

METALS EXPLORATION PLC

QUARTERLY UPDATE TO 30 JUNE 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 Q2 2023.

Finance and corporate

- Record half-year and quarterly gold sales:
 - H1 2023 - 46,186 ounces sold at an average realised gold price of US\$1,939 per ounce (H1 2022: 30,676 ounces at an average US\$1,878 per ounce)
 - Q2 2023 - 24,744 ounces sold at an average realised gold price of US\$1,984 per ounce (Q1 2023: 21,442 ounces at an average US\$1,887 per ounce).
- Record half-year and quarterly gold revenue:
 - H1 2023 - US\$89.6 million (H1 2022: US\$57.6 million).
 - Q2 2023 - US\$49.1 million (Q1 2023: US\$40.5 million).
- Record half-year and quarterly positive free cash flow:
 - H1 2023 - US\$41.9 million (H1 2022: US\$13.6 million).
 - Q2 2023 - US\$24.1 million (Q1 2023: US\$17.8 million).
- Elevation of mezzanine debt to secured status is progressing to execution stage, however uncertainty remains over the interest rate, as well as the date of its application, which will be applied to the outstanding loan in the period prior to completion of the elevation.
- Mezzanine debt repayments of US\$20.7 million in Q2 2023 (Q1 2023 – US\$14.3 million).
- Net debt as at 30 June 2023 was US\$48.3 million (31 March 2023: US\$69.0 million).

Mining Operations

- No lost time injuries occurred during the period – over 20 million hours worked without a reportable injury.
- Mining production of ore and waste was above forecast at 3.49Mt (Q1 2023: 2.74Mt), with a total of 566Kt of ore mined in Q2 2023 (Q1 2023: 282Kt).

Processing Operations

- Record half-year gold production of 45,533 ounces (H1 2022: 31,348 ounces) recovered from 1.07Mt at a head grade of 1.48g/t (H1 2022: 1.02Mt at a head grade of 1.09g/t).
- Q2 2023 gold production of 24,235 ounces (Q1 2023: 21,299 ounces) recovered from 522Kt at a head grade of 1.66g/t (Q1 2023: 546Kt at a head grade of 1.30g/t).
- Record half-year gold recovery of 89.8% (H1 2022: 87.7%)
- Q2 2023 gold recovery of 86.9% (Q1 2023: 93.4%).

FY2023 Production Guidance Update

- Operations in H1 2023 have exceeded expectations with head grade, tonnes milled and recovery rates all above forecast. Although the head grade for H2 2023 is forecast to drop, the Company has updated its FY2023 production guidance as follows:
 - FY2023 updated gold production forecast: 78,000 – 81,000 ounces (previous guidance: 68,000 – 72,000 ounces).
 - FY 2023 updated AISC forecast: US\$1,120 – US\$1,200 per ounce (previous guidance: US\$1,250 – US\$1,300 per ounce).

Darren Bowden, CEO of Metals Exploration, commented:

“This was an excellent quarter at Runruno with record performances in a number of key metrics, leading to a first half that has exceeded our expectations operationally. The Company’s cash flows remain strong, and we continue to make substantial debt repayments, whilst also looking to finalise the mezzanine debt position as soon as is practicable.”

“Given Runruno’s strong performance in the first half of the year, we are delighted to announce that we have updated our production guidance, as well as our forecast all-in sustaining costs – increasing our production range and further reducing our costs.

“This has been an excellent first half of 2023 for the Company and we expect the second half of this year to continue to deliver our strategy both from an operational and a corporate perspective.”

Production and Finance Summary

Runruno Project Report		Quarter	Quarter	FY 2023	FY 2022
FY 2023		Actual	Actual	Actual	Actual
PHYSICALS	Units	Q2 2023	Q2 2022	6 Months	6 Months
Mining					
Ore Mined	Tonnes	565,767	509,825	848,023	1,289,123
Waste Mined	Tonnes	2,928,776	2,467,685	5,385,929	5,619,472
Total Mined	Tonnes	3,494,543	3,002,244	6,233,952	6,965,979
Au Grade Mined	g/tonne	1.62	1.18	1.59	1.10
Strip Ratio		5.01	4.77	6.08	4.28
Processing					
Ore Milled	Tonnes	522,307	510,214	1,068,391	1,017,258
Au Grade	g/tonne	1.66	1.16	1.48	1.09
S ₂ Grade	%	1.55	1.10	1.41	0.98
Au Milled (contained)	Ounces	27,894	19,087	50,701	35,742
Recovery	%	86.9	86.6	89.8	87.7
Au Recovered/Poured	Ounces	24,235	16,529	45,533	31,348
Sales					
Au Sold	Ounces	24,744	14,992	46,186	30,676
Au Price	US\$/oz	1,984	1,858	1,939	1,878
FINANCIALS (Unaudited)					
Revenue					
Gold Sales	(US\$000's)	49,093	27,849	89,552	57,622
Operating Costs – Summary					
Mining	(US\$000's)	5,223	6,972	10,466	13,307
Processing	(US\$000's)	8,580	6,926	17,813	14,296
G&A	(US\$000's)	2,950	2,616	5,901	5,316
Total Operating Costs	(US\$000's)	16,753	16,515	34,181	32,919
Excise Duty	(US\$000's)	1,975	1,099	3,610	2,317
UK/Philippine G&A	(US\$000's)	2,980	3,102	4,661	4,783
Total Direct Production Costs	(US\$000's)	21,708	20,716	42,452	40,019
Net Cash Income	(US\$000's)	27,385	7,133	47,100	17,603
Total Capital Costs	(US\$000's)	3,334	1,775	5,206	4,039
Total non-cash costs	(US\$000's)	7,512	3,009	15,364	7,682
Free Cashflow	(US\$000's)	24,051	5,358	41,894	13,564
Cash Cost / oz Sold – C1	US\$/oz	723	938	818	960
Cash Cost / oz Sold – AISC	US\$/oz	1,058	1,336	1,110	1,323

Note: AISC includes all UK Corporate costs.

Review of Operations

Stable operations were maintained during H1 2023, which in combination with a sustained period of higher grade material, and higher gold prices, has produced a record H1 revenue of US\$89.6 million (H1 2022: US\$57.6 million). Gold sales for Q2 2023 were US\$49.1 million (Q1 2023: US\$40.5 million), at an average realised gold price of US\$1,984 per ounce (Q1 2023: average gold price of US\$1,887 per ounce); producing a positive free cash flow of US\$24.1 million (Q1 2023: US\$17.8 million).

Finance

The process of elevating the status of the mezzanine loans to that of secured debt is continuing. The mechanics to achieve this requires new securities to be created across several jurisdictions. The due diligence work sought by the RHL Group as part of the elevation has been completed and the documentation to achieve all aspects of the elevation is largely agreed. The process of executing these documents is expected to begin shortly, but is likely to take several weeks to complete, as the process involves the notarisation and legalisation of multiple documents.

As previously advised, 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, 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\$20.75 million were made during Q2 2023 (Q1 2023: US\$14.30 million).

The net debt position of the Group as at 30 June 2023 was US\$48.3 million (Q1 2023: US\$64.4 million). Cash holdings at 30 June 2023 were US\$1.0 million (31 March 2023: US\$4.6 million).

Mining Operations

Mining production of ore and waste for Q2 2023 was above forecast at 3.49Mt (Q1 2023: 2.74Mt), with a total of 566Kt of ore mined in Q2 2023 (Q1 2023: 282kt).

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

Record gold production in H1 2023 of 45,533 ounces (H1 2022: 30,676) was achieved from a half-year record recovery rate of 89.8% (H1 2022: 87.7%), with all aspects of the process plant performing adequately.

Gold produced during Q2 2023 was 24,235 ounces for the quarter (Q1 2023: 21,299 ounces). Throughput for Q2 2023 was 522Kt (Q1 2023: 546Kt) at a recovery rate of 86.9% (Q1 2023: 93.4%).

Residual Storage Impoundment (“RSI”)

Work on the final RSI dam-wall raise is expected to be completed in Q3 2023. Notwithstanding this, the dam water freeboard remained well above design minimum levels. Earthworks for the construction of the RSI final in-rock spillway are well advanced.

Occupational Health & Safety

Runruno continues to record an exceptional safety record with over 20 million hours worked without a lost-time 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 has largely completed the removal of 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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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.