

METALS EXPLORATION PLC

QUARTERLY UPDATE TO 31 DECEMBER 2021

Metals Exploration plc (AIM: MTL) (“Metals Exploration”, the “Company” or the “Group”), a gold producer in the Philippines, is pleased to announce its quarterly results for Q4 2021, which saw the Company achieve record annual gold sales, sales proceeds and gold poured in FY2021.

Finance and corporate

- Record gold sales in FY2021 of 72,447 ounces (FY2020: 68,510 ounces).
- Record gold sale proceeds in FY2021 of US\$129.8 million (FY2020: US\$122.1 million).
- Gold sold during Q4 2021 of 18,505 ounces at an average realised gold price of US\$1,794 per ounce (Q3 2021: 19,197 ounces at an average gold price of US\$1,782 per ounce).
- Gold sales of US\$33.2 million in Q4 2021 (Q3 2021: US\$34.2 million).
- Positive free cash flow of US\$10.1 million in Q4 2021 (Q3 2021: US\$11.2 million).
- Senior debt repaid during FY2021 was US\$39.7 million, with Q4 2021 payments of US\$11.8 million (Q3 2021: US\$7.3 million).
- Net debt as at 31 December 2021 was US\$98.9 million (30 June 2021: US\$106.2 million, 31 December 2020 US\$120.4 million). Strong cashflow generated from operations has enabled accelerated debt repayments, putting the Company on a stronger future footing.

Mining Operations

- No lost time injuries occurred during the period, with over 15 million hours worked without a reportable injury.
- Ore mined increased for the quarter to 637kt (Q3 2021: 546kt) with waste mined at 2.24Mt (Q3 2021: 2.09Mt).
- During the quarter, the resettlement of illegal miners and their infrastructure away from Stages 3 & 4 was further advanced.
- In-pit dumping of waste material commenced in early Q1 2022.

Processing Operations

- Record gold poured in FY2021 of 73,206 ounces (FY2020: 67,552 ounces).
- Gold recovery for FY2021 was 83.7% (FY2020: 72.2%) – up 16.2% on FY2020.
- Gold poured during Q4 2021 of 18,435 ounces (Q3 2021: 19,456 ounces).
- Gold recovery for Q4 2021 was 89.0% (Q3 2021: 84.4%).

COVID-19 Impacts

- Although the number of COVID-19 cases recorded amongst personnel at the project site increased during the quarter, operations were largely unaffected.
- All infected personnel and their traced close contacts have been/were isolated.
- Typical mining and processing operations continue notwithstanding COVID-19 pandemic impacts.
- COVID-19 vaccine programme of all staff well advanced, with over 95% of all employees having had at least one vaccination dose.

FY2022 Production Guidance

- Gold production: 67,000 – 71,000 ounces.
- AISC: US\$1,275 – US\$ 1,325 per ounce.

Darren Bowden, CEO of Metals Exploration, commented:

“Q4 was another solid quarter, leading to the Company achieving record FY2021 numbers in terms of annual gold sales, sale proceeds, and gold poured; excellent results given the ongoing COVID-19 situation and restrictions. On that note, the safety of all our employees and their families remains a priority, and we are proud that our vaccination programme is well advanced. We will continue to drive this forward in the coming months. We are also delighted to be proceeding and advancing with the Stage 3 mine development.

“Given the team we have in place and these results, we believe that we are well placed for the year ahead to successfully deliver our development plans and production guidance at Runruno; whilst continuing to reduce our debt burden. In addition, during the year ahead the executive team will focus on both internal and external growth opportunities, building on the solid foundation that has been established.

“I would like to thank all our employees for their continued efforts, and I look forward to providing further updates during the year.”

Production and Finance Summary

Runruno Project Report FY 2021		Quarter	Quarter	FY 2021	FY 2020
PHYSICALS	Units	Actual	Actual	Actual	Actual
		Q4 2021	Q4 2020	12 Months	12 Months
Mining					
Ore Mined	Tonnes	636,916	661,256	1,896,808	2,473,400
Waste Mined	Tonnes	2,243,456	1,828,605	8,806,216	8,922,496
Total Mined	Tonnes	2,880,372	2,489,861	10,771,074	11,395,896
Au Grade Mined	g/tonne	1.19	1.30	1.21	1.40
Strip Ratio		3.42	2.36	4.43	3.32
Processing					
Ore Milled	Tonnes	537,208	526,547	2,136,875	2,057,274
Au Grade	g/tonne	1.15	1.47	1.26	1.41
S ₂ Grade	%	0.91	1.14	0.97	1.22
Au Milled (contained)	Ounces	19,923	24,946	86,611	93,568
Recovery	%	89.0	79.8	83.7	72.2
Au Recovered/Poured	Ounces	18,435	19,907	73,206	67,552
Sales					
Au Sold	Ounces	18,505	20,295	72,447	68,510
Au Price	US\$/oz	1,794	1,869	1,792	1,782
FINANCIALS (Unaudited)					
Revenue					
Gold Sales	(US\$000's)	33,202	37,936	129,849	122,099
Operating Costs – Summary					
Mining	(US\$000's)	6,254	6,348	24,434	21,563
Processing	(US\$000's)	8,295	7,234	31,197	29,757
G&A	(US\$000's)	2,861	2,894	11,027	11,191
Total Operating Costs	(US\$000's)	17,409	16,476	66,658	62,510
Excise Duty	(US\$000's)	1,350	1,504	5,255	4,895
UK/Philippine G&A	(US\$000's)	2,913	2,902	7,537	8,123
Total Direct Production Costs	(US\$000's)	21,672	20,882	79,450	75,529
Net Cash Income	(US\$000's)	11,529	17,054	50,400	46,570
Total Capital Costs	(US\$000's)	1,466	3,437	12,180	13,080
Total non-cash costs	(US\$000's)	4,166	3,573	18,629	16,293
Free Cashflow	(US\$000's)	10,063	13,617	38,219	33,490
Cash Cost / oz Sold - C1	US\$/oz	887	743	937	886
Cash Cost / oz Sold – AISC	US\$/oz	1,197	1,129	1,281	1,259

Note: AISC includes all UK Corporate costs.

Review of Operations

The Philippines continues to suffer from a relatively high number of positive COVID-19 cases. Importantly, however, the Company is well advanced with its vaccination programme, with over 95% of all employees having had at least one vaccination dose. Approximately 50 positive COVID-19 cases were detected on the Project site during Q4 2021. The Company's responses have been reported to the appropriate government agencies, and the Company continues to be compliant with all relevant government directives regarding COVID-19.

Since the period ended, however, the more contagious Omicron COVID-19 variant has reached the mine site with numerous positive cases recorded. Consistent with worldwide conclusions, there has been no serious illness impact on employees but submissions have been lodged with local government agencies to adapt isolation protocols, similar to those being adopted by many countries to deal with the rapid spread of the Omicron variant.

The on-site COVID-19 positive cases have not impacted operations significantly. The main operational disruption from the COVID-19 pandemic continues to be the ongoing and regularly changing restrictions on the movement of people in and out of the country, increases in the cost of production inputs and supply delays. The unpredictability of international travel remains but appears to be becoming easier to navigate, however, the cost of reagents and fuel are negatively impacting the operating surplus.

Notwithstanding the above issues, Q4 2021 resulted in gold sales of US\$33.2 million (Q3 2021: US\$34.2 million), at an average realised gold price of US\$1,794 per ounce (Q3 2021: average gold price of US\$1,782 per ounce); producing a positive free cash flow of US\$10.1 million (Q3 2021: US\$11.2 million).

During FY2021 a total of US\$39.7 million in debt repayments were made, including Q4 2021 payments of US\$11.8 million (Q3 2021: US\$7.3 million). The net Group debt position as at 31 December 2021 was US\$98.9 million (Q3 2021: US\$106.2 million).

Mining Operations

Mining production of ore and waste for Q4 2021 was below forecast at 2.88Mt (Q3 2021: 2.64Mt), and the total ore mined for Q4 2021 of 637kt (Q3 2021: 546kt). The total material movement was negatively impacted by reliability issues with the Company's equipment fleet. Longer than normal delays in sourcing certain essential replacement parts continue to impact this area.

Mining in Stage 1 was completed during Q4 2021, and waste backfill into this area has commenced in early 2022.

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 Stages 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 removal and resettlement of all illegal miners in these areas.

Process Plant

Throughput for Q4 2021 was 537kt (Q3 2021: 551kt). Gold production for Q4 2021 was 18,435 ounces at a recovery rate of 89.0% (Q3 2021: 19,456 ounces at a recovery rate of 84.4%).

During the quarter, the fourth blower to the BIOX circuit became fully operational, improving the supply of air to (and hence overall performance of) the BIOX system. Tails line failures and conveyor belt, crusher, return water lines and pump repairs were responsible for most of the unplanned downtime. In addition, the SAG mill variable speed drive (installed in Q3 2021) suffered a major failure rendering it inoperable. It is unlikely that this piece of equipment will be replaced due to the excessive cost of re-installing a new variable speed drive compared to the potential marginal production benefits it may produce, and given the ongoing doubt that a new system will be successfully commissioned.

Residual Storage Impoundment (“RSI”)

RSI construction continued 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.

Occupational Health & Safety

Runruno continues to record an exceptional safety record with over 15 million hours worked without a reportable injury as at the date of this announcement.

Environment and Compliance

Compliance matters continue to be successfully monitored, and the mine remains compliant, with no outstanding material issues.

Community & Government Relations

In conjunction with relevant government agencies, the Company 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. As of this report, over 700 occupants have been safely relocated without incident. 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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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.