

METALS EXPLORATION PLC

QUARTERLY UPDATE TO 30 JUNE 2021

Metals Exploration plc (AIM: MTL) ("Metals Exploration", the "Company" or the "Group"), a Philippine gold producer, is pleased to announce its quarterly results for Q2 2021.

Finance and corporate

- Gold sold during Q2 2021 of 16,429 ounces at an average realised gold price of US\$1,807 per ounce (Q1 2021: 18,316 ounces at an average gold price of US\$1,788 per ounce).
- Gold sales of US\$29.7 million in Q2 2021 (Q1 2021: US\$32.8 million).
- Positive free cash flow of US\$5.5 million in Q2 2021 (Q1 2021: US\$11.5 million).
- Senior debt repaid during Q2 2021 was US\$8.3 million (Q1 2021: US\$12.3 million).
- Net debt as at 30 June 2021 was US\$111.0 million (31 March 2021: US\$112.7 million).
- Appointment of new independent Non-executive Chairman and two additional non-executive directors.

Mining Operations

- No lost time injuries during the period.
- Ore and waste mined for the quarter was below forecast, at 2.66Mt (Q1 2021: 2.43Mt) of which total ore mined was 288kt (Q1 2021: 423kt).
- Access development to mine plan Stages 3 & 4, and resettlement of the remaining illegal miners away from these areas continues. Access to Stages 3 & 4 continues to be impacted. Further actions in relation to access development and resettlement activities will be made in the forthcoming quarters.

Processing Operations

- Gold poured during Q2 2021 of 16,591 ounces (Q1 2021: 18,725 ounces).
- Gold recovery for Q2 2021 was 80% (Q1 2021: 81.9%).

COVID-19 Impacts

- The Philippines suffered from a surge in COVID-19 cases during Q2 2021, including the Municipality of Quezon and neighbouring cities/towns near the Runruno mine site.
- The number of COVID-19 cases recorded amongst personnel at the project site has reduced since quarter end.
- All infected personnel and their traced close contacts have been/were isolated.
- General access to mine site for non-operational personnel continues to be restricted.
- Normal mining and processing operations continue notwithstanding COVID-19 pandemic impacts.
- Despite ongoing and changing travel restrictions key senior personnel were able to return to the mine site from 1 May 2021.
- COVID-19 vaccinations for all Company employees have been ordered and are due to be received during Q3 2021.

Darren Bowden, CEO of Metals Exploration, commented:

"The second quarter of the year, whilst having been a challenging one, has seen the Company continue to produce strong results from Runruno.

The safety of our staff remains a key priority, and we continue to have an exceptional safety record with over 14 million hours worked without a reportable injury as at the quarter-end. We also continue to be stringent regarding COVID-19, especially in light of the recent surge that beset the Philippines. We continue to take appropriate actions to safeguard

and help our staff and their communities. It is also extremely satisfying that we will shortly be able to offer all our staff COVID-19 vaccinations.

We believe we are well placed for the second half of 2021 to continue delivering good operational progress at Runruno. We look forward to providing further updates during the course of the year."

Production and Finance Summary

Runruno Project Report		Quarter	Quarter	FY 2021	FY 2020
FY 2021		Actual	Actual	Actual	Actual
PHYSICALS	Units	Q2 2021	Q2 2020	6 Months	6 Months
Mining					
Ore Mined	Tonnes	287,866	567,973	713,742	1,125,138
Waste Mined	Tonnes	2,371,708	1,856,423	4,537,749	4,414,126
Total Mined	Tonnes	2,659,574	2,424,396	5,251,491	5,539,264
Au Grade Mined	g/tonne	1.10	1.46	1.27	1.44
Strip Ratio		7.42	3.27	5.92	3.92
Processing					
Ore Milled	Tonnes	511,536	544,980	1,048,290	1,039,806
Au Grade	g/tonne	1.26	1.26	1.29	1.39
S ₂ Grade	%	1.17	1.20	1.11	1.28
Au Milled (contained)	ounces	20,745	22,034	43,620	46,609
Recovery	%	80.0	68.7	81.0	68.5
Au Recovered/Poured	ounces	16,591	15,146	35,316	31,940
Sales					
Au Sold	ounces	16,429	14,908	34,745	32,121
Au Price	US\$/oz	1,807	1,722	1,797	1,647
FINANCIALS (Unaudited)					
Revenue					
Gold Sales	(US\$000's)	29,682	25,669	62,439	52,891
Operating Costs - Summary					
Mining	(US\$000's)	6,415	4,485	11,950	9,748
Processing	(US\$000's)	7,876	7,027	15,363	14,760
G&A	(US\$000's)	2,638	2,741	5,548	5,564
Total Operating Costs	(US\$000's)	16,929	14,253	32,860	30,072
Excise Duty	(US\$000's)	1,190	1,031	2,541	2,127
UK/Philippine G&A	(US\$000's)	1,897	1,698	3,496	3,065
Total Direct Production Costs	(US\$000's)	20,016	16,983	38,897	35,264
Net Cash Income	(US\$000's)	9,666	8,686	23,543	17,817
Total Capital Costs	(US\$000's)	4,209	2,640	6,553	6,416
Total non-cash costs	(US\$000's)	3,583	4,240	7,907	8,402
Free Cashflow	(US\$000's)	5,457	6,046	16,989	11,210
Cash Cost / oz Sold - C1	US\$/oz	1,014	895	946	930
Cash Cost / oz Sold - AISC	US\$/oz	1,458	1,229	1,309	1,279

Note: AISC includes all UK Corporate costs.

Review of Operations

During Q2 2021 the Philippines suffered from a new wave of COVID-19 infection that spread across the country. This increase in COVID-19 cases was particularly evident in the neighbouring cities/towns near the Runruno mine site. Despite enhanced on-site testing and strict site access protocols approximately 35 on-site cases of COVID-19 were detected. These cases were concentrated within the administrative and other supporting non-operational departments, and to date there has been no interruption to mining/processing operations. Importantly, at quarter end the frequency in identified COVID-19 infections both within Company employees/contractors and the general local population has reduced substantially, with this trend continuing post-quarter end.

The COVID-19 cases detected and the Company's responses have been reported to the appropriate government agencies and the Company continues to be compliant with all relevant government directives with regards COVID-19.

Other than the recent on-site outbreak of COVID-19, the main operational disruption from the pandemic has been the ongoing and regularly changing restrictions on the movement of people in and out of the country.

In mid-March, the Philippine government implemented a ban on international personnel returning to the country. This travel ban was lifted on 1 May 2021 and key senior personnel have managed to travel back to the project site. The unpredictability of international travel brought about by the changing nature of the COVID-19 pandemic, will continue to challenge the Company's ability to maintain its senior expat management on-site roster.

Notwithstanding the above issues, Q2 2021 resulted in gold sales of US\$29.7 million (Q1 2021: US\$32.8 million), at an average realised gold price of US\$1,807 per ounce (Q1 2021: average gold price of US\$1,788 per ounce); producing a positive free cash flow of US\$5.5 million (Q1 2021: US\$11.5 million).

During Q2 2021 a total of US\$8.3 million (Q1 2021: US\$12.3 million) in debt repayments were made, bringing the net Group debt position as at 30 June 2021 to US\$111.0 million (Q1 2021: US\$112.7 million).

Mining Operations

Mining production of ore and waste for Q2 2021 was below forecast at 2.66Mt (Q1 2021: 2.43Mt), and the total ore mined for Q2 2021 of 288Kt (Q1 2021: 423kt). Total material movement has been negatively impacted by reliability issues with the Company's equipment fleet. Longer than normal delays in sourcing certain essential replacement parts continue to impact in this area.

Mining in Stage 1 is well advanced with backfill operations into this area on track to commence in Q4 2021.

Notwithstanding continued delays in completing the resettlement of the illegal miners from Stages 3 and 4 of the Project site, the new access road to mine plan Stages 3 and 4 has been completed and preliminary development work in Stage 3 and 4 has commenced. Although the Company does not have full access to these areas, negatively impacting the Company's mining schedule, the programme of infill resource and mine plan drilling is underway in mine plan Stages 3 and 4. The Company continues to work diligently with the local authorities to complete the process of removal and resettlement.

Process Plant

Throughput for Q2 2021 was 512kt (Q1 2021: 537kt). Gold production for Q2 2021 was 16,591 ounces at a recovery rate of 80.0% (Q1 2021: 18,725 ounces at a recovery rate of 81.9%). Ongoing delays in accessing mine plan Stages 3 and 4 continues to affect the head grade with higher grade material from Stage 3 now not scheduled to be accessed until Q1 2022.

During the quarter, major shutdowns were undertaken to install the SAG mill variable speed drive and to replace the SAG mill liners. Unplanned downtime consisted in the main of tails line failures and conveyor belt repairs.

The 4th blower to BIOX will be installed during Q3 2021, with the aim to increase the available air for, and hence the efficiency of, the BIOX circuit.

Implementation of minor design modifications to the flotation circuit continue; with the aim to increase the consistency of gold recovery of this circuit.

Residual Storage Impoundment ("RSI")

RSI construction continues with the dam water freeboard level well above design levels. Studies into designing the RSI final in-rock spillway have determined the optimal design and detailed planning is underway. The Stage 6 lift to the dam was completed during the quarter under the supervision of international engineering consultants, GHD.

Occupational Health & Safety

Runruno continues to record an exceptional safety record with over 14 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, continues in its efforts to complete the removal of the remaining illegal miners, including their infrastructure and dwellings, from those areas scheduled to be mined as part of mine plan Stages 3 and 4. Further actions in relation to access development and the resettlement activities will be made in the forthcoming quarters.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014, which forms part of United Kingdom domestic law by virtue of the European (Withdrawal) Act 2018. 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

Metals Exploration PLC	
Via Tavistock Communications Limited	+44 (0) 207 920 3150
Nominated & Financial Adviser:	STRAND HANSON LIMITED
James Spinney, James Dance, Rob Patrick	+44 (0) 207 409 3494
Financial Adviser & Broker:	HANNAM & PARTNERS
Nilesh Patel	+44 (0) 207 907 8500
Public Relations:	TAVISTOCK COMMUNICATIONS LIMITED
Jos Simson, Nick Elwes	+44 (0) 207 920 3150

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.