

METALS EXPLORATION PLC

QUARTERLY UPDATE TO 30 SEPTEMBER 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 Q3 2022.

Finance and corporate

- Gold sold during Q3 2022 of 14,980 ounces at an average realised gold price of US\$1,714 per ounce (Q2 2022: 14,992 ounces at an average realised gold price of US\$1,858 per ounce).
- Gold sales of US\$25.7 million in Q3 2022 (Q2 2022: US\$27.8 million).
- Positive free cash flow of US\$4.2 million in Q3 2022 (Q2 2022: US\$5.4 million).
- Senior debt repaid during Q3 2022 of US\$3.5 million (Q2 2022: US\$5.0 million).
- Senior debt outstanding as at 30 September 2022 was US\$4.7 million (30 June 2022: US\$8.1 million), which is expected to be fully repaid in Q4 2022.
- Net debt as at 30 September 2022 was US\$92.4 million (30 June 2022: US\$92.9 million).

Mining Operations

- No lost time injuries occurred during the period, with over 17.6 million hours worked without a reportable injury.
- Mining production of ore and waste for Q3 2022 was above forecast at 3.64Mt (Q2 2022: 3.00Mt), with a total of 380Kt of ore mined in Q3 2022 (Q2 2022: 510kt).

Processing Operations

- Gold recovered during Q3 2022 of 15,715 ounces (Q2 2022: 16,529 ounces) from a head grade of 1.26g/t (Q2 2022: 1.18g/t). The head grade for Q4 2022 is expected to average 1.44g/t.
- Gold recovery for Q3 2022 was 84.8% (Q2 2022: 86.6%).

FY2022 Production Guidance

- FY2022 is currently expected to be at or slightly below the lower range of the FY2022 guidance, which was 67,000 – 71,000 ounces.
- Production has been negatively impacted by delayed access to higher grade material in Stage 3, BIOX instability due to numerous transmission line power outages, and a higher sulphur content than forecast in the processed ore.

Darren Bowden, CEO of Metals Exploration, commented:

“Runruno has continued to perform well during the quarter from an operational and safety point of view, despite transmission line power outages which have impacted the stability of the BIOX. These power outages combined with the delayed access to higher grade material in Stage 3 and a higher sulphur content than forecast have all impacted our FY2022 guidance. Notwithstanding the above, the plant is operating well and gold production in Q4 2022 is expected to be the best quarter result for this year.”

“There is a major upgrade continuing to the process plant return water, cooling systems and tailings line pumps which we believe will benefit the future performance of the plant. In addition to this, we are on track to repay our senior debt in this coming quarter which will considerably strengthen our financial position, not least through a significant reduction in the interest rate on the remaining debt”

“I would also like to take this opportunity to thank the operations team for their continuing outstanding safety performance of over 17.6 million man-hours without a lost time injury, something that as a company we are very proud of indeed.”

Production and Finance Summary

Runruno Project Report		Quarter	Quarter	FY 2022	FY 2021
FY 2022		Actual	Actual	Actual	Actual
PHYSICALS	Units	Q3 2022	Q3 2021	9 Months	9 Months
Mining					
Ore Mined	Tonnes	380,071	546,149	1,669,194	1,259,892
Waste Mined	Tonnes	3,264,442	2,093,062	7,212,607	6,630,810
Total Mined	Tonnes	3,644,513	2,639,211	8,881,802	7,890,702
Au Grade Mined	g/tonne	1.49	1.15	1.19	1.22
Strip Ratio		8.57	3.60	45.24	4.92
Processing					
Ore Milled	Tonnes	455,907	551,377	1,473,165	1,599,667
Au Grade	g/tonne	1.26	1.30	1.15	1.30
S ₂ Grade	%	1.80	0.75	1.23	0.99
Au Milled (contained)	Ounces	18,541	23,060	54,283	66,688
Recovery	%	84.8	84.4	86.7	82.1
Au Recovered/Poured	Ounces	15,715	19,456	47,063	54,771
Sales					
Au Sold	Ounces	14,980	19,197	45,641	53,942
Au Price	US\$/oz	1,714	1,782	1,825	1,792
FINANCIALS (Unaudited)					
Revenue					
Gold Sales	(US\$000's)	25,676	34,208	83,298	96,648
Operating Costs – Summary					
Mining	(US\$000's)	5,907	6,230	19,214	18,180
Processing	(US\$000's)	7,675	7,539	21,971	22,902
G&A	(US\$000's)	2,557	2,619	7,873	8,167
Total Operating Costs	(US\$000's)	16,139	16,388	49,059	49,248
Excise Duty	(US\$000's)	1,045	1,364	3,362	3,905
UK/Philippine G&A	(US\$000's)	1,684	1,129	6,467	4,625
Total Direct Production Costs	(US\$000's)	18,869	18,881	58,888	57,778
Net Cash Income	(US\$000's)	6,807	15,328	24,410	38,870
Total Capital Costs	(US\$000's)	2,634	4,161	6,672	10,714
Total non-cash costs	(US\$000's)	4,030	6,557	11,712	14,464
Free Cashflow	(US\$000's)	4,173	11,167	17,737	28,156
Cash Cost / oz Sold - C1	US\$/oz	989	967	970	954
Cash Cost / oz Sold – AISC	US\$/oz	1,347	1,314	1,332	1,311

Note: AISC includes all UK Corporate costs.

Review of Operations

Gold sales for Q3 2022 were US\$25.7 million (Q2 2022: US\$27.8 million), at an average realised gold price of US\$1,714 per ounce (Q2 2022: average gold price of US\$1,858 per ounce); producing a positive free cash flow of US\$4.2 million (Q2 2022: US\$5.4 million).

During Q3 2022, debt repayments of US\$3.5 million (Q2 2022: US\$5.0 million) were made. The net Group debt position as at 30 September 2022 was US\$92.4 million (Q2 2022: US\$92.9 million). Cash holdings at 30 September 2022 were US\$0.6million (30 June 2022: US\$0.3 million).

The Group continues to expect the senior debt to be fully repaid during Q4 2022, significantly strengthening the Company's financial position. Upon this event, the interest rate on the Group mezzanine debt will drop from 15% to 7% per annum.

Mining Operations

Mining production of ore and waste for Q3 2022 was above forecast at 3.64Mt (Q2 2022: 3.00Mt), with a total of 380kt of ore mined in Q3 2022 (Q2 2022: 510kt). A greater ratio of waste material was moved during the quarter as development activities in Stage 3 progressed to enable access to higher grade material.

Mining in Stage 2 was completed during Q3 2022 and mining operations are underway in Stages 3 and 4.

Final full access to mine plan Stage 3 was achieved during Q3 2022 and higher grade Stage 3 ore will be accessed during Q4 2022. Additional access issues have continued to temporarily halt the exploration drill programme planned for Stages 4 and 5. These access issues are expected to be substantially resolved during Q4 2022 which will enable the exploration programme to commence in Q1 2023 after the end of the wet season.

Process Plant

Throughput for Q3 2022 was 456kt (Q2 2022: 510kt). Gold production for Q3 2022 was 15,715 ounces at a recovery rate of 84.8% (Q2 2022: 16,529 ounces at a recovery rate of 86.6%).

Gold recovery for Q3 2022 was impacted by higher sulphide material with the total sulphur grade averaging 1.80% against a budget 1.38%.

Numerous mains power failures were experienced during Q3 2022. These power failures caused ongoing difficulties in maintaining stability of the BIOX bacteria culture. However, during Q3 2022 there were no further issues with contaminants in the return water sources feeding the BIOX circuit.

A major upgrade to the process plant return water and cooling systems and tailings line pumps is continuing. These projects will be completed in Q4 2022 and should result in improved plant availability and throughput rates.

FY2022 Production Guidance

During the FY2022 period to date, gold production has been negatively impacted by a combination of:

- delayed access to higher grade Stage 3 material resulting in greater processing of lower grade material than forecast;
- BIOX instability due to numerous transmission line power outages; and
- a higher sulphur content than forecast in the processed ore.

Accordingly, the Company advises that that gold production for FY2022 is currently expected to be at or slightly below the lower range of the FY2022 guidance, which was 67,000 – 71,000 ounces.

Residual Storage Impoundment (“RSI”)

Work continued on the final RSI dam-wall raise. Notwithstanding the onset of the wet season with a number of severe rain events, the dam water freeboard remains well above design minimum levels. Detailed planning of the RSI final in-rock spillway continues.

Occupational Health & Safety

Runruno continues to record an exceptional safety record with over 17.6 million hours worked without a lost-time reportable injury as at the date of this announcement. Runruno’s operations also continue to be largely unaffected by COVID-19 and the Company are delighted that the COVID-19 vaccine programme is well advanced with over 97% of all employees having had at least two vaccination doses.

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.