

## METALS EXPLORATION PLC

### QUARTERLY UPDATE TO 31 DECEMBER 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, is pleased to announce its quarterly results for Q4 2020, which has seen new records achieved across gold sales, production and certain key operational parameters.

#### ***Finance and corporate***

- The Company saw a record level of gold sold during Q4 2020 of 20,295 ounces, an increase of 26% on Q3 2020, at an average realised gold price of US\$1,869 per ounce (Q3 2020: 16,094 ounces at an average gold price of US\$1,943 per ounce).
- Record gold sales of US\$37.9 million in Q4 2020 (Q3 2020: US\$31.3 million).
- Positive free cash flow of US\$13.6 million in Q4 2020 (Q3 2020: US\$8.6 million).
- Total sales for FY2020 were US\$122 million, a 30% increase over FY2019, despite the impacts of the COVID-19 pandemic.
- In October 2020, the Company completed a restructuring of the Group's debt position.
- A US\$8 million repayment of senior debt was made during the quarter (Q3 2020: US\$4 million). Since the end of the quarter a further senior debt repayment of US\$7.3 million has been made.
- Cash available for use as at 31 December 2020 was US\$15.6 million, being prior to the US\$7.3 million debt payment referred to above.
- Total interest-bearing liabilities as at 31 December 2020 were, in aggregate, approximately US\$129.3 million.

#### ***Mining Operations***

- No lost time injuries during the period.
- Record results for the quarter were achieved despite greater than normal rainfall impacting on mining activities (attributed to Typhoon Vamco in November)
- Ore and waste mined for the quarter was slightly below budget, due to above average rainfall and four typhoons during the quarter, at 2.5Mt (Q3 2020: 3.1Mt) of which total ore mined was 661kt (Q3 2020: 687kt).
- Access development to mine plan Stages 3 & 4, and resettlement of illegal miners away from these areas continues. Mine plan scheduling and access road development have been adjusted due to delays to access Stages 3 & 4. Further actions in relation to access development and resettlement activities will be made in the forthcoming quarters.

#### ***Processing Operations***

- Record gold poured during Q4 2020 of 19,907 ounces, an increase of 26% (Q3 2020: 15,705 ounces).
- Record gold recovery for Q4 2020 improved to 79.8% (Q3 2020: 71.3%).
- Improved power supply during the quarter allowed the BIOX process to be stabilised and to operate at an improved level.
- BIOX testing and design updates targeted to increase overall oxidation levels and recovery.

## COVID-19 Impact

- Normal operations maintained in Q4 2020 notwithstanding COVID-19 pandemic impacts.
- Only one COVID-19 case reported at the mine site to date.
- Preventative quarantine and medical steps in place to best protect mine site employees and contractors.
- Ongoing and changing travel restrictions continue to impact key senior personnel's ability to freely travel to and from the mine site.
- Supply chain logistics stabilised with improved power supply during the quarter.

### Darren Bowden, CEO of Metals Exploration commented:

"I am pleased to report our operational update for Q4 2020. This has been a record quarter for the Company having achieved a 26% increase in gold ounces sold and US\$37.9 million of sales revenue. We are particularly pleased to have achieved this given the ongoing challenges of COVID-19 that all companies are dealing with at this time as well as the impact of the four Typhoons during the quarter which resulted in heavier than anticipated rainfall which impacted mining operations.

"Our focus remains on maintaining our exceptional safety record and COVID testing and management protocols, whilst also looking to continue to build on this operational performance at Runruno for 2021 and beyond.

Maintaining a motivated and engaged management team during this time has been a key priority and challenge for the Company and I would like to thank all our employees for their efforts in achieving this record quarter of production and sales."

## Production and Finance Summary

Runruno Project Report		Quarter	Quarter	FY 2020	FY 2019
FY 2020		Actual	Actual	Actual	Actual
PHYSICALS	Units	Q4 2020	Q4 2019	12 Months	12 Months
<b>Mining</b>					
Ore Mined	Tonnes	661,256	572,361	2,473,400	2,058,395
Waste Mined	Tonnes	1,828,605	2,749,298	8,922,496	9,720,994
Total Mined	Tonnes	2,489,861	3,321,659	11,395,896	11,779,389
Au Grade Mined	g/tonne	1.3	1.52	1.4	1.48
Strip Ratio		2.36	4.8	3.32	4.72
<b>Processing</b>					
Ore Milled	Tonnes	526,547	501,388	2,057,274	1,948,025
Au Grade	g/tonne	1.47	1.65	1.41	1.55
S <sub>2</sub> Grade	%	1.14	0.97	1.22	0.94
Au Milled (contained)	ounces	24,946	26,529	93,568	97,386
Recovery	%	79.8	71.4	72.2	70.8
Au Recovered/Poured	ounces	19,907	18,941	67,552	68,983

<b>Sales</b>					
Au Sold	ounces	20,295	18,247	68,510	67,356
Au Price	US\$/oz	1,869	1,481	1,782	1,400
<b>FINANCIALS (Unaudited)</b>					
<b>Revenue</b>					
Gold Sales	(US\$000's)	37,936	27,021	122,099	94,280
<b>Operating Costs - Summary</b>					
Mining	(US\$000's)	6,348	7,465	21,563	25,619
Processing	(US\$000's)	7,234	8,130	29,757	29,110
G&A	(US\$000's)	2,894	2,861	11,191	9,318
<b>Total Operating Costs</b>	(US\$000's)	16,476	18,456	62,510	64,047
Excise Duty	(US\$000's)	1,504	1,086	4,895	3,789
UK/Philippine G&A	(US\$000's)	2,902	1,913	8,123	8,057
<b>Total Direct Production Costs</b>	(US\$000's)	20,882	21,455	75,529	75,894
<b>Net Cash Income</b>	(US\$000's)	17,054	5,566	46,570	18,387
<b>Total Capital Costs</b>	(US\$000's)	3,437	5,142	13,080	11,038
<b>Total non-cash costs</b>	(US\$000's)	3,573	808	16,293	7,749
<b>Free Cashflow</b>	<b>(US\$000's)</b>	<b>13,617</b>	<b>424</b>	<b>33,490</b>	<b>7,349</b>
<b>Cash Cost / oz Sold - C1</b>	<b>US\$/oz</b>	<b>743</b>	<b>917</b>	<b>886</b>	<b>941</b>
<b>Cash Cost / oz Sold - AISC</b>	<b>US\$/oz</b>	<b>1,129</b>	<b>1,363</b>	<b>1,259</b>	<b>1,281</b>

Note: AISC includes all UK Corporate costs.

## Review of Operations

Operations during Q4 2020 were largely unaffected by disruptions resulting from the COVID-19 pandemic. The main operational disruption is the ongoing and changing restrictions on the movement of people in and out of the country. International and domestic travel restrictions continue to impact on the senior personnel's ability to travel to and from mine site and maintain an appropriate on-site roster.

Interruptions to the Company's supply chain of operational consumables and spare parts are being well managed. During the quarter there was a significant improvement in the consistency in the supply of power to the operation.

Notwithstanding the above issues, Q4 2020 resulted in a record level of gold sales of US\$37.9 million (Q3 2020: US\$31.1 million), producing a positive free cash flow of US\$13.6 million (Q3 2020: US\$8.6 million).

The various on-site procedures to test for and quarantine for potential COVID-19 cases continues to operate efficiently, with only one employee who has tested COVID-19 positive having been at the mine site. The Company continues to be compliant with all relevant government directives with regards COVID-19.

## ***Finance (Unaudited)***

As announced on 23 October 2020, the Company concluded a debt restructuring 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 31 December 2020 were, in aggregate, approximately US\$129.3 million. An early US\$8 million senior debt repayment was made during the quarter. Since quarter end, a further US\$7.3 million loan repayment has been made in accordance with the terms of the new debt facilities. Should the Company generate sufficient cash resources, the Board may decide to make additional early repayments to minimise interest payments, in line with the terms of the restructured debt facilities.

Notwithstanding ongoing impacts of the COVID-19 pandemic, total sales for FY2020 were US\$122 million, a 30% increase over the FY2019 sales proceeds.

Gold sold during Q4 2020 was 20,295 ounces, at an average realised gold price of US\$1,869 per ounce (Q2 2020: 16,094 ounces, at an average gold price of US\$1,943 per ounce).

Cash at bank and available for use as at 31 December 2020 was US\$15.6 million.

## ***Mining Operations***

Mining was negatively impacted by the excessive rainfall experienced in the quarter, largely a result of four Typhoons during the quarter. The wetter than normal wet season resulted in some wall slippages in the Stage 2 and Stage 3 mining areas which required clean-up and re-buttressing. In addition, studies have determined that a further cut-back to the upper levels of the east wall are required for future stability. A 60 metre wall step-out has been designed and is being developed.

Delays in the resettlement of the illegal miners allowing access to Stages 3 and 4 of the Project site has required in changes to the Company's mining schedule. These delays have affected the 2021 head grade with high grade material from Stage 3 being pushed to the 2022 mining schedule. The incremental cutback has resulted in the need to create a new access road to Stages 3 and 4 from the Company's Tuds waste area and behind the east wall. The Company expects to have this access road completed during Q1 2021 and access to the higher grade ore by end Q4 2021.

Mining production of ore and waste was 2.5Mt for Q4 2020 and the total ore mined for Q4 2020, of 661kt. The heavy rain resulted in the flooding of Stage 1 and no mining in this area was possible during the quarter. Priority during 2021 will be placed on mining this stage so that planned backfill can commence in 2022 increasing mining efficiency and managing the long term cost structure of mining operations.

The programme of infill resource and mine plan drilling is ongoing and has commenced in mine plan Stages 3 and 4.

## ***Process Plant***

Throughput for Q4 2020 was 526kt a new record for the plant. Gold production for Q4 2020 was 19,907 ounces at a recovery rate of 79.8% (Q3 2020: 15,705 ounces at a recovery rate of 71.3%).

During Q4 2020, the Company was able to move some senior expat management personnel back into the country and the project site, however, the ongoing and changing travel restrictions brought about by the changing nature of the COVID-19 pandemic will continue to challenge the Company's ability to maintain its senior management on-site roster.

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

During Q4 2020, the project site was impacted by extreme rainfall from numerous typhoons and low-pressure rain-bearing systems that passed through the region. The RSI slipway operated as per design in safely releasing water overflow from the RSI during one such event. Additional pumping capacity has been installed to improve the Company's ability to control rain-water runoff and to return the dam water freeboard level to

design levels. Although the RSI construction has continued at a rate slower than budgeted, the RSI remains in compliance with local guidelines and the development requirements.

### **Occupational Health & Safety**

Runruno continues to record an exceptional safety record with over 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, in conjunction with relevant government agencies, has been able to remove the majority of illegal miners, including their infrastructure and dwellings, from those areas scheduled to be mined as part of mine plan Stages 3 and 4, with a target to finalise the outstanding groups by the end of Q1 2021. Access development to mine plan stages 3 & 4 continued during Q4 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.*