

METALS EXPLORATION PLC

QUARTERLY UPDATE TO 31 MARCH 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 been reduced to comply with Philippine government guidance and staff reduced to operational minimums.
- No COVID-19 cases 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 on the delivery of key spares and certain consumables, especially impacting on BIOX performance.
- Gold production has continued although production rates have dropped from March onwards for various reasons. A new international refinery has been sourced to continue with gold sales.
- Remote mine location minimises the risk of local COVID-19 infections.

Finance and corporate

- 17,213 ounces of gold were sold during Q1 2020 at an average realised gold price of US\$1,581 per ounce.
- US\$27.2 million in gold receipts received in Q1 2020.
- The Company's two mezzanine lending groups (which also comprise the Company's two major shareholders) acquired the Group's US\$69.3 million senior debt facility from HSBC and BNP Paribas.
- Discussions with these lenders on the terms of a restructuring of the Group's overall debt position continue.
- Any restructuring is expected to include a debt:equity swap as the current debt structure is unsustainable.
- Total interest bearing liabilities as at 31 March 2020 were, in aggregate, US\$129.8 million (US\$69.3 million in senior debt and US\$60.5 million in mezzanine debt).
- Cash available for use as at 31 March 2020 was US\$5.2 million.

Mining Operations

- Mining for Q1 2020 of 3.1Mt of ore and waste with total ore mined of 557kt, slightly in excess of budget.
- Key mobile fleet equipment rebuilds that commenced in Q3 2019 are progressing, although further delayed into Q2 2020, due to delays in replacement parts being delivered due to COVID-19.
- In Q2 2020 mining activities have been significantly reduced as a result of COVID-19.
- On-ground activities in relation to access development to mine plan Stages 3 & 4, and resettlement of illegal miners away from 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

- 16,794 ounces of gold poured during Q1 2020.

- Throughput for Q1 2020 of 495kt was below budget due to significant unplanned downtime.
- Gold recovery for Q1 2020 was 68.3%.
- Significant maintenance issues during Q1 2020 included BIOX agitator shaft failures/repairs, a failed attempt to install a variable speed control to the SAG mill, tails line failures and a significant power outage.
- BIOX performance has been affected and impacted at quarter end due to a power failure on the incoming transmission line.

Production and Finance Summary

Runruno Project Report		Quarter	Quarter	FY 2020	FY 2019
FY 2020		Actual	Actual	Actual	Actual
PHYSICALS	Units	Q1 2020	Q1 2019	3 Months	3 Months
Mining					
Ore Mined	Tonnes	557,165	573,300	557,165	573,300
Waste Mined	Tonnes	2,557,703	2,358,474	2,557,703	2,358,474
Total Mined	Tonnes	3,114,868	2,931,775	3,114,868	2,931,775
Au Grade Mined	g/tonne	1.41	1.54	1.41	1.54
Strip Ratio		4.59	4.11	4.59	4.11
Processing					
Ore Milled	Tonnes	494,826	413,606	494,826	413,606
Au Grade	g/tonne	1.54	1.70	1.54	1.70
S ₂ Grade	%	1.38	1.12	1.38	1.12
Au Milled (contained)	ounces	24,575	22,585	24,575	22,585
Recovery	%	68.3	66.7	68.3	66.7
Au Recovered/Poured	ounces	16,794	14,892	16,794	14,892
Sales					
Au Sold	ounces	17,213	15,293	17,213	15,293
Au Price	US\$/oz	1,581	1,309	1,581	1,309
FINANCIALS (Unaudited)					
Revenue					
Gold Sales	(US\$000's)	27,222	19,996	27,222	19,996
Operating Costs - Summary					
Mining	(US\$000's)	5,263	5,986	5,263	5,986
Processing	(US\$000's)	7,732	6,041	7,732	6,041
G&A	(US\$000's)	2,824	1,955	2,824	1,955
Total Operating Costs	(US\$000's)	15,819	13,982	15,819	13,982
Excise Duty	(US\$000's)	1,096	800	1,096	800
UK/Philippine G&A	(US\$000's)	1,367	952	1,367	952
Total Direct Production Costs	(US\$000's)	18,282	15,734	18,282	15,734
Net Cash Income	(US\$000's)	8,940	4,263	8,940	4,263
Total Capital Costs	(US\$000's)	3,777	753	3,777	753
Total non-cash costs	(US\$000's)	4,163	8,036	4,163	8,036
Free Cashflow	(US\$000's)	5,163	3,510	5,163	3,510
Cash Cost / oz Sold - C1	US\$/oz	961	961	961	961
Cash Cost / oz Sold - AISC	US\$/oz	1,323	1,125	1,323	1,125

Note: AISC includes all UK Corporate costs.

Review of Operations

After a strong start to the year the operational performance of the Runruno mine deteriorated over the second half of the quarter as maintenance issues and COVID-19 measures impacted operational integrity.

Notwithstanding these issues Q1 2020 resulted in gold sales of US\$27.2 million, producing a positive free cash flow of US\$5.1 million.

To comply with the Philippine government COVID-19 guidelines the Company has as far as possible restricted the movement of personnel to and from the mine site. Travel restrictions have resulted in a number of senior personnel being unable to return to site. In particular senior maintenance managers have been unable to return which, together with the delays in sourcing appropriate spare parts, has placed pressure on the Company's operations and maintenance procedures.

Interruptions to the Company's supply chain of operational consumables and spare parts have occurred. Power failures in the national grid and the inability to secure new supplies of bacteria culture for the BIOX process has had a significant impact on production towards the end of March and into April 2020.

The Runruno mine is located in a relatively remote mountainous region on the island of Luzon where there have been no recorded cases of COVID-19. Nonetheless, the Company has implemented various on-site procedures to test for and quarantine for potential COVID-19 cases to ensure, as far as possible, the safety of its employees and contractors. These procedures have ensured that the Company continues to be compliant with relevant government directives.

Finance (Unaudited)

During the quarter Runruno Holdings Ltd and MTL (Guernsey) Ltd, (an associated company of MTL Luxembourg SARL), the Company's two major shareholders and mezzanine lenders, completed a sale agreement with HSBC and BNP Paribas to purchase all the rights and obligations under Runruno Facility Agreement (the "Senior Facility"). This purchase was completed on 30 January 2020. The Senior Facility was acquired 70.6% by MTL Guernsey Ltd and 29.4% by Runruno Holdings Ltd. The total debt now owing under this facility is US\$69.3 million.

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.

Whilst there can be no guarantee an agreement can be reached, discussions and negotiations with the Company's lenders in relation to restructuring of the Group's overall debt position continue. It is expected that the outcome is likely to require shareholder approval, as the restructuring is expected to include a debt:equity swap component of part of the US\$129.8 million of Group debt.

In the meantime all relevant interest and fees continue to be accrued on both the Senior Facility and the mezzanine loans. The total interest-bearing liabilities as at 31 March 2020 were, in aggregate US\$129.8 million.

Gold sold during Q1 2020 was 17,213 ounces, at an average realised gold price of US\$1,581 per ounce.

Cash at bank available for use as at 31 March 2020 was US\$5.2 million.

Mining Operations

Mining production of ore and waste was 3.1Mt for Q1 2020 and the total ore mined for Q1 2020, of 557kt, 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. Completion of this programme is expected during Q2 2020.

The programme of infill resource and mine plan drilling that commenced in Q3 2019 is expected to be completed by the end of Q2 2020.

Process Plant

Throughput for Q1 2020 of 495kt was under budget due to unplanned downtime that incurred mainly in the second half of the quarter. Production for the quarter was also under budget at 16,794 ozs at a recovery rate of 68.3%.

Unplanned process downtime impacting on production during Q1 2020 included: power outages, compressor failures, blocked SAG mill discharge gates, tails line failures, BIOX agitator shaft failures/repairs 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. The Company has been unable to source new bacteria from its South African suppliers due to COVID-19 restrictions and on-site bacterial inoculation is underway. This failure in BIOX will impact production until sufficient active bacteria is re-introduced into the process and the oxidation process re-activates. Based on past experience it could take up to six weeks before BIOX performance reaches previously achieved rates of oxidation.

Notwithstanding an increase in sulphur feed tonnes during Q1 2020, oxidation in BIOX remained relatively stable at 64%, well below design oxidation of 92%. The sulphur units fed to BIOX have increased from an average of 67.8tpd in January 2020 to 85.3tpd in March 2020, achieving an average of 124% of the 69tpd design. This increased sulphur feed has affected CIL recovery with CIL recovery dropping from the 2019 year average of 84% to 75% for Q1 2020.

Notwithstanding the lower levels of CIL recovery, net cash flow and production economics are enhanced by increasing this sulphur feed, and hence available gold ounces for leaching within the CIL circuit. Studies of all parameters in BIOX are ongoing with the aim of ensuring that optimum conditions can be achieved with the available air and retention capacity.

Also during the quarter the Company's planned shutdown to install a variable speed system on the SAG mill was unsuccessful. The shutdown extended beyond the planned time due to issues with the installation resulting from the quality of power being delivered to site. It has been determined that there is too much variability to the quality of the power (harmonics) coming to site for this important component to be installed. Various studies are underway to assess the necessary filters that could resolve this issue such that the variable speed system can successfully be installed.

Residual Storage Impoundment ("RSI")

Construction of the next raise of the RSI continues without incident with a current dam water freeboard level of in excess of five metres. The staged RSI development 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 10 million man hours without a reportable injury as at period 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 adopts a positive focus on maintaining productive relations with both the community and the government. 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 Q1 2020. Further actions in relation to access development and the resettlement activities will be made in the forthcoming quarters.

Reserve Estimate Statement Clarification

The Company wishes to clarify the use of a US\$1,200/oz gold price in calculating its updated gold Reserve Estimate as published in an RNS on the 27 April 2020. The analysis to determine the optimum reserve ounces for the Runruno project reviewed gold prices from US\$600/oz through to US\$1560/oz on an unconstrained basis. Unconstrained means that no pit limits are applied so that the model software can maximise available economic ounces at a given gold price. The exercise showed that there was no material increase in the Reserve estimate by utilising a gold price higher than US\$1,200/oz, which is also the gold price at which the net present value of the minable reserves plateaus.

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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