,027	16,472,784
Segment cash	664,642	831,029	1,760	1,497,431
Equity-accounted investees	-	138,579	-	138,579
Total segment assets	1,151,768	97,468,397	3,787	98,623,952
Segment liabilities				
Segment loans	(39,941,324)	(63,300,000)	-	(103,241,324)
Segment trade & other payables	(7,177,732)	(15,784,104)	(13,041)	(22,974,877)
Segment provisions	-	(2,150,633)	-	(2,150,633)
Segment deferred tax	-	(722,977)	-	(722,977)
Total segment liabilities	(47,119,056)	(81,957,714)	(13,041)	(129,089,811)
Total segment net assets/(deficiency of net assets)	**(45,967,288)**	**15,510,683**	**(9,254)**	**(30,465,859)**
Segment other information				
Amortisation of intangible assets	-	(48,364)	-	(48,364)
Depreciation of property, plant and equipment	-	(24,852,158)	-	(24,852,158)
Transfer of capitalised expenditure to cost of sales	-	(2,330,221)	-	(2,330,221)
Additions to property, plant and equipment	-	6,627,567	-	6,627,567

Segment net assets are analysed net of intercompany transactions.

The results of each segment have been prepared using accounting policies consistent with those of the Group as a whole.

All sales revenue has been derived through the sale of gold to a counterparty domiciled in Switzerland. The Group is not contractually obliged to sell gold to any specific counterparty.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

6. Segmental analysis (continued)

Restated ***Year ended 31 December 2017***	UK US$	Philippines US$	Indonesia US$	Singapore US$	Total US$
Segment results					
Sales revenue	-	45,030,530	-	-	45,030,530
Group operating loss	(2,438,313)	(7,263,500)	(1,077,183)	(139)	(10,779,135)
Finance costs	(2,007,007)	(114,613)	-	(56)	(2,121,676)
Fair value loss on forward sales contracts	-	(4,925,836)	-	-	(4,925,836)
Fair value loss on interest rate swaps	-	(86,501)	-	-	(86,501)
Share of losses of associates	-	-	-	(11,009)	(11,009)
(Losses) before tax	**(4,445,320)**	**(12,390,450)**	**(1,077,183)**	**(11,204)**	**(17,924,157)**
Segment assets					
Segment tangibles & intangibles	-	245,556,089	-	-	245,556,089
Segment receivables & inventories	326,016	11,163,335	-	2,201	11,491,552
Segment cash	175,796	545,165	-	4,240	725,201
Segment derivative assets	-	15,476	-	-	15,476
Equity-accounted investees	-	-	-	130,980	130,980
Total segment assets	501,812	257,280,065	-	137,421	257,919,298
Segment liabilities					
Segment loans	(28,780,585)	(64,147,462)	-	-	(92,928,047)
Segment trade & other payables	(969,996)	(13,795,657)	-	-	(14,765,653)
Segment provisions	-	(1,949,738)	-	-	(1,949,738)
Segment derivative liabilities	-	(367,012)	-	-	(367,012)
Segment deferred tax	-	(2,208,784)	-	-	(2,208,784)
Total segment liabilities	(29,750,581)	(82,468,653)	-	-	(112,219,234)
Total segment net assets	**(29,248,769)**	**174,811,412**	-	**137,421**	**145,700,064**
Segment other information					
Amortisation of intangible assets	-	(32,899)	-	-	(32,899)
Depreciation of property, plant and equipment	-	(1,853,255)	-	-	(1,853,255)
Transfer of capitalised expenditure to cost of sales	-	(45,030,530)	-	-	(45,030,530)
Additions to property, plant and equipment	-	3,661,285	-	-	3,661,285

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

7. Staff numbers and costs - Group

	2018	*2017*
The average number of persons, including Directors, was:	*Number*	*Number*
Administration	37	39
Construction, development & operations	665	637
	702	676

	2018	*2017*
Staff costs of the above persons were:	*US$*	*US$*
Wages and salaries	9,080,649	4,308,596
Social security costs	167,894	9,301
Pension costs	61,970	25,843
	9,310,513	4,343,740

Directors' emoluments:	***2018***	*2017*
	US$	*US$*
Directors		
I.R. Holzberger	750,000	750,180
J.W.D. Ayre	-	8,429
Sums paid to third parties in respect of Directors of the parent Company		
Solomon Capital Limited/ MTL Luxembourg Sarl – T.J. Dean	13,702	31,124
Solomon Capital Limited / MTL Luxembourg Sarl – J.G Wilson	13,702	31,124
Solomon Capital Limited / MTL Luxembourg Sarl – L. E. Simovici	29,292	31,124
Runruno Holdings Limited – G.R. Walker	67,024	64,841
	123,720	158,213
	873,720	916,822

The Directors are considered to be the only members of key management personnel. All emoluments represent Directors' fees.

Pursuant to the Subscription and Shareholders' Agreement of 8 March 2011, Solomon Capital Limited (later renamed as MTL Luxembourg Sarl) and Runruno Holdings Limited subsequently entered into separate Services Agreements which detailed the terms of remuneration each of these companies receives for the supply of their representative Directors.

Share options held by Director:

As at 31 December 2018, there were no share options outstanding (2017: none).

Further details relating to key management are given in note 30 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8. Other charges and income applied against profit and loss

8. (a) 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 (refer note 12 - property, plant and equipment; note 13 - goodwill; note 14 – other intangible assets).

8. (b) Impairment charges - Company

To a large extent the Runruno project has been funded by loans from the parent Company and these together with the Company's investment in its subsidiaries is represented by the value of the Runruno project cash generating unit.

Repayment of these loans and recovery of the investments is dependent upon the Runruno producing sufficient cash surpluses such that the subsidiaries and associates achieve a positive net asset position. As at 31 December 2018 these subsidiaries and associates have negative net assets.

As a result the recovery of investments in subsidiaries is considered unlikely and the recovery of loans to subsidiaries and associates is considered uncertain. Accordingly a total impairment charge of $229.5 million was recognised against these assets (refer note 15 – investments in subsidiaries; note 17 – receivables from associates; note 18 – receivables from subsidiaries).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8. Other charges and income applied against profit and loss (continued)

8. (c) 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)

9. Taxation

The credit for taxation comprises the following

	2018	2017
	US$	**US$**
Current year corporation tax credit	(40,648)	-
Current year deferred tax credit	(1,485,807)	(551,715)
Total tax credit for the year	**(1,526,455)**	(551,715)

The total tax credit for the year can be reconciled to losses for the year as follows:

	2018	2017
	US$	US$
Losses before tax	(177,913,916)	(17,924,157)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2017: 19.3%)	(33,803,507)	(3,405,590)
The UK government has enacted future corporation tax rate changes. The standard rate of corporation tax for the 2016/7tax year was 20% falling to 19% for the 2017/8, 2018/9 and 2019/20 tax years; and eventually culminating in a rate of 17% in the 2020/21tax year.		
Effects of:		
Overseas expenses not taxable for tax purposes	(50,274,425)	1,881,271
Differing tax rates in different jurisdictions	37,031,825	(432,821)
Deferred tax asset not recognised	1,128,174	1,367,615
Non-taxable and non-deductible items	44,391,538	29,693
Short-term timing differences	(60)	8,117
Total taxation credit for the year	**(1,526,455)**	(551,751)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10. Deferred tax credit, liability and asset

Deferred tax credit

	Tax Credit		Tax Liability		Tax Asset	
	2018	2017	**2018**	2017	**2018**	2017
	US$	US$	US$	US$	US$	US$
Derivative assets	(4,643)	(1,728,943)	-	4,643	-	-
Undepleted asset retirement obligation	(70,636)	(48,537)	430,858	501,494	-	-
Unrealised foreign exchange gain	(1,306,295)	919,474	158,482	1,464,777	-	-
Other short term timing differences	(104,233)	17,328	133,637	237,870	-	-
Difference on transaction of foreign operations	-	266,604	-	-	-	-
	(1,485,807)	**(574,074)**	**722,977**	**2,208,784**	**-**	**-**

The differences between the deferred tax credit through the Consolidated Statement of Total Comprehensive Income and the deferred tax liability on the Consolidated Balance Sheet has occurred from translation differences arising on consolidation. Liabilities are translated using the closing foreign exchange rate prevailing at 31December 2018 whereas the foreign currency composition of the statement of total comprehensive income is translated using the average rate for the whole of the year.

Deferred tax asset
For the year ended 31 December 2018 the Group has net unused tax losses of $32,089,309 (2017: $28,987,949) available for offset against future profits. However, due to the Group's on-going tax losses situation, the deferred asset has not been recognised on the Consolidated Balance Sheet due to uncertainty over its future reversal.

For the year ended 31 December 2018 the Group has net unused tax losses available for offset against future profits as follows:

	2018	*2017*
	US$	*US$*
UK	30,658,104	25,653,037
Philippines	1,451,205	3,334,911
Group unused tax losses available	**32,089,309**	**28,987,948**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11. 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

12. Property, plant and equipment - Group

	Leasehold improvements	Motor vehicles	Fixtures, fittings & equipment	Land & buildings	Drilling equipment	Construction in progress	Process plant	RSI	Mining properties	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Cost										
As at 1 January 2017	339,838	1,144,778	19,678,809	2,001,245	1,649,582	190,257,698	-	-	47,683,339	262,755,289
Additions	-	-	108,243	-	-	8,551,243	-	-	41,857,256	50,516,742
Transfers to cost of sales	-	-	-	-	-	-	-	-	(46,855,457)	(46,855,457)
Disposal	(47,598)	-	(20,540)	-	-	-	-	-	-	(68,138)
Foreign exchange differences	(29,989)	(101,020)	(1,736,536)	(176,598)	(145,566)	(16,789,089)	-	-	(4,207,766)	(23,186,564)
As at 31 December 2017	262,251	1,043,758	18,029,976	1,824,647	1,504,016	182,019,852	-	-	38,477,372	243,161,872
Additions	-	-	327,000		-	6,173,774	126,793	-	-	6,627,567
Reclassification of CIP	-	-	912,232	1,816,229	-	(205,531,124)	114,898,191	18,657,361	69,247,111	-
Transfer from intangibles	-	-	-	-	-	-	-	-	13,414,068	13,414,068
Transfers to cost of inventories	-	-	(73,252)	(61,512)	-	-	(1,599,059)	(596,398)	-	(2,330,221)
Correction to accruals	-	-	-	-	-	-	(594,101)	-	-	(594,101)
Foreign exchange differences	(1,421)	(152,333)	(169,116)	(9,882)	(8,146)	23,511,272	1,662,591	2,026,060	4,631,723	31,490,748
As at 31 December 2018	**260,830**	**891,425**	**19,026,840**	**3,569,482**	**1,495,870**	**6,173,774**	**114,494,415**	**20,087,023**	**125,770,274**	**291,769,933**
Impairment										
As at 1 January 2017 and 31 December 2017	-	-	-	-	-	-	-	-	-	-
Additions (refer note 8(a))	-	-	(1,286,883)	-	-	-	(40,200,756)	(18,250,483)	(115,261,878)	(175,000,000)
As at 31 December 2018	-	-	(1,286,883)	-	-	-	(40,200,756)	(18,250,483)	(115,261,878)	(175,000,000)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

12. Property, plant and equipment – Group (continued)

	Leasehold improvements	Motor vehicles	Fixtures, fittings & equipment	Land & buildings	Drilling equipment	Construction in progress	Process plant	RSI	Mining properties	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Depreciation										
As at 1 January 2017	(338,293)	(915,440)	(7,757,036)	(575,337)	(1,376,282)	-	-	-	-	(10,962,388)
Charge for the period	-	(128,315)	(1,547,303)	(173,776)	(3,861)	-	-	-	-	(1,853,255)
Disposals	46,189	-	18,976	-	-	-	-	-	-	65,165
Foreign exchange differences	29,853	80,782	684,512	50,770	121,450	-	-	-	-	967,367
As at 31 December 2017	(262,251)	(962,973)	(8,600,851)	(698,343)	(1,258,693)	-	-	-	-	(11,783,111)
Charge for the period		(70,342)	(1,607,059)	(322,888)	(3,610)	-	(10,503,323)	(1,836,540)	(10,508,396)	(24,852,158)
Transfer from intangibles	-	-	-	-	-	-	-	-	(337,393)	(337,393)
Foreign exchange differences	1,421	151,895	118,045	3,782	6,817	-	-	-	337,3993	619,353
As at 31 December 2018	**(260,830)**	**(881,420)**	**(10,089,865)**	**(1,017,449)**	**(1,255,486)**	**-**	**(10,503,323)**	**(1,836,540)**	**(10,508,396)**	**(36,353,308)**
Net book value										
As at 31 December 2018	**-**	**10,005**	**7,650,092**	**2,552,033**	**240,384**	**6,173,774**	**63,790,336**	**-**	**-**	**80,416,625**
As at 31 December 2017	-	80,785	9,429,125	1,126,304	245,323	182,019,852	-	-	38,477,372	231,378,761

The total borrowing costs capitalised to construction in progress amounted to $nil (2017: $12,258,256).

Refer note8 (a) for details of the impairment charge recognised against these assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Goodwill

	2018	*2017*
	US$	*US$*
Cost	**1,363,977**	1,363,977
Allowance for impairment losses	**(1,363,977)**	-
Net book value	-	1,363,977

Goodwill arose from the acquisition of a 70% share in FCF Minerals Corporation in February 2005, and a further 15% in August 2007. No goodwill was recognised on the acquisition of the remaining 15% shareholding in FCF Minerals Corporation in 2011, following the adoption of IAS27; *Consolidated and Separate Financial Statements (revised 2008)*. Instead, the fair value of the consideration less the value of the non-controlling interest was accounted for in equity reserves as the ‘Acquisition of Non-Controlling Interest Reserve’ in the consolidated balance sheet.

The goodwill asset is considered a component of the Runruno project cash generating unit. Refer to note 8(a) regarding the impairment charge raised against this asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

14. Other intangible assets

Group	*Cost of Exploration US$*	*Licences US$*	*Software US$*	*Total US$*
Cost				
As at 1 January 2017	8,365,309	6,026,042	631,152	15,022,503
Additions	233,059	-	-	233,059
Foreign exchange differences	(736,865)	(501,989)	(55,696)	(1,294,550)
As at 31 December 2017	7,861,503	5,524,053	575,456	13,961,012
Additions	-	-	97,285	97,285
Reclassified to mine development	(7,861,503)	(5,552,565)	-	(13,414,068)
Foreign exchange differences	-	28,512	(70,267)	(41,755)
As at 31 December 2018	**-**	**-**	**602,474**	**602,474**
Impairment				
As at 1 January 2017	(310,794)	-	-	(310,794)
Foreign exchange differences	26,102	-	-	26,102
As at 31 December 2017	(284,692)	-	-	(284,692)
Reclassified to mine development	284,692	-	-	284,692
Foreign exchange differences				
As at 31 December 2018	**-**	**-**	**-**	**-**
Amortisation				
As at 1 January 2017	-	(337,393)	(540,360)	(877,753)
Charge for the period	-	-	(32,899)	(32,899)
Foreign exchange differences	-	-	47,683	47,683
As at 31 December 2017	-	(337,393)	(525,576)	(862,969)
Charge for the period	-	-	(48,364)	(48,364)
Reclassified to mine development	-	337,393	-	337,393
Foreign exchange differences	-		69,999	69,999
As at 31 December 2018	**-**	**-**	**(503,941)**	**(503,941)**
Net Book Value				
As at 31 December 2018	**-**	**-**	**98,533**	**98,533**
As at 31 December 2017	7,576,811	5,186,660	49,880	12,813,351

Costs associated with obtaining a licence to mine at Runruno and deferred exploration were previously capitalised and are considered components of the Runruno project cash generating unit. Refer to note 8(a) regarding the impairment charge raised against these assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

15. Investments in subsidiaries - Company

	2018 US$	*2017 US$*
Cost	8,783,629	8,783,629
Impairment brought forward	(610,361)	(610,361)
Impairment charge for the year	(8,173,268)	-
Net book value	**-**	**8,173,268**

Refer to note 8(a) regarding the impairment charge raised against these assets.

The investments in subsidiaries are as follows:

Company	*Registered address*	*Percentage holding*	*Nature of business*
Metals Exploration Pte Ltd	6 Temasek Boulevard, #29-00 Suntec Tower Four Singapore 038986	100%	Holding and investment company
FCF Minerals Corporation	22F, Salcedo Towers, 169 H.V. dela Costa St, Salcedo Village, Makati City 1227, Philippines	100%	Holder of mining rights
MTL Philippines	22F, Salcedo Towers, 169 H.V. dela Costa St, Salcedo Village, Makati City 1227, Philippines	100%	Holder of exploration rights

FCF Minerals Corporation and MTL Philippines, Inc. were direct subsidiaries of the Company until 2013. These investments were transferred to Metals Exploration Pte Ltd in 2014 as part of a corporate reorganisation. Additional investment was made in Metals Exploration Pte Ltd during 2014 in order to facilitate the Group reorganisation.

Metals Exploration plc ROHQ established in the Philippines, is an overseas branch of the Company and therefore its results are reported together with the Company's.

The principal place of business of the subsidiary companies listed above is the same as their country of registration.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

16 Investments in associates - Group

	2018	2017
	US$	US$
At 1 January	130,980	142,435
Share of profits / (losses) of associates	5,851	(11,455)
Foreign exchange movements	1,748	-
At 31 December	**138,579**	130,980

Associate company	Domicile	Assets	Liabilities	P&L reserves/ (Deficit) at 31 Dec 18	Sales	Gains/(Losses)	Ownership
		US$	US$	US$	US$	US$	%
Cupati Holdings Corporation	Philippines	2,636,994	(2,527,783)	61,644	87,315	49,866	39.99%
Woggle Corporation	Philippines	316,606	(193,239)	(352,310)	-	(35,205)	39.99%

Cupati Holdings Corporation and Woggle Corporation were investments of the Company in 2013. These investments were transferred to Metals Exploration Pte Ltd in 2015 as part of a corporate reorganisation.

17. Trade and other receivables due after one year

Group	2018	2017
	US$	US$
Amounts owed by associates	-	2,673,072
Other receivables	3,333,083	4,939,086
	3,333,083	7,612,158

Other receivables include VAT on importations and other goods and services. Expected loss is calculated on the basis that the Group continues to have little success in advancing its legal challenges to recover VAT receivables to a point where refunds of these receivables are certain. An impairment charge of $2.26 million against these receivables has been recognised. Refer to note 8(b) regarding the impairment charge raised against these assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

18. Trade and other receivables due within one year

Group	***2018***	*2017*
	US$	*US$*
Receivables from gold sales	2,090,727	134,280
Other receivables	3,850,782	2,267,130
Prepayments	224,954	326,231
	6,166,463	2,727,641

Receivables from gold sales are generally received with 5 days of the gold doré having been shipped from the Runruno operation. The Group's trade receivables are derived through gold sales to one customer whose credit quality is assessed by considering the customers financial position, past performance and other factors. Within 5 days of year end, the Group had collected 100% of the trade receivables outstanding as at 31 December 2018. The Group believes the credit risk is limited as the customer pays within a short period of time.

Company	***2018***	*2017*
	US$	*US$*
Receivables from subsidiaries	-	214,372,664
Other receivables	404,247	304,271
Prepayments	82,879	21,745
	487,126	214,698,680

A provision for impairment of receivables from subsidiaries has been established using an expected loss model. The expected loss was estimated on the basis that recovery of amounts from the subsidiaries is uncertain. An impairment charge against receivables from subsidiaries has been recognised.

19. Cash and cash equivalents

Group	***2018***	*2017*
	US$	*US$*
Cash on hand	6,638	7,048
Current accounts	1,490,793	718,153
	1,497,431	725,201

Company	***2018***	*2017*
	US$	*US$*
Current accounts	664,642	175,796
	664,642	175,796

The directors consider that the carrying amount of these assets is a reasonable approximation of their fair value. The credit risk on liquid funds is limited because the counter-parties are banks with a high credit rating.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

20. (a) Trade and other payables due after one year

Group	***2018***	*2017*
	US$	*US$*
Pension liability	673,819	728,638
	673,819	728,638

20. (b) Trade and other payables due within one year

Group	***2018***	*2017*
	US$	*US$*
Trade payables	11,262,360	10,749,673
Other payables	2,361,906	505,219
Other tax and social security payable	217,719	162,687
Accruals	8,459,073	2,619,436
	22,301,058	14,037,015

20. (c) Trade and other payables

Company	***2018***	*2017*
	US$	*US$*
Trade payables	323,919	594,061
Other tax and social security payable	75,420	34,768
Accruals	6,778,393	341,167
	7,177,732	969,996

Trade payables comprise amounts outstanding for trade purchases and on-going costs, and together with other payables and accruals are measured at amortised cost.

21. Derivative assets and liabilities

Gold Forwards
As at 31 December 2017, forward sales gold contracts totaling 15,000 ounces were outstanding. These contracts were settled during 2018. As at 31 December 2018 the Group has no forward sales gold contracts.

	Non-current Assets	***Current Assets***	***Total 2018***
	US$	***US$***	***US$***
At 1 January 2018	-	(367,012)	(367,012)
Settlements	-	252,775	252,775
Foreign exchange differences	-	114,237	114,237
At 31 December 2018	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

21. Derivative assets and liabilities (continued)

	Non-current Assets US$	*Current Assets US$*	*Total 2017 US$*
At 1 January 2017	1,756,457	3,512,917	5,269,374
Fair value gain	-	(5,125,463)	(5,125,463)
Settlements	-	656,520	656,520
Foreign exchange differences	-	(1,167,443)	(1,167,443)
Transfer to current	(1,756,457)	-	-
At 31 December 2017	-	(367,012)	(367,012)

Interest Rate Swap
In May 2015 the Group entered into interest rate swap hedging agreement. These swap agreements matured during the financial year and as at 31 December 2018 the Group has no interest rate swap contracts.

	***2018* US$**	*2017 US$*
At 1 January	15,476	(12,398)
Fair value loss	-	(90,006)
Settlements	(8,100)	120,685
Foreign exchange differences	(7,376)	(2,805)
At 31 December	**-**	15,476

22. Inventories - Group

	***2018* US$**	*2017 US$*
Inventories		
Gold doré on hand	1,509,132	-
Gold in circuit	1,712,017	-
Gold in ore stockpiles	2,636,387	-
Consumable inventories	1,615,702	1,151,753
Provision for obsolete consumable inventories	(500,000)	-
Total inventories	**6,973,238**	1,151,753

As the Group adopted pre-production accounting prior to 1 January 2018 gold inventories were not brought to account as at 31 December 2017. On commencement of production accounting from 1 January 2018 gold inventories were recognised and are recorded at the lower of cost and net realisable value.

During the year ended 31 December 2018 the net movement in inventories resulted in a net credit to cost of sales of $3,527,315 (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

23. 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

23. Loans - Company

In 2015 the Company entered into a facility agreement with two major shareholders, MTL (Luxembourg) Sarl and Runruno Holdings Limited (the "Mezzanine Lenders"). The purpose of this advance was for general corporate and working capital requirements of the Company and to enable completion of the Runruno project. The facility amount of $5,000,000 was repayable in 5 years, with interest capitalised against the facility at 20% per annum.

In 2017, the Company entered into a $21,000,000 mezzanine debt facility with the Mezzanine Lenders payable within 60 months. Interest rate is 8% plus US LIBOR and interest may be capitalised on the first twelve months of the facility with an additional 4% margin. The proceeds from the facility were used to repay two short-term loans received from the same shareholders with the balance being utilised to facilitate capital and interest payments to the Group's Senior Lenders. A production fee is payable over a 60-month period in quarterly instalments equivalent to 1.3% of the gross gold sales of the Group from first drawdown, where the minimum quarterly fee payable is $250,000 and the maximum quarterly fee is capped at $500,000.

During 2018, the Company continued to seek short term unsecured loan facilities from the Mezzanine Lenders to make principal and interest payments to the Group's Senior Lenders and to provide working capital. In total, 3 separate facilities were advanced to the Company totaling $11,720,176. These loans attract a 20% pa interest rate, with $6,000,000 of these loans attracting an additional 10% penalty interest if interest is capitalised.

During 2018 due to poor operational results all interest and production fees on all Mezzanine debt facilities has been capitalised. As a result penalty interest charges have applied.

In conjunction with the Senior Lenders, the Mezzanine Lenders have granted the Group a standstill period until 31 May 2019 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 31 December 2018 the total mezzanine loan debt owing to Mezzanine Lenders was:

	2018	*2017*
	US$	*US$*
Mezzanine Lenders loans due within one year	**13,655,272**	-
Mezzanine Lenders loans due after one year	**26,286,052**	28,780,585

These loans are included in the Group loans noted above.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

24. Provision for mine rehabilitation and decommissioning

	2018	*2017*
	US$	*US$*
At 1 January	1,949,738	1,852,723
Unwinding of discount	200,895	99,779
Foreign exchange differences	-	(2,764)
At 31 December	**2,150,633**	1,949,738

The Company makes provision for the future cost of rehabilitation of the process plant on a discounted basis. Provision for mine rehabilitation and decommissioning represents the present value of future rehabilitation and decommissioning costs. These provisions have been created based on the Company's internal estimates. Estimated costs include labour, equipment hire, consumables and transportation for disposal. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual costs will ultimately depend upon future market prices for the necessary works required which will reflect market conditions at the relevant time. Furthermore, the timing of the rehabilitation and expenditure of other costs is likely to depend on when the mine ceases to produce at economically viable rates, and the timing that the event for which the other provisions provided for will occur.

25. Called up share capital

	2018	*2017*
	US$	*US$*
Allotted ordinary shares at 1 January (2,071,334,586 ordinary shares of £0.01 par value)	27,950,217	27,950,217
Allotted ordinary share at 31 December (2,071,334,586 ordinary shares of £0.01 par value)	**27,950,217**	27,950,217

Share rights
Ordinary shares confer the right to vote and to participate in dividends, capital, and other distributions including on winding up. Ordinary shares are not redeemable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

26. Share based payments

Share options

The Group operates a share option scheme named the Unapproved Share Option Scheme 2007 ('Share Option Scheme') adopted on 29 March 2007.

There were no share options issued during the financial year (2017: nil) and there are no share options outstanding at year end (2017: none).

Details of the share options outstanding are as follows:

	Year ended 31 December 2018		**Year ended 31 December 2017**	
	Number of share options	Weighted average exercise price *p*	Number of share options	Weighted average exercise price *P*
Outstanding at the beginning of the period	-	-	6,585,000	26.33
Exercised during the period	-	-	-	-
Expired during the period	-	-	(6,585,000)	26.33
Outstanding at the end of the period	-	-	-	-

There has been no share based payment expense recognised in either of 2017 or 2018.

Warrants

There were no warrants issued during 2018.

During the year ended 31 December 2017, two tranches of warrants were issued by the Company in conjunction with securing a mezzanine funding package.

	Tranche 1	Tranche 2
Exercise Price	£0.055	£0.070
Expiry Date	31 December 2023	31 December 2023
Number of warrants	75,000,000	25,000,000

The assessed fair value of warrants granted during the year ended 31 December 2017 was US$1,526,937.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

27. 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)

Company	***2018***	*2017*
	US$	*US$*
Loss before tax	(238,418,911)	(4,432,774)
Net finance costs	-	3,134,491
Impairment charge	229,478,926	-
Foreign exchange loss	1,720,531	-
Increase in receivables	(10,179,284)	(23,634,775)
Increase / (decrease) in payables	6,207,736	21,745
Decrease / (increase) in other assets	-	363,391
Net cash used in operating activities	**(11,191,002)**	(24,547,922)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

28. Reconciliation of liabilities from financing activities

Group	*1 January 2018*	*Cash flow*	*Non-cash movements*	*31 December 2018*
	$	*$*	*$*	*$*
Derivative financial instruments	367,012	-	(367,012)	-
Loans (current)	35,834,099	11,720,176	29,400,977	76,955,272
Loans (non-current)	57,093,948	-	(30,807,896)	26,286,052
	93,295,059	11,720,176	(1,773,911)	103,241,324

Company	*1 January 2018*	*Cash flow*	*Non-cash movements*	*31 December 2018*
	$	*$*	*$*	*$*
Loans (current)	-	11,720,176	1,935,096	13,655,272
Loans (non-current)	28,780,585	-	(2,494,533)	26,286,052
	28,780,585	11,720,176	(559,437)	39,941,324

29. Capital commitments

As at 31 December 2018 the Group had $nil outstanding capital commitments (2017: $nil).

30. Related party transactions

Only members of the Board of Directors of Metals Exploration plc are deemed to be key management personnel. The Board has responsibility for planning, controlling and directing the activities of the Group. Key management compensation is disclosed in Note 7, Directors’ emoluments section.

During the year, the Company advanced funds to its subsidiaries to fund operations and purchase plant and equipment. At the year end, the Company had loan due by its subsidiaries totaling $213,580,848 (2017: $211,670,492). As at 31 December 2018 these loan amounts owed by subsidiaries were fully impaired.

At the year end, the Company owed $75,206 to its associates (2017: $79,876) and was owed $10,481 from its associates (2017: $11,132). The Company had no transactions with its associates during the year. As at 31 December 2018 these loan amounts owed by associates were fully impaired

31. Financial instruments

The Group's financial instruments comprise cash and cash equivalents, borrowings and items such as trade payables and trade receivables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group no longer holds forward gold sales or interest rate swap financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

31. Financial instruments (continued)

The carrying value of financial assets at the year-end are as follows:

Group	*Cash and cash equivalents*	*Trade and other receivables*	*Derivative assets*	*Total*
	US$	*US$*	*US$*	*US$*
As at 31 December 2018	1,497,431	9,466,546	-	10,963,977
As at 31 December 2017	725,201	10,339,799	15,476	11,080,476
Company				
As at 31 December 2018	664,642	487,126	-	1,151,768
As at 31 December 2017	175,796	214,698,680	-	214,874,476

Cash and cash equivalents and trade and other receivables are held at amortised cost. Derivative assets are held at fair value through profit and loss in accordance with IFRS9.

The carrying value of financial liabilities at the year-end are as follows:

Group	*Trade payables*	*Accruals and other payables*	*Loans*	*Derivative liability*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*
As at 31 December 2018	11,262,360	11,038,698	103,241,324	-	125,542,382
As at 31 December 2017	10,749,673	3,287,342	92,928,047	367,012	107,332,074
Company					
As at 31 December 2018	323,919	6,853,813	39,941,324	-	47,119,056
As at 31 December 2017	594,061	375,935	28,780,585	-	29,750,581

Trade payables, accruals and other payables and loans are held at amortised cost. Derivative liabilities are held at fair value through profit and loss in accordance with IFRS9.

The Group's operations expose it to a variety of financial risks including liquidity risk, foreign currency exchange rate risk, commodity price risk, credit risk and interest rate risk. The policies set by the Board of Directors are implemented by the Group's finance departments and senior management.

Liquidity risk

The Group actively monitors its cash resources to ensure it has sufficient available funds for operations and planned expansions. Fund-raising activity is, where possible, timed to meet cash requirements however, as noted in Note 23above the Group is currently unable to raise fresh equity capital and has sought, and has been granted, a standstill period during which it is not required to make any principal or interest repayments on its debt facilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

31. Financial instruments (continued)

The contractual maturities of the financial liabilities at the year-end are as follows:

Group	*Trade and other payables*	*Loans*	*Future Loan interest**	*Total*
	US$	*US$*	*US$*	*US$*
As at 31 December 2018				
1 – 6 months	22,301,058	75,020,176	-	97,321,234
6 – 12 months	-	1,935,096	-	1,935,096
1 – 2 years	-	3,064,904	-	3,064,904
2 – 5 years	-	23,221,148	-	23,221,148
Total contractual cash flows	22,301,058	103,241,324	-	125,542,382
As at 31 December 2017	*US$*	*US$*	*US$*	*US$*
1 – 6 months	14,037,015	20,360,284	2,269,204	36,666,503
6 – 12 months	-	15,473,815	1,911,414	17,385,229
1 – 2 years	-	30,070,945	3,107,250	33,178,195
2 – 5 years	-	27,023,002	8,329,740	35,352,742
Total contractual cash flows	14,037,015	92,928,046	15,617,608	122,582,669

Company	*Trade and other payables*	*Loans*	*Future Loan interest**	*Total**
	US$	*US$*	*US$*	*US$*
As at 31 December 2018				
1 – 6 months	7,177,732	11,720,176	-	18,897,908
6 – 12 months	-	1,935,096	-	1,935,096
1 – 2 years	-	3,064,904	-	3,064,904
2 – 5 years	-	23,221,148	-	23,221,148
Total contractual cash flows	7,177,732	39,941,324	-	47,119,056
As at 31 December 2017				
1 – 6 months	969,996	-	-	969,996
6 – 12 months	-	-	492,095	492,095
1 – 2 years	-	1,757,584	1,968,381	3,725,965
2 – 5 years	-	27,023,002	8,329,740	35,352,742
Total contractual cash flows	969,996	28,780,586	10,790,216	40,540,798

* The Group's and Company's contractual future loan interest is presently not capable of being calculated given the Group's ongoing negotiations with its lenders in seeking a restructuring of its borrowings and its future repayment terms, together with the fact that $75,020,176 in Senior and Mezzanine debt is currently due and payable outside the original loan contract terms.

As at 31 December 2018 the average interest rate applicable to the Group's outstanding loans was 13.14% (2017: 11.20%). The average interest rate applicable to the Company's outstanding loans was 17.25% (2017: 13.07%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

31. Financial instruments (continued)

Credit risk
Credit risk is the risk of financial loss to the Group or Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Group and Company are exposed to credit risk attributable to its cash balances; however, this risk is limited because the counterparties are large international banks.

The Group is exposed to credit risk for other receivables due from third parties. This risk is limited because the counterparties to the gold sales are internationally recognised. Further, the Group receives significant payment for the gold upon the presentation of transportation documents. However, an expected credit loss has been recognised in relation to other receivable amounts being the recovery of VAT/import duties given the difficulty the Group has experienced in recovering these VAT/import duty amounts receivable.

The Company is exposed to credit risk to the extent that amounts owed by its subsidiaries and associates may not be recoverable in the future. An expected credit loss has been recognised in relation amounts owed by its subsidiaries and associates.

The maximum exposure to credit risk at the year-end is best represented by the carrying amounts of trade and other receivables, cash and cash equivalents.

Market risk and sensitivity analysis

Commodity price risk
The market price of gold is one of the most significant factors in determining the profitability of the Group's operations. The price of gold is subject to volatile price movements over short periods of time and is affected by numerous industry and macro-economic factors that are beyond the Group's control. In 2018 the price ranged from $1,176 to $1,360 per ounce, with an average market price of $1,268 per ounce (2017: $1,257 per ounce). The Group's policy is to sell gold at prevailing market prices. As at 31 December 2018 no financial instruments have exposure to gold prices.

The impact of a 10% increase/decrease in the Group's average gold sale price achieved during the financial year would have resulted in the Group's loss before tax being decreased/increased by $6,152,000. The impact is expressed on the assumption that the market price changes by 10% with all other variables held constant.

Interest rate risk
The Group has interest bearing assets comprising cash and cash equivalents which earn interest at a variable rate. Interest income is not material to the Group.

The Group has interest bearing liabilities and the impact on the reported profit for the year is an interest expense of $12,740,445 (2017: $2,417,519). Interest payable on some loan facilities has been capitalised. The value of interest and bank fees capitalised during the year is $Nil (2017: $6,588,359).

The portion of the Group's interest-bearing borrowings exposed to changes in the LIBOR rate is $86,521,148. The remainder of the Group's borrowings bears interest at a fixed rate. A 5% increase in LIBOR over the financial would have resulted in an additional $96,000 in losses for the year (2017:$101,000). The analysis is based on the assumption that the applicable interest rate increased with all other variables held constant. All financial instruments with fixed interest rates are not subject to the interest rate sensitivity analysis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

31. Financial instruments (continued)

Foreign currency exchange rate risk
The Group and Company are exposed to foreign currency exchange rate risk having cashflows predominantly in US Dollars, Pounds Sterling and Philippine Pesos. The Group monitors exchange rates actively and converts funds raised to other currencies when deemed appropriate in order to meet expected future foreign currency commitments. The Group does not use hedging instruments to protect against currency risk.

Since 1 January 2018 the functional currency of all Group entities except the Parent Company has been US Dollars. The Group's exposure to foreign currency translation risk due to accounts being in different currencies to the Group's presentational currency is limited to movements in Pounds Sterling. Exposures to movements in other currencies are not material.

As at 31 December 2018, if the Pound Sterling exchange had weakened/strengthened by 10% against US Dollars, with all other variables held constant, the loss before tax profit would have been $3,800 higher/lower.

32. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital.

The Group defines capital as being share capital plus reserves. The Board of Directors monitors the level of capital as compared to the Group's long-term debt commitments.

The Group is not subject to any externally imposed capital requirements.

33. Contingent liabilities

The Group has no contingent liabilities identified as at 31 December 2018 (2017: $nil).

34. Post balance sheet events

In January 2019, the Group entered into a restructured facility agreement with its Senior Lenders. A key element of this agreement 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 Senior Lenders 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 and the repayment of $15 million in loan principal by 31 March 2019 was not achievable. The Group sought a standstill period within which the Group is relieved of making any principal or interest payments. This standstill request was agreed to by both the Senior and Mezzanine 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 its Senior and Mezzanine Lenders time to negotiate a restructuring of the debt that will provide the Group with a sustainable debt position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

35. Ultimate controlling party

The Company has no ultimate controlling party however; MTL Luxemburg SARL owns 46.9% of the Company. MTL Luxemburg SARL is considered a party holding significant influence.