

METALS EXPLORATION PLC

QUARTERLY UPDATE TO 30 June 2019

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, today provides a quarterly update on matters relating to the operations of its Runruno gold project ("Runruno" or the "Project") in the Philippines.

COVID-19 Impact

- Operations have continued although at reduced production levels.
- Only one COVID-19 case reported at the mine site to date.
- Necessary preventative quarantine and medical steps taken to best protect mine site employees and contractors.
- Certain key senior personnel, especially senior maintenance managers, have been unable to return to the mine site due to travel restrictions.
- Interruptions to the supply chain have impacted performance, especially power interruptions which have had a negative impact on the BIOX process.

Finance and corporate

- 14,908 ounces of gold were sold during Q2 2020 at an average realised gold price of US\$1,722 per ounce. (Q1 2020: 17,213 ounces at an average gold price of US\$1,581 per ounce)
- US\$25.7 million in gold receipts received in Q2 2020. (Q1 2020: US\$27.2 million)
- In September 2020 a conditional in-principle agreement has been reached with the Company's lenders on the terms of a restructuring of the Group's overall debt position as announced on 8 September 2020
- Total interest bearing liabilities as at 30 June 2020 were, in aggregate, approximately US\$134 million (US\$71 million in senior debt, including penalty interest charged from the end of the Standstill (7 March 2020) and US\$63 million in mezzanine debt).
- Cash available for use as at 30 June 2020 was US\$6.9 million.

Mining Operations

- Reduced mining operations were adopted for a large portion of Q2 2020 with 2.4Mt (Q1 2020: 3.1Mt) of ore and waste mined of which total ore mined was 568kt (Q1 2020: 557kt).
- Key mobile fleet equipment rebuilds that commenced in Q3 2019 were completed.
- Three new 100 tonne dump trucks purchased in Q4 2019 arrived in the Philippines and will be fully assembled and operating on-site in early Q3 2020.
- On-ground activities in relation to access development to mine plan Stages 3 & 4, and resettlement of illegal miners away from areas covered by mine plan Stages 3 & 4 continue. Further actions in relation to the access development and resettlement activities will be made in the forthcoming quarters.
- No loss time injuries during the period.

Processing Operations

- 14,908 ounces of gold poured during Q2 2020. (Q1 2020: 16,794 ounces)
- Significant maintenance issues during Q2 2020 included significant and repeated power outages, including back up power system failures, that caused instability in the BIOX process for most of the quarter.
- Throughput for Q2 2020 was 12.5% below budget at an overall grade of 1.26 g/t. (Q1 2020: 1.54 g/t)
- Gold recovery for Q2 2020 was 68.7% (Q1 2020: 68.3%).

Production and Finance Summary

Runruno Project Report		Quarter	Quarter	FY 2020	FY 2019
FY 2020		Actual	Actual	Actual	Actual
PHYSICALS	Units	Q2 2020	Q2 2019	6 Months	6 Months
Mining					
Ore Mined	Tonnes	567,973	448,848	1,125,138	1,022,148
Waste Mined	Tonnes	1,856,423	2,309,112	4,414,126	4,667,586
Total Mined	Tonnes	2,424,396	2,757,960	5,539,264	5,689,735
Au Grade Mined	g/tonne	1.46	1.47	1.44	1.51
Strip Ratio		3.27	5.14	3.92	4.57
Processing					
Ore Milled	Tonnes	544,980	504,248	1,039,806	922,478
Au Grade	g/tonne	1.26	1.46	1.39	1.57
S ₂ Grade	%	1.20	0.79	1.28	0.88
Au Milled (contained)	ounces	22,034	23,667	46,609	46,574
Recovery	%	68.7	67.1	68.5	66.1
Au Recovered/Poured	ounces	15,146	15,884	31,940	30,774
Sales					
Au Sold	ounces	14,908	15,577	32,121	30,870
Au Price	US\$/oz	1,722	1,303	1,647	1,305
FINANCIALS (Unaudited)					
Revenue					
Gold Sales	(US\$000's)	25,669	20,295	52,891	40,292
Operating Costs - Summary					
Mining	(US\$000's)	4,485	5,810	9,748	11,796
Processing	(US\$000's)	7,027	6,816	14,760	12,857
G&A	(US\$000's)	2,741	2,211	5,564	4,165
Total Operating Costs	(US\$000's)	14,253	14,837	30,072	28,819
Excise Duty	(US\$000's)	1,031	817	2,127	1,616
UK/Philippine G&A	(US\$000's)	1,698	2,160	3,065	4,515
Total Direct Production Costs	(US\$000's)	16,983	17,814	35,264	34,950
Net Cash Income	(US\$000's)	8,686	2,481	17,817	5,341
Total Capital Costs	(US\$000's)	2,640	1,137	6,416	1,890
Total non-cash costs	(US\$000's)	4,240	1,418	8,402	3,922
Free Cashflow	(US\$000's)	6,046	1,344	11,210	3,451
Cash Cost / oz Sold - C1	US\$/oz	895	933	930	928
Cash Cost / oz Sold - AISC	US\$/oz	1,229	1,197	1,279	1,187

Note: AISC includes all UK Corporate costs.

Review of Operations

Operations during Q2 2020 were negatively impacted by disruptions resulting from dealing with the COVID-19 pandemic. These disruptions included restrictions on the movement of people and goods in and out of the country. International and domestic travel restrictions have resulted in a number of senior personnel being unable to return to site; notably key maintenance and process managers.

Interruptions to the Company's supply chain of operational consumables and spare parts continue. Of particular concern has been a significant increase in power outages at the mine site. Increased power outages, combined with some back-up system failures and the inability to move specialist maintenance personnel to site continues to negatively impact production and, in particular, the performance of the BIOX process, which has not operated in a stable manner for much of Q2 2020.

Notwithstanding these issues Q2 2020 resulted in gold sales of US\$25.7 million (Q1 2020: US\$27.2 million), producing a positive free cash flow of US\$6 million.(Q1 2020: US\$5 million).

The Company has implemented various on-site procedures to test for and quarantine for potential COVID-19 cases ensuring as far as possible, the safety of its employees and contractors. The Company continues to be compliant with all relevant government directives with regards COVID-19. To date only one employee who has tested COVID-19 positive has been at the mine site. A small number of other employees and contractors have also tested positive for COVID-19 but the Company's processes have prevented all but one of these people from accessing the mine site.

Finance (Unaudited)

As announced on 8 September 2020, a proposed conditional in-principle agreement has been reached with the Company's lenders on the terms of a restructuring of the Group's overall debt position.

Total interest bearing liabilities as at 30 June 2020 were, in aggregate, approximately US\$134 million (US\$71 million in senior debt, including penalty interest charged from the end of the Standstill (7 March 2020) and US\$63 million in mezzanine debt).

On 9 March 2020, the Company announced that it had been unable to reach agreement on the continuation of the Standstill Agreement in respect of the Senior Facility and, due to the material uncertainty of the Company's financial condition, its shares were suspended from trading on the AIM market of the London Stock Exchange.

Following completion of the Proposed Restructuring, the Company believes that the material uncertainty regarding its financial condition will have been addressed. However, as announced on 1 July 2020, the publication of its audited annual report and accounts for the year ended 31 December 2019 (the "2019 Annual Report and Accounts") will also be required before trading is resumed. The Company currently expects to publish 2019 Annual Report and Accounts on 11 September 2020 and the notice of the forthcoming AGM, on 18 September 2020. Furthermore, it expects to publish its unaudited interim results for the six months ended 30 June 2020 before 31 October 2020, taking advantage of the one month extension to the reporting deadline made available by AIM Regulation in response to logistical and administrative issues posed by the Covid-19 pandemic.

Subject to the passing of the resolutions required to satisfy the conditions precedent to the Proposed Restructuring, which are intended to be put to shareholders at the Company's forthcoming AGM, the Company expects that its ordinary shares will be restored to trading on AIM at that time. A circular convening the Company's AGM will be posted to shareholders in due course.

Further announcements in this regard to the Proposed Restructuring and the AGM will be made in due course.

Notwithstanding the production issues resulting from impacts of the COVID-19 pandemic total sales for H1 2020 were US\$52.9 million, a 31% increase over the sales proceeds received during H1 2019.

Gold sold during Q2 2020 was 14,908 ounces, at an average realised gold price of US\$1,722 per ounce. (Q1 2020: 17,213 ounces at an average gold price of US\$1,581 per ounce).

Cash at bank available for use as at 30 June 2020 was US\$6.9 million (31 August 2020 US\$10.5 million).

Mining Operations

Mining production of ore and waste was 1.9Mt for Q1 2020 and the total ore mined for Q1 2020, of 568kt, was slightly in excess of budget.

Mining activity has been significantly reduced at the beginning of Q2 2020 as the operations have been scaled back to compensate for the impact of the continuing COVID-19 government measures. However, the reduced mining activity will result in certain cost savings, including from reduced contract machinery usage.

The long over-due critical fleet maintenance programme that commenced in Q3 2019 continues as delays in delivery of replacement parts have occurred, however the programme is substantially complete with minor repairs of a single truck outstanding.

Operations also took receipt of three 100 tonne Komatsu 785 trucks which commenced operations during July. This additional fleet is critically important to support the longer haulage as the outer pit dump develops and to reduce the reliance on contractor equipment.

The programme of infill resource and mine plan drilling that commenced in Q3 2019 expected to be completed by the end of Q2 2020 has been delayed due to COVID-19. However the team has worked on a new resource model to attempt to better reflect sulphur and ore variability by area which was previously modelled on averages. This model is currently ready for third party review and will be incorporated into operations once certified.

Process Plant

Throughput for Q2 2020 of 545kt was above budget however operations were managed at a lower feed grade due to ongoing issues with the BIOX circuit and overall recovery. Gold production for the quarter was also under budget at 14,908 ounces at a recovery rate of 68.7% (Q1 2020: 16,794 ounces at a recovery rate of 68.3%).

Unplanned process downtime impacting on production during Q2 2020 included: power outages, compressor trips, blocked SAG mill discharge gates, tails line failures and BIOX agitator gearbox failure/repair and conveyor belt repairs.

On 29 March 2020, an external power line earth fault resulted in a site power failure. On site back-up generators subsequently came on line. However, a further cable failure on the backup power system resulted in a 12 hour loss of air to the BIOX system. Unfortunately, this lack of air to BIOX led to a collapse of the BIOX bacteria culture and the BIOX oxidation process. BIOX reactivated in the first week of May and was in full production by mid-May. A second internal failure of the BIOX power supply occurred on 27 June 2020 which resulted in 14 hours loss of air to the BIOX circuit while a new cable was spliced and tested. Again, this lack of air saw BIOX collapse, however the team has been able to bring it back on-line within three weeks. While the impact of the COVID-19 pandemic continues the resulting lack of available resources, supervision and contractors to assist with site maintenance means that the reliability of BIOX and the complete plant will be an ongoing concern for operations.

Sulphur feed tonnes remained above design for Q2 2020, with a large portion of the feed direct to CIL while BIOX was recovering. Oxidation is therefore difficult to calculate for the quarter. CIL recovery was affected by the loss of BIOX however by managing a lower grade feed, and maintaining where possible higher grade in stocks losses were minimised.

With the lack of available resources and parts, operations are focussed on keeping equipment running rather than enhancing production outcomes. All scheduled major shutdowns have been delayed, including the major overhaul of the BIOX blowers.

Residual Storage Impoundment ("RSI")

RSI construction has continued albeit at a slower rate than previously. The dam water freeboard level remains in excess of five metres, and is in compliance with local guidelines and the development requirements.

Occupational Health & Safety

Runruno continues to record an exceptional safety record with in excess of 11 million man hours without a reportable injury as at 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 continues its consultations with government agencies in relation to the removal of illegal miners, including their infrastructure and dwellings, from those areas scheduled to be mined as part of mine plan Stages 3 and 4. Access development to mine plan stages 3 & 4 has continued during Q2 2020. Further actions in relation to access development and the resettlement activities will be made in the forthcoming quarters.

This Announcement contains inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 ("MAR"). Upon the publication of this Announcement, this inside information is now considered to be in the public domain.

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For further information please visit or contact 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.