Metals Exploration

2021 marks a record year as turnaround nears completion

Metals Exploration ("MTL") announced its operational results for Q4'21 and FY21 as the company achieved record annual gold poured, gold sales and sales proceeds. The records tumbled as operational enhancements continue to bear fruit, notably through continuous improvements of gold recoveries, up 16% YoY to 83.7% with impressive recoveries of 89.0% in Q4'21. On the back of solid results, MTL further reduced its debt burden, down to US$98.9m at year end. Consistent performance from Runruno's turnaround under Darren Bowden will now allow the company to focus on internal and external growth opportunities.

FY21 continues Runruno's turnaround with FCF up 14% YoY

Despite ore mined being down 23% YoY (-8% vs. H&Pe) and gold grade dropping 14% YoY to 1.21 g/t (+2% vs. H&Pe), Runruno produced 73.2koz of gold, up 8% YoY and beat expectations vs. H&P estimated 66.5koz (see pg. 2 for full comparison). The turnaround of the plant continues to drive growth in gold production, with average recoveries of 83.7%, up 16% YoY and in line with H&P estimates. Even more encouragingly, Runruno achieved recoveries of 89.0% in Q4'21 vs 84.4% in Q3 as the fourth blower to the BIOX circuit became fully operational, improving the performance of the system. All-in sustaining costs were in line with H&P estimates (and FY20) at US$1,281/oz, avoiding inflationary headwinds. Combined with a strong pricing environment (US$1,792/oz average gold price), operations drove EBITDA of US$50.4m, up 8% YoY (+10% vs. H&Pe) and a 14% boost YoY in Free Cash Flows to US$38.2m (+14% vs. H&Pe). The strong operating performance allowed MTL to reduce its significant debt burden to US$98.9m following US$39.7m of repayments in FY21.

67-71koz FY22 guidance; With the ship steadied MTL can target reserve growth

MTL has issued guidance of 67 – 71koz for FY22, with AISC of US$1,275 – US$1,325/oz. MTL is also proceeding with Stage 3 mine development as the resettlement of illegal miners and their infrastructure away from Stages 3 & 4 advances. Although MTL 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. As a result of Runruno's past troubles, very little resources have been allocated to exploration. As such we believe there is significant potential for reserve growth, with mineralisation identified south of the pit and possible extensions north and east of the pit boundary.

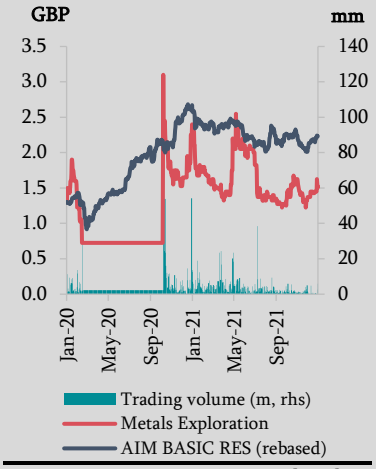
A positive outlook for FY22

Following a solid operational performance in FY21, we continue believe that MTL shares offer investors exposure to a profitable, cash flow generating asset, with limited operational risk following a transformative turnaround over the last three years under a revamped leadership team. We expect the key upcoming catalysts to be results from the drillbit, ongoing debt reduction and, potentially, further detail on potential internal and external growth initiatives.

GICS Sector	Materials
Ticker	AIM: MTL
Market cap 20-Jan-22 (£m)	32
Share price 20-Jan-22 (GBp)	1.55

73.2koz
Gold poured during FY21

89%
Recovery achieved in Q4'21 vs 72% in FY20



Source: Bloomberg

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Year		FY21A	F21E	% A vs E	FY20A	% YoY
Mining						
Ore mined	kt	1,897	2,073	*-8%*	2,473	*-23%*
Waste Mined	kt	8,806	10,648	*-17%*	8,922	*-1%*
Total Mined	kt	10,771	12,721	*-15%*	11,396	*-5%*
Au Grade Mined	g/t	1.21	1.19	*2%*	1.40	*-14%*
Strip ratio	t:t	4.43	5.14	*-14%*	3.32	*33%*
Processing						
Ore Milled	kt	2,137	2,187	*-2%*	2,057	*4%*
Au mill grade (g/t)	g/t	1.26	1.18	*7%*	1.41	*-11%*
Recovery	%	83.7%	82.7%	*1%*	72.2%	*16%*
Gold poured (koz)	koz	73.2	66.5	*10%*	67.6	*8%*
Sales						
Gold sold (koz)	koz	72.4	66.0	*10%*	68.5	*6%*
Realised gold price (US$/oz)	US$/oz	1,792	1,816	*-1%*	1,782	*1%*
Financials						
Gold sales	US$m	129.8	119.6	*9%*	122.1	*6%*
Direct production costs	US$m	79.5	74.0	*7%*	75.5	*5%*
Net cash income (EBITDA)	US$m	50.4	45.6	*10%*	46.6	*8%*
Capital expenditures	US$m	12.2	9.0	*35%*	13.1	*-7%*
Free Cash Flow	US$m	38.2	35.4	*8%*	33.5	*14%*
C1 cash cost	US$/oz	937	916	*2%*	886	*6%*
All in sustaining cash cost	US$/oz	1,281	1,259	*2%*	1,259	*2%*

Source: Company reports, H&P estimates

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