

# METALS EXPLORATION PLC

## QUARTERLY UPDATE TO 30 JUNE 2022

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 Q2 2022.

### **Finance and corporate**

- Gold sold during Q2 2022 of 14,992 ounces at an average realised gold price of US\$1,858 per ounce (Q1 2022: 15,685 ounces at an average realised gold price of US\$1,898 per ounce).
- Gold sales of US\$27.8 million in Q2 2022 (Q1 2022: US\$29.8 million).
- Positive free cash flow of US\$5.4 million in Q2 2022 (Q1 2022: US\$8.2 million).
- Senior debt repaid during Q2 2022 of US\$5.0 million (Q1 2022: US\$12.0 million).
- Senior debt outstanding as at 30 June 2022 was US\$8.1 million (31 March 2022: US\$12.9 million).
- Net debt as at 30 June 2022 was US\$92.9 million (31 March 2022: US\$94.2 million).

### **Mining Operations**

- No lost time injuries occurred during the period, with over 17 million hours worked without a reportable injury.
- Ore mined decreased for the quarter to 510kt (Q1 2022: 779kt) with waste mined at 2.47Mt (Q1 2022: 3.15Mt).

### **Processing Operations**

- Gold recovered during Q2 2022 of 16,529 ounces (Q1 2022: 14,819 ounces) from a higher head grade of 1.18g/t (Q1 2022: 1.02g/t).
- Gold recovery for Q2 2022 was 86.6% (Q1 2022: 89.0%).

### **COVID-19 Impacts**

- Operations continuing to be largely unaffected by COVID-19 impacts.
- COVID-19 vaccine programme well advanced, with over 95% of all employees having had at least two vaccination doses.

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

*“Runruno has maintained a positive trend in recovery and we are delighted that the operation is now able to sustain an >85% average recovery. The project is well positioned for a strong second half of 2022 as the grade in the mine improves once the higher grade ore in Stage 3 is accessed. The Company remains on track to meet our 2022 production guidance and to repay the senior debt during Q4 2022 as forecast, which will further strengthen our balance sheet.*”

*“I would also like to take this opportunity to thank the operations team for an outstanding safety performance as the Company passes 17 Million man-hours without a lost time injury.”*

## Production and Finance Summary

Runruno Project Report FY 2022		Quarter	Quarter	FY 2022	FY 2021
		Actual	Actual	Actual	Actual
PHYSICALS	Units	Q2 2022	Q2 2021	6 Months	6 Months
<b>Mining</b>					
Ore Mined	Tonnes	509,825	287,866	1,289,123	713,742
Waste Mined	Tonnes	2,467,685	2,371,708	5,619,472	4,537,749
Total Mined	Tonnes	3,002,244	2,659,574	6,965,979	5,251,491
Au Grade Mined	g/tonne	1.18	1.10	1.10	1.27
Strip Ratio		4.77	7.42	4.28	5.92
<b>Processing</b>					
Ore Milled	Tonnes	510,214	511,536	1,017,258	1,048,290
Au Grade	g/tonne	1.16	1.26	1.09	1.29
S <sub>2</sub> Grade	%	1.10	1.17	0.98	1.11
Au Milled (contained)	Ounces	19,087	20,745	35,742	43,620
Recovery	%	86.6	80.0	87.7	81.0
Au Recovered/Poured	Ounces	16,529	16,591	31,348	35,316
<b>Sales</b>					
Au Sold	Ounces	14,992	16,429	30,676	34,745
Au Price	US\$/oz	1,858	1,807	1,878	1,797
<b>FINANCIALS (Unaudited)</b>					
<b>Revenue</b>					
Gold Sales	(US\$000's)	27,849	29,682	57,622	62,439
<b>Operating Costs – Summary</b>					
Mining	(US\$000's)	6,972	6,415	13,307	11,950
Processing	(US\$000's)	6,926	7,876	14,296	15,363
G&A	(US\$000's)	2,616	2,638	5,316	5,548
<b>Total Operating Costs</b>	(US\$000's)	16,515	16,929	32,919	32,860
Excise Duty	(US\$000's)	1,099	1,190	2,317	2,541
UK/Philippine G&A	(US\$000's)	3,102	1,897	4,783	3,496
<b>Total Direct Production Costs</b>	(US\$000's)	20,716	20,016	40,019	38,897
<b>Net Cash Income</b>	(US\$000's)	7,133	9,666	17,603	23,543
<b>Total Capital Costs</b>	(US\$000's)	1,775	4,209	4,039	6,553
<b>Total non-cash costs</b>	(US\$000's)	3,009	3,583	7,682	7,907
<b>Free Cashflow</b>	(US\$000's)	5,358	5,457	13,564	16,989
<b>Cash Cost / oz Sold - C1</b>	US\$/oz	938	1,014	960	946
<b>Cash Cost / oz Sold – AISC</b>	US\$/oz	1,336	1,458	1,323	1,309

Note: AISC includes all UK Corporate costs.

## ***Review of Operations***

Gold sales for Q2 2022 were US\$27.8 million (Q1 2022: US\$29.8 million), at an average realised gold price of US\$1,858 per ounce (Q1 2022: average gold price of US\$1,898 per ounce); producing a positive free cash flow of US\$5.4 million (Q1 2022: US\$8.2 million).

During Q2 2022, debt repayments of US\$5.0 million (Q1 2022: US\$12.0 million) were made. The net Group debt position as at 30 June 2022 was US\$92.9 million (Q1 2022: US\$94.2 million). Cash holdings at 30 June 2022 were \$0.3million (31 March 2022: \$0.7 million).

## ***Mining Operations***

Mining production of ore and waste for Q2 2022 was above forecast at 3.00Mt (Q1 2022: 3.96Mt), with a total of 510Kt of ore mined in Q2 2022 (Q1 2022: 779kt).

Back-fill of waste into Stage 1 has continued with mining in Stage 2 expected to be completed during Q3 2022.

Although the removal and resettlement of illegal miners from Stages 3 and 4 of the Project site is largely complete, full access to Stage 3 has not yet been achieved. Despite several court orders in the Company's favour, access to a key area of Stage 3 has not yet been achieved. This delay has resulted in changes to the Company mine plan such that higher grade material in Stage 3 is now scheduled for mining during H2 2022. These access issues have also temporarily halted the exploration drill programme planned for Stages 4 and 5.

## ***Process Plant***

Throughput for Q2 2022 was 510kt (Q1 2022: 507kt). Gold production for Q2 2022 was 16,529 ounces at a recovery rate of 86.6% (Q1 2022: 14,819 ounces at a recovery rate of 89.0%). The higher quarter production was achieved notwithstanding continuing issues with the BIOX bacteria culture reflecting a higher head grade of 1.18g/t (Q1 2022: 1.02g/t).

Further power failures were experienced during Q2 2022 that contributed to a lack of stability of the BIOX bacteria culture; giving rise to resultant recovery losses. In addition, studies continue in an effort to identify an as yet unknown contaminant that developed in the return water sources that were being used to feed the BIOX circuit. The combined impact of these issues resulted in the BIOX circuit performance to under-perform during the quarter.

A major upgrade to the process plant return water and cooling systems is continuing.

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

Work continued on the final RSI dam-wall raise. Dam water freeboard remains well above design minimum levels. Detailed planning of the RSI final in-rock spillway is advancing.

## ***Occupational Health & Safety***

Runruno continues to record an exceptional safety record with over 17 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 few remaining illegal miners, including their infrastructure and dwellings, from those areas scheduled to be mined as part of mine plan Stages 3 and 4, and those areas the Company wishes to conduct exploration drilling in Stages 4 and 5.

*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 Union (Withdrawal) Act 2018 (as amended). 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.*