

# METALS EXPLORATION PLC

## OPERATIONAL UPDATE TO 13 FEBRUARY 2015

Metals Exploration plc (AIM: MTL) (“Metals Exploration” or “the Company”), the natural resources exploration and development company with assets in the Pacific Rim region, is pleased to provide an update on matters relating to the construction and development of its Runruno gold-molybdenum project (“the Project”) in the Philippines.

**AIM Code : MTL**

At: 31 January 2015

Shares in Issue: 1,374,972,024

Options in Issue: 7,235,000

**Directors:**

Ian Holzberger, Executive Chairman  
Timothy Dean  
Guy Walker  
Julian Wilson  
Jeremy Ayre  
Eduard Simovici

**Management:**

Ian Holzberger, Executive Chairman  
Liam Ruddy, Company Secretary  
John Stubbs, CFO  
Craig Watkins, Country Manager  
Chevy Albo, Finance & Administration  
Rosalie Barrameda, Legal Counsel  
Agnes Goze, Environment & Permitting  
Tommy Alfonso, Financial Controller  
Peter Storey, GM Runruno Operations  
Larry McGeechan, GM Process Plant Construction  
Kevin Oxenham, GM Maintenance  
Chris Schlemmer, GM Site Services  
Jeff Jardine, Process Engineering Mgr.  
Keith Brown, Contracts & Procurement Mgr.  
Nick Holder, Process Plant Manager

**For further information please contact:**

**Metals Exploration plc**

Ian Holzberger: +61 41 888 6165  
Liam Ruddy; +44 7911 719 960  
+61 498 748 715

**Nominated Adviser:**

**Westhouse Securities Limited**  
Martin Davison  
+44 (0)20 7601 6114

**Broker:**

**SP Angel Corporate Finance  
LLP**  
Ewan Leggat  
+44 (0)20 3470 0500

**Public Relations:**

Tavistock  
Edward Portman / Jos Simson  
+44(0) 20 7920 3150

### Highlights

- Preparations have commenced for commissioning of the Process Plant in June 2015.
- Production ramp up and plant optimisation expected to occur through H2 2015.
- Self-managed project build programme continues to progress well in all critical areas of construction despite some unseasonably wet weather and public holidays around Christmas and the Papal visit to the Philippines.
- The inoculum cultures necessary for the Biox® and ASTER™ processes have been delivered to site.
- Initial performance of the cultures has been very positive and process operator training has commenced.
- A five year power supply contract with SN Aboitiz Power RES Inc. has been signed.
- On-site electrical switchyard has been approved as compliant by the Philippines Energy Regulatory Commission.
- 69Kv transmission lines have been energised and the project is now directly connected to the Philippines national grid, as a direct contestable customer.
- FCF owner’s construction team is confident that commissioning of the Process Plant can begin by the end of Q2, 2015.
- US \$54m has been drawn down from the US \$70m senior facility available for construction.
- The construction project costs continue to be forecast at the budgeted figure US \$182.8m.
- All high value and long lead equipment packages have been awarded with most components successfully delivered to site without incident.

## About Runruno Gold Project,

**Location:** Central Luzon, Philippines, 320km north of Manila.

**Status:** Development ready,  
Feasibility study completed May 2010.

**Mine life:** 10.3 years.

**Payable Au:** 1 million ozs.

**Annual Production:**  
Year 1-5: 101,800 ozs Au ave.  
Years 6-10: 92,700ozs Au ave.

**Capital Cost<sup>1</sup>:** US\$182.8 m

**Operating Cost<sup>2</sup>:** US\$ 474 /oz Au

**Mining:** Open pit, truck and shovel operation.

**Operational Strip Ratio:** 5.2:1 waste to ore.

**Processing:** gravity, BIOX<sup>®</sup> oxidation and CIL to recover gold as doré bullion.

**2P Reserves<sup>3</sup>:** 15mt @ 1.85g/t Au

**Mineral Resource<sup>3</sup>:**  
Runruno Main - 26mt @1.69 g/t Au and 453ppm Mo, including reserves.  
Malilibeg South – 7.55mt @1.4 g/t Au and 1,200 ppm Mo

**Upside:** by-product molybdenum, mine life extension, highly prospective mineralised system.

**Project Finance Debt Facility:**  
Senior debt facility – US \$70m  
Capitalised interest & fees facility – US \$5m  
Overrun facility – US \$8m

## Notes:

1. Capital Cost updated October 2011 - estimated in Q3 2011 US\$, at US\$167.8 million increased by the cost of the acquisition of the mining fleet at US\$15 million.
2. Average operating cost for the first 5 years of operation. Costs re-estimated in Q4 2013 US\$ based on actual and known costs and hard quotations.
3. Refer to the Company website, [www.metalexploration.com](http://www.metalexploration.com) for complete Mining Reserve and Mineral Statement.

## Ian Holzberger, Executive Chairman, commented:

“As construction gains momentum again after the Christmas period and the recent trip to the Philippines by Pope Francis, our Runruno gold project is really taking shape as we prepare for and look towards production. Some particularly wet weather certainly made conditions at site more challenging than normal, nonetheless good safe progress was made on each of the main construction areas.

“At the end of January, essential areas of construction occurred including structural steel erection, top of tank steel erection, ROM concrete structure erection, main MCC switch room structures and installation and erection of the ball mill. Metallurgy test-work is well underway after successfully commissioning the site based Biox<sup>®</sup> mini plant in December and taking delivery of the initial four truckloads of ore for its start-up operation. It was also very pleasing to resolve the project’s electrical power needs after signing a five year contract with SN Aboitiz Power RES Inc.

“It is worth mentioning that the capital expenditure incurred to date on the development of Runruno is more than US \$150m, a significant portion of which has already gone into the local economy through wages, supply contracts, local subcontractors and taxes.

“Finally, the Board of the Company has seen Mr Christopher Whitehouse step down as a non-executive director of the Company and replaced with Mr Eduard Simovici, and I would like to reiterate my thanks to Christopher for all his hard work and extend a warm welcome to Eduard.”

## Preparation for Commissioning and First Gold

In anticipation of the commencement of commissioning late in Q2 2015 and the ramp up into full commercial operations in H2 2015, the operations team are setting their focus on operational readiness.

### *Processing*

A BIOX<sup>®</sup> mini plant has been established at Runruno and was commissioned in December 2014 after four truckloads of ore were delivered for its start-up operation. Three truckloads of high grade high sulphide ore was excavated from Stage 1 of the mine area and one truckload of medium grade ore from Stage 1.5.

Bacterial and fungi inoculum cultures necessary for the BIOX<sup>®</sup> and ASTER<sup>™</sup> processes, which are licensed for use at Runruno by BIOMIN South Africa (Pty) Limited (BIOMIN), have been received from SGS S.A. laboratories in Johannesburg. These cultures have now been successfully reactivated in the mini plant and their activity is being carefully monitored ready for commencement of operations. Production of gold and sulphide concentrates using Runruno ores has commenced in the mini plant. These concentrates will now be used to build up the volume of inoculum available for the process plant commissioning.

The mini plant facility is also being used to train operators and provide a stock of active bacteria which will be used to accelerate the commissioning and ramp-up processes.

An onsite assay laboratory has been constructed and is currently being equipped for the start of operations.

The Process Plant Training Package for the operators is being implemented and will include a period at an operational BIOX<sup>®</sup> facility for the key operators.

Initial spare parts for the project have been identified and the procurement strategy signed off to have these parts in place prior to commencement of commissioning.



Image 1: On site operational ASTER<sup>™</sup> & Biox<sup>®</sup> (left) and Flotation (right) minilab

### *Electrical Power*

During the construction phase power has been supplied to the site supply at 13.8 Kv from the Bayambong switchyard by the local power utility provider, Nuevelco. However, during commissioning and into operations, power is required to be supplied at 69Kv to provide a stable continuous supply averaging around 10MW and to minimise power losses. In anticipation of this several agreements and contracts have been entered into;

- (i) five year (renewable) continuous power supply contract with an independent power producer SN Aboitiz Power RES Inc, (SNAP) to provide hydro generated power to the Project;
- (ii) registration as a direct contestable customer with the Wholesale Electricity Supply Market (WESM); and

- (iii) an Operations & Maintenance agreement signed with the National Grid Corporation of the Philippines (NGCP).

The recently completed on-site switchyard has been certified as compliant by the Energy Regulatory Commission (ERC) allowing the direct 69Kv power connection to the Philippine grid through the Bayambong switchyard to be made. On 11 February 2015 the transmission lines were energised at 69Kv from the Bayambong switchyard to the Runruno project site through a 40 MV transformer. Currently, the NGCP is installing a 230Kv to 69Kv 75MV transformer at the Bayambong switchyard in addition to the 40MV transformer. It is scheduled to be commissioned in May 2015 and ready for the commencement of commissioning in June 2015.

The entire Runruno site including the processing plant construction activities is now drawing its power requirements, provided by SNAP, directly from the National Grid. The 69Kv incoming supply is being transformed to the site distribution voltages within the site switchyard. Prior to the changeover Nuevelco was at its limit of supply capacity and so have welcomed the change. This is a significant achievement by the Project team as commissioning of the Process Plant would not be possible without completing the various requirements of a highly regulated electricity supply market.



*Image 2: Switchyard aerial view*

## **Funding Package and Cash Position**

The remaining construction works of the Process Plant and the Residual Storage Impoundment are wholly funded by the US \$83m loan facilities provided by the Hongkong and Shanghai Banking Corporation Limited (“HSBC”) and BNP Paribas (“BNP”), in equal partnership. FCF Minerals Corporation (“FCF”) has successfully completed six draw downs to date totalling US \$53,794,495 against the US \$70m senior debt facility for construction works; leaving US \$16,205,505 still left to be drawn and a further US \$13,400,000 deposited in a Hong Kong Project Contingency account available for the construction works. The first capital repayment date under the Debt Facility Agreement is scheduled on 31 December 2015.

Four draw downs have been successfully made against the US \$5m senior debt facility available for capitalised interest and bank fees. These totalled US \$4,048,491 leaving US \$951,509 available to be drawn against capitalised interest and commitment fees. The draw downs to date have covered the initial bank fees, first six months interest payment, commitment fees to 31 December 2014 and the first interest rate swap cash settlement of 31 December 2014. The second interest repayment date under the Debt Facility Agreement is scheduled on 30 June 2015.

At the end of January 2015 the forecast capital expenditure program for the Runruno project remains US \$182.8m, inclusive of contingency. The current status of the program is summarised as follows:

Capital expenditure incurred to date	US \$151.4m
Capital expenditure commitments outstanding	US \$ 13.2m
Capital expenditure yet to be committed (inclusive of contingency)	US \$ 18.2m
<b>Total forecast expenditure</b>	<b>US \$ 182.8m</b>

At the end of January 2015 FCF had the equivalent cash funds of US \$8.1m in the bank from funds drawn from the debt facilities and a further US \$13.4m of project contingency. US \$ 16.2m remains available in the senior debt facility and the overrun facility of US \$8m remains wholly undrawn but available to the project if the need arises.

As at the end of January 2015 the amount committed to the project was US \$164.6m being 90% of the total project requirements. The amount available for project contingency is US \$13.4m and remains wholly intact in a Hong Kong offshore account controlled by the Facility Agent but fully available to be drawn upon. Management continually reviews the project spend parameters and forecasts that as at the end of January 2015, and with all the information available at that time, there will be a requirement to draw down US \$9.13m of the project contingency. Almost US \$8m of this is due to import payments of VAT and customs fees & duties payments on imported capital mining equipment which was otherwise exempt from these charges under FCF's Financial or Technical Assistance Agreement ("FTAA"); and which has subsequently been denied by the Secretary of the Bureau of Inland Revenue ("BIR") in the Philippines. These costs were unforeseen on commencement of the project and are currently being challenged by the Group but progress of this challenge is slow. FCF is one of a number of companies affected by the BIR's position and the Philippine legal system is congested with challenge cases waiting to be heard or in progress. The impact of this incremental cost has been absorbed into contingency and has reduced the headroom in the project contingency accordingly.

## **Process Plant Construction**

The critical path for the construction of the Process Plant is through the Mill/Grinding and Gravity Area structures, ROM structure and the several main control room structures. Gravity area structural mechanical and piping works are due to start before the end of February 2015. FCF owner's construction team is confident that commissioning can begin by the end of Q2, 2015.

There has been good progress reported to date in all critical areas of construction including structural steel erection, top of tank steel erection, ROM concrete structure erection, Main Control Centre switch room structures and installation and erection of the ball mill.

Progress to date on each of the main construction areas as at the end of January 2015 is as follows:

### *Crushing area - 47% complete*

The earthworks and concrete foundations are completed. The remaining construction elements and their completion status are; terramesh wall (85%), structural steel (10%), transfer station (95%), electrics (10%), with installation of chutes, hopper and sizer yet to commence and cable ladder & infrastructure, instrumentation and power/lighting yet to commence.



*Image 3: Primary crusher area*

*Grinding area - 59% complete*

The concrete foundations are completed and concrete bunded area is 27% complete. The remaining construction elements and their completion status are; the mill (62%), structural and electrical erection (57%), electrics (15%) with cable ladder & infrastructure, instrumentation and power/lighting yet to commence.



*Image 4: Grinding area and ball mill*

*Flotation area - 76% complete*

The concrete foundations and concrete bunding are completed. The remaining construction elements and their completion status are; tanks and launders (93%), structural steel platforms & mixers (82%), piping (35%), cable ladder & infrastructure (50%), electrics (15%), with instrumentation and power/lighting yet to commence.



*Image 5: Flotation area*

*CIL area - 68% complete*

The concrete foundations and concrete bunding are completed; the CIL tanks and launders are installed and erected to 95% completion. Remaining construction elements and their completion status are; structural steel platforms and agitators (85%), electrics (15%), with pumps and piping, cable ladder & infrastructure, instrumentation and power/lighting yet to commence.



*Image 6: CIL tanks and pipe racking*

*ASTER™ tank area - 57% complete*

The concrete foundations and concrete bunding are completed; the CIL tanks and launders are installed and erected to 90% completion. Remaining construction elements and their completion status are; structural steel & platforms to the top of the tanks (65%), pumps & piping (8%), electrics (15%), with cable ladder & infrastructure, instrumentation and power/lighting yet to commence.



*Image 7: ASTER™ and CIL tank area*

*BIOX® area - 61% complete*

The concrete foundations and concrete bunding are completed; the Biox® tanks and launders are installed and erected to 98% completion. Remaining construction elements and their completion status are; structural steel platforms and agitators (54%), pumps and piping (5%), electrics (15%), cable ladder & infrastructure (5%), with instrumentation and power/lighting yet to commence.



*Image 8: Biox® tank area*

*CCD Thickener area – 65% complete*

The concrete foundations and concrete bunding completed; the thickener and feed tanks are fully erected with structural steel installation at 90% completed to the top of the tank platforms and progressing well. Remaining construction elements and their completion status are; pumps & piping (23%), cable ladder and infrastructure (25%), electrics (10%), and instrumentation and power/lighting yet to commence.



*Image 9: CCD Thickener area*

*Neutralisation area - 73% complete*

The concrete foundations and concrete bunding are completed; the neutralisation tanks are fully erected with structural steel installation at 85% completed to the top of the tank platforms and progressing well. Remaining construction elements and their completion status are; pumps & piping (23%), cable ladder and infrastructure (10%), and electrics, instrumentation and power/lighting yet to commence.

*BIOX® Cooling Tower area - 21% complete*

The concrete foundations are completed with the towers, piping, structural steel and ladders, electrics, instrumentation and power/lighting yet to commence.

The total Process Plant area is 54% complete and on schedule for commissioning in June 2015. FCF's conveying system concrete foundation work is completed and the erection of structural steel works has commenced between the ROM and the mill.



Gold Room and Elution area foundation works are due to start after the mill installation works are completed in this area.

Each site contractor has started extended shift work (6am start and finish 10.30pm) with preparations for a night shift to commence late February 2015 to increase productivity and ensure that schedule target dates are achieved.

All structural drawings have been issued and amendments to the last packages of piping drawings are being back-drafted in line with review comments for elution, gold- room and reagents areas. Final piping drawings and isometrics have been issued for construction. PLC programming and SCADA development is ongoing and due for issue later in February. Contromation Energy Services design is currently 99.7% complete having completed all required design detailing. Any further design/ drawing alterations requirements will be undertaken using FCF's construction personal in conjunction with the project consultant PIE.

Manila port has experienced severe congestion over the last six months and all imports into the Philippines are taking a greater period of time than normal to clear customs. The main reason is a failure in the implementation of a new computerised clearing system that has encountered some initial difficulties. Several of the main freight companies are refusing to deliver through Manila port because of the excessive waiting time to discharge. The delivery of materials and equipment from port to site has started to have a cost and time impact on the construction schedule, but there has been no overall negative movement to the critical path and is not expected to.



*Image10: Process Plant Control Room/Tower*

## **Residual Storage Impoundment ("RSI")**

Construction works on the RSI commenced during September 2014 and progress to the end of January 2015 is 46.9% complete. It is anticipated the RSI will be commissioned during May 2015 and in advance of the Process Plant being commissioned.

December 2014 and January 2015 were slow months for the RSI construction due to inclement weather, festive holidays and a Papal visit to the Philippines. These factors combined to reduce the number of productive days spent on constructing the RSI.

December 2014 and January 2015 were recorded as 'wet months' with prolonged periods of very heavy rain combined with persistent general rain on most days, in a season traditionally known to be the dry season. This

impacted upon the placement of clay for compaction in the RSI and was delayed for the majority of the month of December 2014.

The underdrain within the footprint of the Stages 1, 2 and 3 was established to specification and can now be filled over. All filter material and construction clay material is sourced within the footprint of FCF's FTAA area.



*Image 11: RSI clay core construction of the dam wall*



*Image 12: RSI under-drain*

## **General Mining**

Mining works undertaken in and around the pit area has advanced to the final preparations stage and is currently being used to support the mining of clay material to be used in the construction of the RSI wall.

Mine works on stage 3 of the planned pit has provided access to construction materials necessary for the construction of the RSI wall. The RSI establishment works and current mine prestrip works are developed using the Komatsu mine fleet supplemented by contractor equipment. The total material shifted to date is 2,020,800 bcm (bench cubic metres) or 5.0 million tonnes approx.

All of the land in the ROM area (Tayab) has been acquired and the last structure/building was dismantled in November allowing backfilling of the ROM pad area to continue unhindered. Good fill material has been sourced from the pit area and is currently being stockpiled in reserve for further development of the engineered fill pad which surrounds the primary crusher.



*Image 13: Prestripping*

## **Safety**

Safety is a priority at all times on site and in 2014 a total of 3,010,205 man hours were worked on the construction of the Process Plant, with a total of 8 non-lost time accidents and 3 lost time accidents (none of these being of a life threatening nature). A total of 520 man hours have been lost or 0.017% of total worked hours.

Safety audits are a routine part of the working culture in all active work areas of the project and are regarded as a highly effective accident preventative measure.

## **Environment**

The Company maintains very active environment programs, a core value being the application of continuous rehabilitation and green stabilisation practices. Wherever possible, endemic tree and grass species, together with vetiver grass are used to promptly rehabilitate disturbed surfaces and to stabilise cut and stacked surfaces. Silt traps, rip-rap, coconut matting and containment ponds are used across the site to reduce water velocity and minimise silt run-off. In addition the Company maintains an active Mining Forest program which rehabilitates degraded lands by the planting of endemic trees in areas within its FTAA but outside of its operations.

Continuous monitoring is undertaken by Company employees with an external independent specialist undertaking quarterly monitoring and review. The Project continues to be fully compliant with its Environmental Compliance Certificate and meets all of its undertakings to the regulators.

The Projects environmental performance has once again been recognised through the award runner up in the Mining Forrest Program in the Philippine Mine Safety and Environment Association annual awards.



*Image13: Rehabilitation works*

## **Government**

The Company continues to work with the Government to seek a resolution of the contents of the Philippines Bureau of Internal Revenue (BIR), Revenue Memorandum Circular No 17-2013 (RMC17). RMC17 casts doubt

upon the Company's ability to avail any fiscal exemptions expressly provided in its FTAA to the extent it states FTAA Contractors are liable to pay the taxes due under the National Internal Revenue Code (reported in the Operational Update to March 31). No resolution has been reached to date. The Company also supports the Philippine Chamber of Mines in seeking dialogue with the Government with respect to its Draft Bill on 'Fiscal Regime and Revenue Sharing for Large-Scale Metallic Mining'.

### **Approval**

Mr Ian Holzberger, a director of the Company, who has been involved in the mining industry for more than 42 years, is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists, has compiled, read and approved the technical disclosure in this regulatory announcement.

### **Forward Looking Statements**

*Statements relating to the estimated or expected future production, operating results, cash flows and costs and financial condition of Metals Explorations, planned work at the Company's projects and the expected results of such work are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by words such as the following: expects, plans, anticipates, forecasts, believes, intends, estimates, projects, assumes, potential and similar expressions. Forward-looking statements also include reference to events or conditions that will, would, may, could or should occur. Information concerning exploration results and mineral reserve and resource estimates may also be deemed to be forward-looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed.*

*These forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable at the time they are made, are inherently subject to a variety of risks and uncertainties which could cause actual events or results to differ materially from those reflected in the forward-looking statements, including, without limitation: uncertainties related to raising sufficient financing to fund the planned work in a timely manner and on acceptable terms; changes in planned work resulting from logistical, technical or other factors; the possibility that results of work will not fulfil projections/expectations and realize the perceived potential of the Company's projects; uncertainties involved in the interpretation of drilling results and other tests and the estimation of gold reserves and resources; risk of accidents, equipment breakdowns and labour disputes or other unanticipated difficulties or interruptions; the possibility of environmental issues at the Company's projects; the possibility of cost overruns or unanticipated expenses in work programs; the need to obtain permits and comply with environmental laws and regulations and other government requirements; fluctuations in the price of gold and other risks and uncertainties.*

For further information please visit or contact [www.metalsexploration.com](http://www.metalsexploration.com)

<b>Metals Exploration PLC</b>	<a href="mailto:info@metalsexploration.com">info@metalsexploration.com</a>		
Ian R. Holzberger (Chairman)	+63 (0) 9189 795 992 +61 (0) 418 886 165		
Liam A. Ruddy (Company Secretary)	+61 (0) 498 648 615 +44 (0) 7911 719 960		
		<b><u>Nominated Adviser</u></b>	
		Westhouse Securities Ltd	+44 (0) 207 601 6100
		Martin Davison; David Coaten	
		<b><u>Public Relations</u></b>	
		Tavistock Communications	
		Edward Portman; Jos Simson	+44 (0) 207 920 3150
		<b><u>Broker</u></b>	
		SP Angel Corporate Finance LLP	
		Ewan Leggat; Katy Birkin	+44 (0) 203 463 2260