

METALS EXPLORATION PLC

Proposed Buy Back of RHL Shares, Settlement with Lenders, Production Fee Deed and Update on YMC Acquisition

Metals Exploration plc (AIM: MTL) (“Metals Exploration”, the “Company” or the “Group”), a gold producer in the Philippines, is pleased to announce that it has agreed the terms of a conditional settlement agreement with Runruno Holdings Limited (“RHL”) and D & A Holdings Limited (“D&A”) (together, the “RHL Group”), involving *inter alia*, the acquisition of RHL’s equity holding in the Company’s ordinary share capital and the settlement of outstanding debt and legal fees. Further, the Company provides an update on the proposed YMC acquisition.

Proposed Buy Back of RHL Shares, Settlement with the RHL Group and Production Fee Deed

Further to the Company’s announcements of 27 March 2024 and 9 May 2024, the Company has agreed the following terms with the RHL Group:

Buy Back of RHL Shares

Subject to the requisite shareholder approvals being granted, the Company has conditionally agreed to purchase the RHL Group’s entire holding in the Company, being 393,513,302 ordinary shares of £0.0001 each in the capital of the Company (“Ordinary Shares”) (the “RHL Shares”) over three tranches and at a price of 5 pence per share, by means of an off-market buy back (the “Buy Back”). The price of 5 pence per share was agreed by the Company and RHL at a date during negotiations of the Buy Back, based on the 30-day trailing volume weighted average market price at that date. The tranches of the Buy Back would be staged as follows:

- 203,640,000 RHL Shares shortly following the requisite shareholder approvals being granted;
- 94,936,651 RHL Shares by no later than 30 August 2024; and
- 94,936,651 RHL Shares by no later than 30 September 2024.

The aggregate consideration for the Buy Back would be £19,675,665, which is expected to be satisfied from the Company’s existing cash resources and future cash flows generated from operations. If approved, and following each purchase, the Company intends to hold such shares in treasury.

Rule 9 Waiver

The Buy Back, should it proceed, would result in a proportionate increase in existing shareholders’ percentage voting interests, as the Ordinary Shares acquired by the Company are expected to be held in treasury and would therefore not carry any voting rights. When a company redeems or purchases its own voting shares, any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purpose of Rule 9 of the City Code on Takeover and Mergers (the “City Code”), which requires that when any person, together with persons acting in concert with that person, is interested in shares which in the aggregate carry not less than 30% of the voting rights of a company but does not hold shares carrying more than 50% of such voting rights and such person, or any person acting in concert with that person, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which that person is interested, a mandatory offer will normally be required.

MTL (Luxembourg) S.à r.l. (“MTL Lux”) currently holds Ordinary Shares carrying 43.62% of the voting rights of the Company, and the Buy Back would result in MTL Lux’s (and persons acting in concert with it) holding of Ordinary Shares carrying voting rights increasing from its current level to more than 50% of such voting rights. As a result, a waiver of the obligation on MTL Lux (or any person acting in concert with it) to make a mandatory offer under Rule 9 of the City Code that would otherwise arise following implementation of the Buy Back will be sought from the Takeover Panel, and shall be subject to the passing of a resolution by independent shareholders on a poll at a general meeting to be convened in due course (the “Rule 9 Waiver”).

General Meeting Voting Undertaking

RHL has irrevocably undertaken to vote in favour of all resolutions proposed for the Company's annual general meeting (which has been convened for 10.30 a.m. on 28 June 2024) and to be proposed at the forthcoming general meeting referred to below (save for the Buy Back resolution itself, which RHL is not permitted to vote on pursuant to the Companies Act 2006 (the "Act"), and the Rule 9 Waiver resolution).

Relationship Agreement

As a result of the purchase of the first tranche of RHL Shares pursuant to the Buy Back, RHL's interest in the voting share capital of the Company would fall below 10% and, accordingly, each of the relationship agreement between the Company and RHL dated 24 October 2020 and the bilateral shareholders' agreement entered into between RHL and MTL Lux (as referred to in the Company's announcement of 18 September 2023) would terminate. RHL would also no longer be entitled to have an appointee on the Board.

Production Fee

The Group has agreed to pay RHL a production fee of US\$164 per ounce of gold produced at the Runruno contract area on any production that exceeds 204,269 ounces of gold from 1 May 2024 (being approximately 105% of the current forecast for production from such date on the basis of the Group's life of mine plan for the Runruno mine). The detailed provisions relating to the production fee are set out in a production fee deed between RHL, FCF Minerals Corporation and (as guarantors) the Company and Metals Exploration Pte. Ltd (the "Production Fee Deed"). Any such production fee due would be paid quarterly in arrears and will come into effect upon the termination of the revolving credit facility agreement dated 24 October 2020 between (amongst others) the Company and RHL (the "RCF"), which (subject to obtaining the requisite shareholder approvals for the Buy Back) would take place upon the purchase by the Company of the first tranche of the RHL Shares pursuant to the Buy Back. Further, there will be no early termination fee payable to RHL or MTL Lux as a result of the termination of the RCF.

Debt Settlement

In full and final settlement of all amounts of principal and/or interest outstanding under the relevant agreements, the Company shall pay to the RHL Group the amount of US\$928,362 pursuant to the Group's mezzanine facilities, US\$828 pursuant to the Group's senior facility and, in addition, the amount of US\$715,000 in respect of legal fees and expenses incurred by the RHL Group in connection with such facilities since October 2020.

Debt Settlement with MTL Lux

In addition, the Company has agreed to pay to MTL Lux (holding 70.7% of the mezzanine debt), in full and final settlement of all amounts of principal and/or interest outstanding under the relevant agreements: (i) the sum of US\$2.2 million, less an amount to be agreed in respect of a costs contribution to the Company, but not to exceed US\$400,000, pursuant to the Group's mezzanine facilities; and (ii) the sum of US\$1,989, pursuant to the Group's senior facility.

Together with the initial settlement payments announced on 9 May 2024, the settlement payments to the RHL Group and MTL Lux represent 100% of the amount that would be due to MTL Lux and the RHL Group (respectively) under the Company's mezzanine facilities were the rate of 15% (as opposed to 7%) to be applied up to 31 March 2024.

Related Party Transaction

As RHL is a substantial shareholder of the Company, each of the Buy Back and the entry into the Production Fee Deed are deemed to be a related party transaction for the purpose of Rule 13 of the AIM Rules. The independent directors of the Company (being Nick von Schirnding, Tim Livesey and Andrew Chubb) consider that, having consulted with Strand Hanson Limited, the Company's nominated adviser, the terms of the Buy Back and the entry into the Production Fee Deed are fair and reasonable insofar as shareholders are concerned.

YMC Acquisition

In addition, further to the Company's announcement of 12 January 2024, the Company has agreed an extension of the long stop date, under the share purchase agreement for the acquisition of a controlling interest in the YMC Group (as defined in such announcement) (the "Acquisition"), from 30 June 2024 to 30 August 2024.

General Meeting

A circular to convene a general meeting of the Company to (amongst other things) propose the resolutions necessary to enable the satisfaction of certain of the conditions precedent to the Acquisition and to approve the Buy Back and the Rule 9 Waiver, will be despatched to shareholders in due course.

The resolutions to be proposed at such general meeting will include the approval of the Acquisition as a substantial property transaction for the purpose of section 190 of the Act, the adoption of a long-term incentive plan and the issue of options to subscribe for new Ordinary Shares in connection with the Acquisition and as part of the incentivisation of the Group's management and senior employees and the issue of new Ordinary Shares pursuant to the Company's 2023 Management Incentive Programme. All resolutions to be proposed at the General Meeting are to be conditional upon the approval of the Buy Back and Rule 9 Waiver resolutions.

Operations Update

Operations for the April and May 2024 period continued to result in a strong performance at Runruno. An updated production and finance schedule covering operations since the release of the Q1 2024 quarterly results is shown below. Key highlights for the two month period to note include:

- No lost time injuries occurred – over 23 million hours worked without a reportable injury;
- Gold revenue of US\$33.9 million from gold sales of 14,476 ounces at an average gold price of US\$2,342 per ounce;
- Positive cash flow of operations US\$18.4 million;
- Gold production of 13,249 ounces at a head grade of 1.34g/t;
- Gold recoveries of 88.1%;
- Initial geochemistry and geophysics exploration programmes commenced at the Abra project, with raw data yet to be analysed.

Production and Finance Summary

Runruno Project Report FY 2024		April – May 2024	April – May 2023	FY 2024	FY 2023
		Actual	Actual	Actual	Actual
PHYSICALS	Units	2 months	2 months	5 Months	5 Months
Mining					
Ore Mined	Tonnes	327,667	376,830	984,502	659,086
Waste Mined	Tonnes	1,537,694	2,110,148	4,188,747	4,567,301
Total Mined	Tonnes	1,865,361	2,486,978	5,173,249	5,226,387
Au Grade Mined	g/tonne	1.47	1.69	1.39	1.62
Strip Ratio		4.63	5.42	4.20	6.61
Processing					
Ore Milled	Tonnes	350,320	367,790	931,039	913,874
Au Grade	g/tonne	1.34	1.72	1.36	1.47
S ₂ Grade	%	1.21	1.52	1.34	1.37
Au Milled (contained)	Ounces	15,044	20,302	40,619	43,108
Recovery	%	88.1	85.5	89.3	89.7
Au Recovered/Poured	Ounces	13,249	17,368	36,254	38,667
Sales					
Au Sold	Ounces	14,476	18,308	35,941	39,750
Au Price	US\$/oz	2,342	2,002	2,179	1,940
FINANCIALS (Unaudited)					
Revenue					
Gold Sales	(US\$000's)	33,904	36,652	78,305	77,110
Operating Costs – Summary					
Mining	(US\$000's)	3,086	3,495	8,246	8,739
Processing	(US\$000's)	5,623	5,634	14,759	14,866
G&A	(US\$000's)	1,956	2,041	4,905	4,992
Total Operating Costs	(US\$000's)	10,664	11,170	27,910	28,598
Excise Duty	(US\$000's)	1,354	1,472	3,128	3,107
UK/Philippine G&A	(US\$000's)	2,419	2,533	4,090	4,213
Total Direct Production Costs	(US\$000's)	14,437	15,175	35,128	35,918
Net Cash Income	(US\$000's)	19,467	21,477	43,177	41,192
Total Capital Costs	(US\$000's)	1,009	1,733	3,152	3,605
Total non-cash costs	(US\$000's)	9,031	6,123	23,264	13,975
Free Cashflow	(US\$000's)	18,458	19,744	40,025	37,587
Cash Cost / oz Sold – C1	US\$/oz	763	713	780	829
Cash Cost / oz Sold – AISC	US\$/oz	1,094	1,027	1,068	1,104

Note: AISC includes all UK Corporate costs.

Darren Bowden, CEO of Metals Exploration, commented:

“These proposals, once approved, confirm the Company is debt free and is no longer subject to operational restrictions imposed upon it under the relevant finance agreements. This will enable Metals Exploration to focus on its growth strategy utilising its strong balance sheet and the free cash being delivered from Runruno to swiftly respond to further appropriate acquisition opportunities; with the objective to ensure ongoing future production and cash flow for the Company and its shareholders.”

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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