

# METALS EXPLORATION PLC

## QUARTERLY UPDATE TO 30 SEPTEMBER 2020

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.
- Some key senior personnel have been able to return to the mine site notwithstanding travel restrictions.
- Supply chain logistics stabilised however power interruptions have continued with a negative impact on the BIOX process.

### **Finance and corporate**

- 16,094 ounces of gold were sold during Q3 2020 at an average realised gold price of US\$1,943 per ounce (Q2 2020: 14,908 ounces at an average gold price of US\$1,722 per ounce).
- US\$31.3 million in gold receipts received in Q3 2020 (Q2 2020: US\$25.7 million).
- In October 2020 the Company completed a restructuring of the Group's debt position
- Total interest bearing liabilities as at 30 September 2020 were, in aggregate, approximately US\$134 million.
- A US\$4 million repayment of senior debt was made during quarter.
- Cash available for use as at 30 September 2020 was US\$9.6 million.

### **Mining Operations**

- Ore and waste mined for the quarter was slightly above budget at 3.1Mt (Q2 2020: 2.4Mt) of which total ore mined was 687kt (Q2 2020: 568kt).
- Three new 100 tonne dump trucks purchased in Q4 2019 are assembled and are fully operational.
- 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**

- 15,705 ounces of gold poured during Q3 2020 (Q2 2020: 14,908 ounces).
- Power outages, including back up power system failures, caused instability in the BIOX process during the early part of the quarter.
- Gold recovery for Q3 2020 improved to 71.3% (Q2 2020: 68.7%).

## Production and Finance Summary

Runruno Project Report		Quarter	Quarter	FY 2020	FY 2019
FY 2020		Actual	Actual	Actual	Actual
PHYSICALS	Units	Q3 2020	Q3 2019	9 Months	9 Months
<b>Mining</b>					
Ore Mined	Tonnes	687,172	463,885	1,812,311	1,486,033
Waste Mined	Tonnes	2,453,508	2,304,111	6,867,634	6,971,697
Total Mined	Tonnes	3,140,680	2,767,996	8,679,945	8,457,730
Au Grade Mined	g/tonne	1.30	1.39	1.40	1.47
Strip Ratio		3.57	4.97	3.79	4.69
<b>Processing</b>					
Ore Milled	Tonnes	490,921	524,158	1,530,727	1,446,636
Au Grade	g/tonne	1.39	1.44	1.39	1.52
S <sub>2</sub> Grade	%	1.16	1.01	1.24	0.93
Au Milled (contained)	ounces	22,013	24,282	68,622	70,857
Recovery	%	71.3	77.6	69.4	70.0
Au Recovered/Poured	ounces	15,705	18,848	47,645	49,622
<b>Sales</b>					
Au Sold	ounces	16,094	18,239	48,215	49,109
Au Price	US\$/oz	1,943	1,479	1,746	1,370
<b>FINANCIALS (Unaudited)</b>					
<b>Revenue</b>					
Gold Sales	(US\$000's)	31,271	26,967	84,162	67,259
<b>Operating Costs - Summary</b>					
Mining	(US\$000's)	5,466	6,358	15,214	18,154
Processing	(US\$000's)	7,763	8,123	22,523	20,980
G&A	(US\$000's)	2,733	2,292	8,297	6,457
<b>Total Operating Costs</b>	(US\$000's)	15,962	16,773	46,034	45,591
Excise Duty	(US\$000's)	1,265	1,086	3,392	2,703
UK/Philippine G&A	(US\$000's)	2,156	2,118	5,221	6,145
<b>Total Direct Production Costs</b>	(US\$000's)	19,383	19,977	54,647	54,439
<b>Net Cash Income</b>	(US\$000's)	11,888	6,991	29,516	12,821
<b>Total Capital Costs</b>	(US\$000's)	3,226	4,006	9,643	5,896
<b>Total non-cash costs</b>	(US\$000's)	4,317	3,020	12,719	6,941
<b>Free Cashflow</b>	(US\$000's)	8,663	2,985	19,873	6,925
<b>Cash Cost / oz Sold - C1</b>	US\$/oz	979	989	947	950
<b>Cash Cost / oz Sold - AISC</b>	US\$/oz	1,383	1,385	1,314	1,251

Note: AISC includes all UK Corporate costs.

### Review of Operations

Operations during Q3 2020 continued to be 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.

Although interruptions to the Company's supply chain of operational consumables and spare parts continue, these issues are being managed. Early in the quarter numerous power outages at the mine site, combined with some back-up system failures, and the inability to move specialist maintenance personnel to site, negatively impacted production and, in particular, the performance of the BIOX process. Encouragingly, the later end of the period has seen some stability to the power supply which has resulted in an improved operational performance since quarter end. In addition, some senior expat personnel have managed to return to the project site since quarter end, however, this does not include key maintenance managers.

Notwithstanding these issues, Q3 2020 resulted in gold sales of US\$31.1 million (Q2 2020: US\$25.7 million), producing a positive free cash flow of US\$8.6 million (Q2 2020: US\$6 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 23 October 2020, the Company concluded a debt restructure with its lenders. As a result trading of the Company's shares on AIM re-commenced on 26 October 2020.

Total interest bearing liabilities as at 30 September 2020 were, in aggregate approximately US\$134 million. A US\$4 million senior debt repayment was made during the quarter.

Notwithstanding the production issues resulting from impacts of the COVID-19 pandemic total year-to-date sales were US\$84.2 million, a 25% increase over the sales proceeds received the same period in 2019.

Gold sold during Q3 2020 was 16,094 ounces, at an average realised gold price of US\$1,943 per ounce (Q2 2020: 14,908 ounces, at an average gold price of US\$1,722 per ounce).

Cash at bank and available for use as at 30 September 2020 was US\$9.6 million.

### ***Mining Operations***

Mining production of ore and waste was 3.1Mt for Q3 2020 and the total ore mined for Q3 2020, of 687kt, was in excess of budget.

The reductions in mining activity that were introduced at the beginning of Q2 2020 have been lifted and mining operations are performing slightly in excess of budget.

Operations also took receipt of three 100 tonne Komatsu 785 trucks which commenced operations during July 2020. 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 has been completed in Stage 2 and is expected to be completed during 2021, once the resettlement of the illegal miners allows access to Stages 3 & 4 of the Project site. A new resource model has been developed for internal use and will be incorporated into final resource statements once all drilling has been completed and the model finalised.

## ***Process Plant***

Throughput for Q3 2020 of 490kt was below budget due to ongoing issues with the BIOX circuit and unplanned tails lines failures. Overall gold recovery for the quarter was also under budget at 15,705 ounces at a recovery rate of 71.3% (Q2 2020: 14,908 ounces at a recovery rate of 68.7%).

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.

Importantly, since quarter end the Company has successfully been able to move some senior expat management personnel back into the country and the project site however, this does not include key maintenance managers.

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

RSI construction has continued albeit at a slower rate than budgeted. 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 almost 12 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 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 continued during Q3 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](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.