

METALS EXPLORATION PLC

QUARTERLY UPDATE TO 31 DECEMBER 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 Q4 2022.

Finance and corporate

- Record quarterly gold sold of 23,608 ounces at an average realised gold price of US\$1,742 per ounce (Q3 2022: 14,980 ounces at an average US\$1,714 per ounce).
- Record quarterly gold revenue of US\$41.1 million (Q3 2022: US\$25.7 million).
- Record quarterly positive free cash flow of US\$18.0 million (Q3 2022: US\$4.2 million).
- Senior debt effectively fully repaid during Q4 2022 following payments of US\$4.7 million in the quarter (Q3 2022: US\$3.5 million).
- Mezzanine debt repayments during Q4 2022 of US\$8.6 million (Q3 2022 – US\$nil).
- Net debt as at 31 December 2022 was US\$81.1 million (30 September 2022: US\$92.4 million).

Mining Operations

- No lost time injuries occurred during the period - over 18.3 million hours worked without a reportable injury.
- Mining production of ore and waste for Q4 2022 was above forecast at 3.11Mt (Q3 2022: 3.64Mt), with a total of 623Kt of ore mined in Q4 2022 (Q3 2022: 380kt).

Processing Operations

- Quarter record gold production during Q4 2022 with 25,474 ounces recovered (Q3 2022: 15,715 ounces) from 565Kt at a head grade of 1.59g/t (Q3 2022: 456Kt at a head grade of 1.26g/t).
- Gold recovery for Q4 2022 was 83.8% (Q3 2022: 84.8%).

FY2022/FY2023 Production Guidance

- FY2022 gold production of 72,537 ounces exceeded the FY2022 upper guidance forecast of 71,000 ounces at an AISC of \$1,235 per ounce which was below the FY2022 lower guidance forecast of \$1,275 per ounce
- FY2023 Gold production forecast: 68,000 – 72,000 ounces.
- FY 2023 AISC forecast: US\$1,250 – US\$1,300 per ounce.

Darren Bowden, CEO of Metals Exploration, commented:

“Operationally, Q4 was an excellent quarter with record performances across several key metrics. This was achieved as a result of a stable power environment, a higher head grade and the completed upgrades to the process plant, leading to a quarter record of 25,474 ounces gold production.

Fully repaying our senior debt is also a highly significant milestone. The continuing strengthening of the Company’s balance sheet will enable it to invest further in its exploration plans and to look at appropriate acquisition opportunities; delivering its stated strategy and value to all its shareholders.

The Company was also delighted with the recognition that it received from the Philippines’ government. The Company has health and safety and the environment at the forefront of everything that it does and these awards, of which the Presidential award is the highest government mining award attainable in the Philippines, are a testament to the team and their high standards and dedication in these areas. I would like to thank them all for their continued efforts.

Our performance in Q4 has provided an excellent end to the year as well as a very solid platform from which to build on in the coming year and I look forward to updating on our progress in the year ahead.”

Production and Finance Summary

Runruno Project Report		Quarter	Quarter	FY 2022	FY 2021
FY 2022		Actual	Actual	Actual	Actual
PHYSICALS	Units	Q4 2022	Q4 2021	12 Months	12 Months
Mining					
Ore Mined	Tonnes	623,245	636,916	2,292,439	1,896,808
Waste Mined	Tonnes	2,484,760	2,243,456	11,422,847	8,806,216
Total Mined	Tonnes	3,108,004	2,880,372	13,715,286	10,771,074
Au Grade Mined	g/tonne	1.65	1.19	1.31	1.21
Strip Ratio		3.95	3.42	4.89	4.43
Processing					
Ore Milled	Tonnes	594,866	537,208	2,068,031	2,136,875
Au Grade	g/tonne	1.59	1.15	1.27	1.26
S ₂ Grade	%	1.68	0.91	1.36	0.97
Au Milled (contained)	Ounces	30,394	19,923	84,677	86,611
Recovery	%	83.8	89.0	85.7	83.7
Au Recovered/Poured	Ounces	25,474	18,435	72,537	73,206
Sales					
Au Sold	Ounces	23,608	18,505	69,249	72,447
Au Price	US\$/oz	1,742	1,794	1,797	1,792
FINANCIALS (Unaudited)					
Revenue					
Gold Sales	(US\$000's)	41,113	33,202	124,411	129,849
Operating Costs – Summary					
Mining	(US\$000's)	5,972	6,254	25,186	24,434
Processing	(US\$000's)	9,491	8,295	31,462	31,197
G&A	(US\$000's)	2,486	2,861	10,359	11,027
Total Operating Costs	(US\$000's)	17,948	17,409	67,007	66,658
Excise Duty	(US\$000's)	1,661	1,350	5,023	5,255
UK/Philippine G&A	(US\$000's)	1,824	2,913	8,291	7,537
Total Direct Production Costs	(US\$000's)	21,433	21,672	80,321	79,450
Net Cash Income	(US\$000's)	19,680	11,529	44,090	50,400
Total Capital Costs	(US\$000's)	1,669	1,466	8,341	12,180
Total non-cash costs	(US\$000's)	7,620	4,166	19,332	18,629
Free Cashflow	(US\$000's)	18,011	10,063	35,748	38,219
Cash Cost / oz Sold - C1	US\$/oz	829	887	922	937
Cash Cost / oz Sold – AISC	US\$/oz	1,047	1,197	1,235	1,281

Note: AISC includes all UK Corporate costs.

Review of Operations

Gold sales for Q4 2022 were a quarter record of US\$41.1 million (Q3 2022: US\$25.7 million), at an average realised gold price of US\$1,742 per ounce (Q3 2022: average gold price of US\$1,714 per ounce); producing a quarter record positive free cash flow of US\$18.0 million (Q3 2022: US\$4.2 million).

Finance

During Q4 2022 the Group's senior debt was effectively fully repaid. A nominal amount of approximately US\$1,000 remains unpaid to ensure various loan securities remain in place while the Company completes the elevation of the status of the mezzanine loans to that of secured debt. The mechanics required to effect the elevation of the mezzanine debt from unsecured to secured debt, as was agreed in the October 2020 debt restructure, is subject to ongoing discussions with the RHL Group and MTL Luxemburg, and the completion of complex and multi-country documentation; and the registration of new security arrangements in numerous jurisdictions.

A further update of this matter will be provided in due course.

Total senior debt repayments of US\$4.7 million (Q3 2022: US\$3.5 million) were made during Q4 2022. In addition, US\$8.6 million in mezzanine debt payments were made during Q4 2022 (Q3 2022: US\$nil).

The net Group debt position as at 31 December 2022 was US\$81.1 million (Q3 2022: US\$92.4 million). Cash holdings at 31 December 2022 were US\$0.9 million (30 September 2022: US\$0.6 million).

Mining Operations

Mining production of ore and waste for Q4 2022 was above forecast at 3.11Mt (Q3 2022: 3.64Mt), with a total of 623Kt of ore mined in Q4 2022 (Q3 2022: 380kt). In Stage 3 higher grade material was accessed during the quarter allowing the Group to mill a higher average grade for the quarter.

Negotiations for access to Stages 4 and 5 progressed during Q4 2022. Sufficient access has been achieved such that the Company expects its exploration programme in Stages 4 and 5 to commence in Q1 2023 after the end of the wet season.

Process Plant

Stable power delivery during Q4 2022 enabled a higher throughput to be maintained for the quarter. This together with the completed upgrades to return water and cooling systems and the installation of new tailings line pumps has enabled the Company to produce a quarter record 25,474 ounces for the quarter (Q3 2022: 15,715 ounces). This result represents an increase of over 5,500 ounces of gold produced compared to the Company's previous best quarter.

Throughput for Q4 2022 was 595kt (Q3 2022: 456kt). Gold production for Q4 2022 was at a recovery rate of 83.8% (Q3 2022: 84.8%).

Government Industry Awards

During Q4 2022, the Group was awarded the following Philippine government mining industry awards:

- Presidential Mineral Industry Environmental Award (PMIEA) in the Surface Mining Category
- Runner-up, Safest Surface Mining Operation Award
- 3rd Runner-up, Best Mining Forest Contest – Metallic Category

These awards are given to mining companies in recognition of outstanding levels of dedication, initiatives and innovations in the pursuit of excellence in environmental protection, health & safety management and social/community development. Winning the Presidential award is the highest government mining award attainable in the Philippines.

Residual Storage Impoundment (“RSI”)

Work on the final RSI dam-wall raise was unable to be completed in Q4 2022 due to adverse weather conditions. This final dam wall raise is expected to be completed, subject to weather conditions, in Q1 2023. During Q4 2022 the mine experienced a number of severe rain events. Notwithstanding this, the dam water freeboard remained well above design minimum levels. Detailed planning of the RSI final in-rock spillway should be completed during Q1 2023.

Occupational Health & Safety

Runruno continues to record an exceptional safety record with over 18.3 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.

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 illegal miners, including their infrastructure and dwellings, from those areas scheduled to be explored and mined as part of mine plan 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.