

METALS EXPLORATION PLC

QUARTERLY UPDATE TO 31 MARCH 2023

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 Q1 2023.

Finance and corporate

- Gold sold - 21,442 ounces at an average realised gold price of US\$1,887 per ounce (Q4 2022: 23,608 ounces at an average US\$1,742 per ounce).
- Gold revenue of US\$40.5 million (Q4 2022: US\$41.1 million).
- Positive free cash flow of US\$17.8 million (Q4 2022: US\$18.0 million).
- Elevation of mezzanine debt to secured status ongoing and there is uncertainty over the interest rate that will be applied to the outstanding loan in the period prior to completion of the elevation.
- Mezzanine debt repayments of US\$14.3 million (Q4 2022 - US\$8.6 million).
- Net debt as at 31 March 2023 was US\$69.0 million (31 December 2022: US\$81.1 million).

Mining Operations

- No lost time injuries occurred during the period - over 19 million hours worked without a reportable injury.
- Mining production of ore and waste was 2.74Mt (Q4 2022: 3.11Mt), with a total of 282Kt of ore mined in Q1 2023 (Q4 2022: 623Kt).

Processing Operations

- Gold production of 21,299 ounces recovered (Q4 2022: 25,474 ounces) from 546Kt at a head grade of 1.30g/t (Q4 2022: 565Kt at a head grade of 1.59g/t).
- Gold recovery was a quarter record of 93.4% (Q4 2022: 83.8%).

Darren Bowden, CEO of Metals Exploration, commented:

"The first quarter of the year has continued to see a strong performance at Runruno, although material movement for the quarter was impacted by diverting of dump trucks to assist with the RSI final in-rock spillway earthworks. We were also particularly delighted with the throughput at our processing plant where we achieved a record gold recovery rate of 93%; an incredible achievement by the team.

"The Company is well set for the year ahead to deliver our strategy of extending the life of mine at Runruno via near pit exploration programmes, as well as looking at appropriate acquisition opportunities."

Production and Finance Summary

Runruno Project Report		Quarter Actual Q1 2023	Quarter Actual Q1 2022	FY 2023 Actual 3 Months	FY 2022 Actual 3 Months
FY 2023					
PHYSICALS	Units				
Mining					
Ore Mined	Tonnes	282,256	779,299	282,256	779,299
Waste Mined	Tonnes	2,457,153	3,151,787	2,457,153	3,151,787
Total Mined	Tonnes	2,739,409	3,963,735	2,739,409	3,963,735
Au Grade Mined	g/tonne	1.53	1.05	1.53	1.05
Strip Ratio		8.17	3.96	8.17	3.96
Processing					
Ore Milled	Tonnes	546,083	507,044	546,083	507,044
Au Grade	g/tonne	1.30	1.02	1.30	1.02
S ₂ Grade	%	1.28	0.86	1.28	0.86
Au Milled (contained)	Ounces	22,806	16,655	22,806	16,655
Recovery	%	93.4	89.0	93.4	89.0
Au Recovered/Poured	Ounces	21,299	14,819	21,299	14,819
Sales					
Au Sold	Ounces	21,442	15,685	21,442	15,685
Au Price	US\$/oz	1,887	1,898	1,887	1,898
FINANCIALS (Unaudited)					
Revenue					
Gold Sales	(US\$000's)	40,458	29,773	40,458	29,773
Operating Costs - Summary					
Mining	(US\$000's)	5,244	6,335	5,244	6,335
Processing	(US\$000's)	9,232	7,370	9,232	7,370
G&A	(US\$000's)	2,952	2,700	2,952	2,700
Total Operating Costs	(US\$000's)	17,428	16,405	17,428	16,405
Excise Duty	(US\$000's)	1,635	1,217	1,635	1,217
UK/Philippine G&A	(US\$000's)	1,680	1,682	1,680	1,682
Total Direct Production Costs	(US\$000's)	20,743	19,304	20,743	19,304
Net Cash Income	(US\$000's)	19,715	10,469	19,715	10,469
Total Capital Costs	(US\$000's)	1,872	2,263	1,872	2,263
Total non-cash costs	(US\$000's)	7,852	4,673	7,852	4,673
Free Cashflow	(US\$000's)	17,843	8,206	17,843	8,206
Cash Cost / oz Sold - C1	US\$/oz	928	982	928	982
Cash Cost / oz Sold - AISC	US\$/oz	1,170	1,311	1,170	1,311

Note: AISC includes all UK Corporate costs.

Review of Operations

Gold sales for Q1 2023 were US\$40.5 million (Q4 2022: US\$41.1 million), at an average realised gold price of US\$1,887 per ounce (Q4 2022: average gold price of US\$1,742 per ounce); producing a positive free cash flow of US\$17.8 million (Q4 2022: US\$18.0 million).

Finance

During Q4 2022, the Group's senior debt was effectively fully repaid. A nominal amount of approximately US\$1,200 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 the completion of complex and multi-country documentation; and the registration of new security arrangements in numerous jurisdictions. The October 2020 debt restructuring agreements envisage the interest rate applicable to the Mezzanine Debt being reduced from 15% to 7% once the Senior Debt is repaid and the elevation of the Mezzanine Debt to "new" Senior Debt is complete.

The majority mezzanine lender, MTL Luxemburg, Nick Candy's investment vehicle (holding 70.7% of the Mezzanine Debt), has confirmed in writing that, subject to completion of the elevation documents within a reasonable period (expected to be before the end of Q3 2023), the interest rate on its portion of the Mezzanine Debt will reduce to 7% per annum from 15% per annum as from 3 November 2022 (being the date that the Company could have fully repaid the Senior Facility, but for the requirements of the elevation).

The minority 29.3% mezzanine lender, the RHL Group, has not confirmed the same in writing; however, the Company is hopeful the RHL Group will apply the 7% interest rate from 3 November 2022 and that this will be formalised once the elevation documents are completed within a reasonable period.

Total mezzanine debt payments of US\$14.3 million were made during Q1 2023 (Q4 2022: US\$8.6 million).

The net debt position of the Group as at 31 March 2023 was US\$64.4 million (Q4 2022: US\$81.1 million). Cash holdings at 31 March 2023 were US\$4.6 million (31 December 2022: US\$0.9 million).

Mining Operations

Mining production of ore and waste for Q1 2023 was below forecast at 2.74 Mt (Q4 2022: 3.11Mt), with a total of 282Kt of ore mined in Q1 2023 (Q4 2022: 623kt). Material movement for the quarter was below forecast due to the diverting of dump trucks to the assist with the RSI final spillway earthworks which commenced in Q1 2023.

An exploration programme in Stages 4 and 5 commenced in Q1 2023, with the objective of identifying new gold resources both in and near-to the current pit-shell design. To date, this drilling has not produced any material gold discoveries.

Process Plant

Stable operations were delivered during Q1 2023, with all aspects of the process plant performing adequately. Gold produced during Q1 2023 was 21,299 ounces for the quarter (Q4 2022: 25,474 ounces).

Throughput for Q1 2023 was 546Kt (Q4 2022: 595Kt). Gold production for Q1 2023 was at a record recovery rate of 93.4% (Q4 2022: 83.8%).

Residual Storage Impoundment ("RSI")

Work on the final RSI dam-wall raise is expected to be completed, subject to weather conditions, in Q2 2023. Notwithstanding this, the dam water freeboard remained well above design minimum levels. Initial earthworks on the construction of the RSI final in-rock spillway commenced during Q1 2023.

Occupational Health & Safety

Runruno continues to record an exceptional safety record with over 19 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 has largely completed its efforts to remove illegal miners, including their infrastructure and dwellings, from 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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For further information please visit or contact www.metalsexploration.com

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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.