

## Regulatory Story

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**Metals Exploration PLC** - MTL Equity Raising  
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## **METALS EXPLORATION PLC**

**Metals Exploration plc (AIM: MTL) ("Metals Exploration" or the "Company"), the natural resources exploration and development company with assets in the Pacific Rim region.**

### **Equity Raising**

Metals Exploration is pleased to announce that it has obtained commitments to raise approximately US \$5.0 million (£3.78 million) via the issue of a total of 76,128,414 new ordinary shares of 1 pence each in the Company (the "**Placing Shares**") at a price of 5.0 pence per new ordinary share, from certain existing shareholders (the "**Placing**").

#### **1. Background to and reasons for the Placing**

During 2015 the Company raised the following additional capital contributions by way of:

- i. A private share placement in September 2015 for the issue of 108,033,333 new ordinary shares of 1p each to certain sophisticated shareholders, including MTL (Luxembourg) Sarl and Runruno Holdings Limited, at a price of 3.0 pence to raise US \$5.0 million;
- ii. An Open Offer to all shareholders other than the subscribers in (i) above for the issue of 99,999,988 new ordinary shares of 1 pence each at a price of 3.0 pence, which raised GBP £3.0 million; and
- iii. US \$5.0 million by way of a debt facility provided by the Company's two principal shareholders, MTL (Luxembourg) Sarl and Runruno Holdings Limited.

During 2016 the Company raised the following additional capital contributions by way of:

- i. A private share placement in March 2016 for the issue of 148,300,536 new ordinary shares of 1p each to certain sophisticated shareholders, comprising MTL (Luxembourg) Sarl, Runruno Holdings Limited, Baker Steel Capital Managers LLP and Investec Wealth & Investment Limited at a price of 2.90 pence to raise US \$6.2 million.

It was announced by the Company on 18 September 2015 that the contributions from the 2015 Share Placement would provide sufficient capital to complete the commissioning of the Process Plant and Residual Storage Impoundment (the "**RSI**") at its Runruno Project and until it commences operations through to realising self-sustaining cash flow. It was further

announced that the contribution received from the Debt Facility would provide a contingency facility should the permitting process delay the Project entering into commercial operations during October 2015. The funds received from the Open Offer were announced as not being critical to the requirements of the Project at that point in time. The Company announced in the 2016 Share Placement that it "*expects that following receipt of funds from the Placing and subject to achieving a satisfactory debt restructuring agreement with the Lenders as well as clearance to start operations from the MGB, it will now have in place sufficient working capital to continue until it commences operations through to realising self-sustaining cash flow*".

Unfortunately the Project has suffered from further time delays which has inhibited it from realising sustainable cash flows resulting in the Company having to raise additional working capital funding. The main reasons can be explained as follows.

#### I. Debt restructuring discussions have taken longer than expected

Management commenced debt restructuring discussions with the current facility lenders in March 2016 and it was expected this exercise would be completed before 30 June 2016. A capital payment of US \$15.0 million and interest of US \$2.874 million was due to be made to the lenders on 30 June 2016 but a restructured debt facility would have avoided the requirement for these payments.

The restructuring exercise is currently ongoing and it is now expected this will be fully completed by the end of August 2016.

The interest payment of US \$2.874 million has been paid to the lenders which has depleted the Company's cash in the process but which was forecast to be made out of the Company's funds post a debt restructured scenario.

A waiver for the capital payment of US \$15.0 million has been received from the Lenders through to the end of July and which is currently being negotiated through to the end of the restructuring exercise.

#### II. Interruption to operations caused by the mill situation

The recent downtime experienced due to the mill being out of operation has caused a delay receiving revenue from gold sales.

The mill issue has since been operating semi-continuously since 15 July 2016 and the gold recovery circuits are being tested and debugged again.

#### III. Conditions attaching the release of US \$6.0 million working capital prefund

US \$6.0 million of working capital (prefunded out of equity) had been 'locked up' in an offshore reserve account and which would be released to the Project's proceeds accounts once the Project had entered the commissioning phase of operations. Management applied to have the US \$6.0 million released after the partial suspension order was lifted and when the Company had announced entering the operations testing and debugging phase.

The lenders agreed to the release of the US \$6.0 million working capital for the benefit of the Project but with certain conditions attached. These conditions were that the interest due on 30 June 2016 would be reserved out of these funds. The Company was aware of these conditions in its discussions to release the funds in the month of May and understood the challenge and opportunity to have the mine and the Process Plant operational and producing gold for the benefit of the Company and the cash flow it required. An amount of

US \$2.874 million was reserved on drawdown of the working capital on 3 June 2016 to cover the payments due 30 June 2016 as follows:

Interest due on the US \$73m senior facility:	\$2,454,138
Interest due on the US \$8m cost overrun facility:	\$325,613
Cash settlement on the Interest Rate Swap derivative:	\$94,668

**Total reserved and paid 30 June 2016 to the Lenders** **\$2,874,420**

The conditions attaching to the release of the working capital disallowed the Company the possibility of seeking a waiver on the interest payments should this be required. Previously management had expected the debt to be restructured by 30 June 2016 and the interest payments to be made post that restructuring. Having to meet these payments from the US \$6.0 million of working capital, without having the benefit of revenues from gold sales or the benefit of additional debt funding has combined to result in the current liquidity gap being experienced.

## 2. The Fundraising Proposal

### *The Placing*

The Company has received commitments for subscriptions totalling gross proceeds of US \$5.0 million via the issue of 76,128,413 placing shares at a price of 5.0 pence per Placing Share. The Placing Shares are expected to be admitted to trading on AIM at 8.00 a.m. on 29 July 2016. The Placing Shares have been subscribed for by MTL (Luxembourg) Sarl, Runruno Holdings Limited, Baker Steel Capital Managers LLP (acting on behalf of various Funds for which it acts as full discretionary Investment Manager) and Ruffer LLP (the "**Subscribers**"). No commission is payable to the Subscribers.

The subscription price of 5.0 pence per new ordinary share represents a 41.2 per cent discount to the closing mid-price of 8.5 pence per ordinary share as at 22 July 2016, and a 3.2 per cent premium to the 1-year average closing mid-price of 4.85 pence per ordinary share.

### *Shareholdings of the Subscribers*

The shareholdings of the Subscribers prior to and following the completion of each stage of the proposed equity Subscription are as follows (the below calculations assume all ordinary shares set out below continue to be held by those shareholders):

Shareholders	Prior to the Equity Subscription		Following the Equity Subscription	
	Number of shares	%	Number of shares	%
MTL (Luxembourg) Entity <sup>1</sup>	826,337,149	47.73	868,133,258	48.03
Runruno Holdings Ltd	335,046,322	19.35	351,993,065	19.47
Ruffer LLP	200,455,373	11.58	210,594,466	11.65
Baker Steel Capital Managers LLP <sup>2</sup>	143,261,291	8.27	150,507,490	8.33

Notes:

1. MTL (Luxembourg) entity includes MTL Luxembourg Sarl and Mrs. Emily Crompton Candy.
2. Baker Steel Capital Managers LLP (acting on behalf of various Funds for which it acts as full discretionary Investment Manager).

### 3. Total voting rights

Following Admission of the Shares the Company's enlarged issued share capital will comprise 1,807,434,295 ordinary shares. The Company does not hold any ordinary shares in treasury. Therefore, the total number of ordinary shares in the Company will be 1,807,434,295. This figure may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change in their interest in, the share capital of the Company under the FCA's Disclosure and Transparency Rules.

Ian Holzberger, Executive Chairman, commented:

"It is pleasing to have the processing circuits being commissioned and ramped up once again but it was unfortunate the issue with the mill occurred. We are confident this commissioning issue has now been resolved with the support of CITIC, the mill provider. The Project has been re-established on the commissioning and ramp up schedule which was interrupted due to the mill downtime. All key operations in the processing plant are in commissioning with pleasing results being recorded. It is expected that the Project will ramp up to design specifications within the next three month period.

The Board of Directors and the Company continue to be grateful for the support the shareholders."

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

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