

# METALS EXPLORATION PLC

## QUARTERLY UPDATE TO 30 SEPTEMBER 2018

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

**AIM Code: MTL**

At: 30 Sep 2018

Shares in Issue: 2,071,334,586

Warrants: 100,000,000

**Directors:**

Ian Holzberger, Executive Chairman

Guy Walker

Eduard Simovici

**Management:**

Ian Holzberger, Executive Chairman

Liam Ruddy, Company Secretary

Andrew Rodgers, CFO

John Barnes, COO

Ian Moller, GM Operations (Acting) & Country  
Manager

Roland Taganas, Legal Counsel

Tommy Alfonso, Financial Controller

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**Summary:**

The BIOX<sup>®</sup> circuit, after having established full operations early in the quarter, was operated continuously at reduced throughput rates to match the availability of sulphide concentrate feed. No material power issues were experienced during the period. Unfortunately an error in the software used in mine scheduling caused the under-estimation of the volume of waste to be removed, with the effect of delaying access into the ore positions in stage 2 of the mine. As a consequence, ore feed to the processing plant has been adjusted to compensate for the reduction in ore tonnages available for processing. It is expected that full processing operations will re-commence in December.

**Mining Operations**

- Overall mining operations continued to improve in Q3.
- The mine scheduling software error identified during the quarter has been resolved, verified and re-scheduling commenced.
- Ore production was restricted to around 70% of forecast due to the scheduling errors.
- Tulligan waste dump is fully operational.

**Processing Operations**

- BIOX<sup>®</sup> operations have been stable throughout Q3 and design criteria has been demonstrated.
- Throughput feed into BIOX<sup>®</sup> has been reduced to below 65% to compensate for the restricted tonnage available and reduced sulphur in ore mix.

**Finance**

- Discussions are ongoing with current lenders and external parties exploring possible ways to refinance the Group’s overall debt position.
- The Company remains in productive discussions with its senior lenders seeking clarification on the status of the grant of a waiver.

## Production Summary

Key Metric	Unit of measure	Quarter ended 30 Sep 2018	Year to date 2018	Period to 31 Dec 2017	Period to 31 Dec 2016
<b>Mining activities</b>					
Ore mined	tonnes	367,385	1,129,229	1,815,669	490,558
Waste mined	tonnes	2,418,393	5,689,822	7,644,821	7,920,205
<b>Total material movements</b>		<b>2,785,778</b>	<b>6,819,051</b>	<b>9,460,490</b>	<b>8,410,763</b>
Strip ratio	waste/ore	6.58	5.04	4.05	15.15
Au grade mined	grams/tonne	1.55	1.59	1.62	1.42
Ctd <sup>1</sup> ounces gold mined	ounces	18,325	57,688	92,363	22,396
S <sup>2</sup> grade	%	0.62	0.81	0.82	0.29
<b>Processing activities</b>					
Tonnes milled	tonnes	458,254	1,318,082	1,688,254	468,170
S <sup>2</sup> feed grade	%	0.70	0.86	0.82	0.53
Au feed grade	grams/tonne	1.27	1.36	1.38	1.29
Gold recovery	%	75.3%	66.6%	47.9%	51.0%
Gold poured	ounces	11,665	34,617	36,006	8,166
Gold sold	ounces	10,522	35,353	35,697	6,489

Notes: <sup>1</sup>Ctd = Contained    <sup>2</sup>'S' represents the element Sulphur

## Mining Operations

An overall improvement in the mine production performance over the quarter was unfortunately overshadowed by the discovery of errors in the software used to schedule the mining operations. The scheduling errors manifested in the underestimation of the volume of waste to be stripped from above the orebody in Stage 2 of the mine. As a consequence, ore positions expected to be mined during the second half of the quarter were not accessed as forecast (announced by Regulatory News Service on 9 October 2018). It has now been established that the errors in the software set-up caused a class of waste material to be missed in the waste mining schedule and an underestimation of the total volume of waste material to be stripped to access the ore positions. The software errors have been corrected and its function verified.

The life of mine operations are now being rescheduled with the remainder of 2018 and 2019 completed. This work forecasts that ore supply out of the mine will be restricted to around 70% of design during October and November with full ore production scheduled to resume in December and to be maintained during 2019.

The delay in accessing ore in Stage 2 of the mine, restricted the majority of ore production to deeper levels in Stage 1 with minor contributions from Stage 1.5 and limited high level Stage 2 ore positions.

Stockpiled ore won in the early stages of the mine were used to supplement the ore feed to the processing operations.

The mid-life maintenance on the Company's Komatsu mine fleet is ongoing and will be continued into 2019.

### ***Process Plant***

Full BIOX<sup>®</sup> operations were established early in the quarter, with the circuit displaying flexibility and resilience in operation. However, in response to the restricted ore supplies and the mix of transitional to fresh ores consequential to the mining issues, feed to the circuit has been limited for most of the quarter. In management and to maintain the optimum circuit health, the feed rate has been varied between 50-80% of design to match the weekly forecast availability of the sulphide concentrate produced from the flotation circuit. No power related issues have been experienced during the quarter.

The restricted ore supplies available from the mine, a change in the mix of transitional to fresh ore supplies and the requirement to supplement those supplies with ore stockpiled from earlier in the mine life required a modified operational focus in the processing plant. Currently the plant is being fed at around 65% of design rate with a near equal mix of transitional to fresh ores.

It is forecast that full feeding of dominantly fresh ores will be resumed in December at which time it is expected that on the basis of the current health the BIOX<sup>®</sup> circuit will re-establish full operations within the month.

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

Normal operations with the RSI build proceeding as planned and the Tullangan waste dump is fully operational.

### ***Occupational Health & Safety***

The Runruno gold mine has maintained an impressive occupational health and safety record. No lost time accidents have been reported during 2018. The Company is fully committed to providing a safe and healthy workplace for everyone in its operations.

### ***Environment and Compliance***

The operations maintained compliance with all environment and regulatory requirements. No material incidents recorded. The Runruno gold mine maintains very high environmental standards.

### ***Community & Government Relations***

Productive relations with both the community and the government continue.

### **Finance (Unaudited)**

- 10,522 ounces of gold were sold during the quarter at an average realised gold price of US \$1,333.32 per ounce;
- Interest payments of US \$1.263 million were made to the senior lenders in the quarter;
- Capital payment due to senior lenders on 29 December 2017, 29 March 2018, 30 June 2018 and 30 September 2018 totalling US \$27.54 million have not been made and discussions are productive and ongoing with the lenders on these payments;
- The Company continues its discussions with financial lenders to restructure the Group debt facilities;
- Total interest-bearing liabilities as at 30 September 2018 were US \$96.9 million;
- Total short term shareholder loans included in the US \$96.9 million as at 30 September 2018 were US \$6.0 million; and
- Cash at bank at 30 September 2018 was US \$2.54 million.

The movement in cash balances during the quarter is summarised as follows:

<b>Cash movements &amp; balances (unaudited)</b>	<b>Quarter ended 30 Sep 2018 US\$M</b>
Receipts from gold sales	14.029
Operating expenditure	(15.639)
Short term loan facility proceeds	4.000
Corporate costs/receipts	(0.552)
Cash flows before finance costs	<b>1.838</b>
Interest and financing costs paid	(1.263)
Gold hedge and interest rate swap settlements	0.015
Net movement for quarter	<b>0.590</b>
Cash balance at start of quarter	1.949
Cash balance at end of quarter	<b>2.539</b>

The Company's discussions to obtain a waiver on the outstanding capital payments have been productive with its senior lenders and further information will be provided in due course.

Mr Ian Holzberger, a director of the Company, who has been involved in the mining industry for more than 45 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)

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