

# METALS EXPLORATION PLC

## QUARTERLY UPDATE TO 31 MARCH 2021

Metals Exploration plc (AIM: MTL) ("Metals Exploration", the "Company" or the "Group"), the natural resources exploration and development company with assets in the Pacific Rim region, is pleased to announce its quarterly results for Q1 2021.

### ***Finance and corporate***

- Gold sold during Q1 2021 of 18,316 ounces, at an average realised gold price of US\$1,788 per ounce (Q4 2020: 20,295 ounces at an average gold price of US\$1,869 per ounce).
- Gold sales of US\$32.8 million in Q1 2021 (Q4 2020: US\$37.9 million).
- Positive free cash flow of US\$11.5 million in Q1 2021 (Q4 2020: US\$13.6 million).
- Senior debt repaid during Q1 2021 was US\$12.3 million (Q4 2020: US\$8.0 million). Since the end of the quarter, a further senior debt repayment of US\$3.0 million has been made.
- Cash available for use as at 31 March 2021 was US\$7.8 million.
- Total interest-bearing liabilities as at 31 March 2021 were, in aggregate, US\$120.5 million.

### ***Mining Operations***

- No lost time injuries during the period.
- Ore and waste mined for the quarter was slightly above forecast, at 2.43Mt (Q4 2020: 2.49Mt) of which total ore mined was 423kt (Q4 2020: 661kt).
- Access development to mine plan Stages 3 & 4, and resettlement of the remaining illegal miners away from these areas continues. Access to Stages 3 & 4 continues to be impacted. Further actions in relation to access development and resettlement activities will be made in the forthcoming quarters.

### ***Processing Operations***

- Gold poured during Q1 2021 of 18,725 ounces (Q4 2020: 19,907 ounces).
- Gold recovery for Q1 2021 improved to 81.9% (Q4 2020: 79.8%).
- Further BIOX testing and design updates are targeted for incremental production improvements.

### ***FY 2021 Production Guidance***

- The Company expects its FY 2021 gold production to be between 64,000 and 69,000 ounces.
- FY 2021 AISC is projected to be approximately US\$1,275 per ounce.

### ***COVID-19 Impacts***

- Post the quarter end, the Philippines is suffering from a surge in COVID-19 cases, including the Municipality of Quezon and neighbouring cities/towns near the Runruno mine site.
- Numerous COVID-19 cases have been recorded amongst personnel at the project site.
- All infected personnel and their traced close contacts have been isolated.
- More stringent COVID-19 testing protocols have been introduced and access to mine site for non-operational personnel has been restricted.
- Normal mining and processing operations continue notwithstanding COVID-19 pandemic impacts.
- Ongoing and changing travel restrictions continue to impact the ability of key senior personnel to freely travel to and from the mine site.

**Darren Bowden, CEO of Metals Exploration, commented:**

"Following on from our record quarter in Q4 2020 we are very pleased to report further excellent progress during Q1 2021 with gold sales continuing to be strong with 18,316 ounces sold during the quarter. It is also very pleasing to have achieved these results despite the ongoing challenges and impact of COVID-19.

"The safety of our staff remains our focus. We have an exceptional safety record with over 13 million man hours without a reportable injury as at the quarter end and we will continue to be stringent, taking the appropriate actions given the increased level of COVID-19 infections seen recently in the region, to ensure the safety and wellbeing of all our staff and local community.

"We are also delighted to also be able to offer shareholders forecast production guidance following the production stability that we are delivering and the completion of our restructuring last year. For the full year ending 2021, we are forecasting gold production of between 64,000 and 69,000 ounces with an AISC of approximately US\$1,275 per ounce.

"We look forward to continuing to build on this quarter's performance during the year ahead, further paying down our debt liabilities and delivering the forecasts that we are outlining."

**Production and Finance Summary**

Runruno Project Report		Quarter	Quarter	FY 2021	FY 2020
FY 2021		Actual	Actual	Actual	Actual
PHYSICALS	Units	Q1 2021	Q1 2020	3 Months	3 Months
<b>Mining</b>					
Ore Mined	Tonnes	422,895	557,165	422,895	557,165
Waste Mined	Tonnes	2,013,001	2,557,703	2,013,001	2,557,703
Total Mined	Tonnes	2,435,896	3,114,868	2,435,896	3,114,868
Au Grade Mined	g/tonne	1.39	1.41	1.39	1.41
Strip Ratio		4.53	4.59	4.53	4.59
<b>Processing</b>					
Ore Milled	Tonnes	536,754	494,826	536,754	494,826
Au Grade	g/tonne	1.33	1.54	1.33	1.54
S <sub>2</sub> Grade	%	1.06	1.38	1.06	1.38
Au Milled (contained)	ounces	22,875	24,575	22,875	24,575
Recovery	%	81.9	68.3	81.9	68.3
Au Recovered/Poured	ounces	18,725	16,794	18,725	16,794
<b>Sales</b>					
Au Sold	ounces	18,316	17,213	18,316	17,213
Au Price	US\$/oz	1,788	1,581	1,788	1,581
<b>FINANCIALS (Unaudited)</b>					
<b>Revenue</b>					
Gold Sales	(US\$000's)	32,757	27,222	32,757	27,222
<b>Operating Costs - Summary</b>					

Mining	(US\$000's)	5,535	5,263	5,535	5,263
Processing	(US\$000's)	7,486	7,732	7,486	7,732
G&A	(US\$000's)	2,911	2,824	2,911	2,824
<b>Total Operating Costs</b>	(US\$000's)	15,932	15,819	15,932	15,819
Excise Duty	(US\$000's)	1,350	1,096	1,350	1,096
UK/Philippine G&A	(US\$000's)	1,599	1,367	1,599	1,367
<b>Total Direct Production Costs</b>	(US\$000's)	18,881	18,282	18,881	18,282
<b>Net Cash Income</b>	(US\$000's)	13,877	8,940	13,877	8,940
<b>Total Capital Costs</b>	(US\$000's)	2,345	3,777	2,345	3,777
<b>Total non-cash costs</b>	(US\$000's)	4,324	4,163	4,324	4,163
<b>Free Cashflow</b>	(US\$000's)	<b>11,532</b>	<b>5,163</b>	<b>11,532</b>	<b>5,163</b>
<b>Cash Cost / oz Sold - C1</b>	<b>US\$/oz</b>	<b>886</b>	<b>961</b>	<b>886</b>	<b>961</b>
<b>Cash Cost / oz Sold - AISC</b>	<b>US\$/oz</b>	<b>1,175</b>	<b>1,323</b>	<b>1,175</b>	<b>1,323</b>

Note: AISC includes all UK Corporate costs.

### Review of Operations

Operations during Q1 2021 were largely unaffected by disruptions resulting from the COVID-19 pandemic.

However, since late March 2021 the number of COVID-19 cases detected in the Philippines has soared as a new wave of infection spreads across the country.

This increase in COVID-19 cases has been particularly evident in the Province of Vizcaya, especially in the Municipality of Quezon and neighbouring cities/towns near the Runruno mine site. Unfortunately, and notwithstanding the various on-site procedures to test for and quarantine for potential COVID-19 cases, numerous on-site cases of COVID-19 have been detected. Initially these cases have been concentrated within the administrative and other supporting non-operational departments, and to date there has been no interruption to mining/processing operations.

As a result of the increased level of infection across the Philippines the Company has introduced enhanced on-site testing procedures. Effective quarantine arrangements are in place for those personnel who test positive as well as their traced close contacts. The COVID-19 cases detected and the Company's responses have been reported to the appropriate government agencies and the Company continues to be compliant with all relevant government directives with regards COVID-19.

Other than the recent on-site outbreak of COVID-19, the main operational disruption from the pandemic has been the ongoing and regularly changing restrictions on the movement of people in and out of the country. International and domestic travel restrictions continue to impact on the ability of senior personnel to travel to and from the mine site and maintain an appropriate on-site roster.

Notwithstanding the above issues, Q1 2021 resulted in gold sales of US\$32.8 million (Q4 2020: US\$37.9 million), at an average realised gold price of US\$1,788 per ounce (Q4 2020: 20,295 ounces, at an average gold price of US\$1,869 per ounce); producing a positive free cash flow of US\$11.5 million (Q4 2020: US\$13.6 million).

During Q1 2021 a total of US\$12.3 million (Q4 2020: US\$8.0 million) in debt repayments were made, bringing the Group debt at 31 March 2021 to US\$120.5 million (Q4 2020: US\$129.3 million). Debt repayments since September 2020 to the date of this report total US\$27.3 million.

Cash at bank and available for use as at 31 March 2021 was US\$7.8 million (Q4 2020: US\$15.6 million).

### ***FY2021 Production Guidance***

With the Company's debt restructure concluded in Q4 2020, together with a degree of production stability having been achieved, the Company is now positioned to provide shareholders with some forecast production guidance.

The Company provides the following forecast key production metrics for the full 2021 financial year:

- Gold production of between 64,000 - 69,000 ounces
- AISC (including UK head office costs) of approximately US\$1,275 per ounce

### ***Mining Operations***

A government ban of the usage and movement of explosives for several weeks in early Q1 2021 impacted upon total material moved during the quarter. Mining production of ore and waste for Q1 2021 was below forecast at 2.43Mt (Q4 2020: 2.49Mt), and the total ore mined for Q1 2021 of 423kt (Q4 2020: 661kt). Mining in Stage 1 re-commenced and backfill operations are on track to commence in Q4 2021.

Continued delays in completing the resettlement of the illegal miners from Stages 3 and 4 of the Project site is impeding full access to these areas such that the Company's mining schedule continues to be negatively impacted. The Company continues to work diligently with the local authorities to expedite the process of resettlement.

These delays have affected the 2021 head grade with high grade material from Stage 3 being pushed to the 2022 mining schedule. The new access road to Stages 3 and 4 was not completed due to in-climate weather, but is expected to be completed in Q2 2021.

The programme of infill resource and mine plan drilling is ongoing and has commenced in mine plan Stages 3 and 4.

### ***Process Plant***

Throughput for Q1 2021 was 537kt (Q4 2020: 526kt). Gold production for Q1 2021 was 18,725 ounces at a recovery rate of 81.9% (Q4 2020: 19,907 ounces at a recovery rate of 79.8%).

During the quarter, a major shutdown was undertaken to upgrade electrical cables to BIOX and Milling. The shutdown resulted in BIOX being offline for 6 hours, followed by a one week recovery period for the BIOX circuit. Despite this downtime, overall gold recoveries in Q1 2021 exceeded the previous best quarter result.

The 4<sup>th</sup> blower to BIOX has arrived on-site and will be installed in Q2 2021, leading to an overall increase in available air and redundancy for the BIOX circuit.

While flotation performed very well during the quarter, some minor design modifications are currently underway to increase the consistent high gold recovery of this circuit.

In mid-March, the Philippine government implemented a five week ban on international personnel returning to the country. This travel ban remains in place as at the date of this report. The ongoing, changing and unpredictable travel restrictions brought about by the changing nature of the COVID-19 pandemic, continues to challenge the Company's ability to maintain its senior expat management on-site roster.

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

RSI construction continues with the dam water freeboard level at design levels. Studies into designing the RSI final in-rock spillway have commenced and geotechnical drilling for these studies has commenced. The Stage 6 lift to the dam was commenced and is being supervised by international engineering consultants GHD.

### **Occupational Health & Safety**

Runruno continues to record an exceptional safety record with over 13 million man hours without a reportable injury as at the quarter end.

### **Environment and Compliance**

Compliance matters continue to be successfully monitored and the mine remains compliant, with no outstanding material issues.

### **Community & Government Relations**

The Company, in conjunction with relevant government agencies, continues in its efforts to complete the removal of the remaining illegal miners, including their infrastructure and dwellings, from those areas scheduled to be mined as part of mine plan Stages 3 and 4. Further actions in relation to access development and the resettlement activities will be made in the forthcoming quarters.

*This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014, which forms part of United Kingdom domestic law by virtue of the European (Withdrawal) Act 2018. Upon the publication of this Announcement, this inside information is now considered to be in the public domain.*

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

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### **Competent Person's Statement**

Mr Darren Bowden, a director of the Company, a Member of the Australasian Institute of Mining and Metallurgy and who has been involved in the mining industry for more than 25 years, has compiled, read and approved the technical disclosure in this regulatory announcement in accordance with the AIM Rules - Note for Mining and Oil & Gas Companies.

### **Forward Looking Statements**

*Certain 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 contained herein are forward-looking statements which are based on current expectations, estimates and projections about the potential returns of the Group, industry and markets in which the Group operates in, the Directors'*

*beliefs and assumptions made by the Directors. 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" or variations of such words 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 statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties and assumptions that are difficult to predict, qualify or quantify. Among the factors that could cause actual results or projections to differ materially include, 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.*

*The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules.*