

**Metallon Corporation**  
**Q2 2015 Production and Corporate Update**

Metallon Corporation, a gold mining company with producing assets in Zimbabwe and exploration assets in Zimbabwe, Tanzania and DRC, announces its production update for Q2 2015 and an update on corporate activities.

**Q2 2015 Production Highlights:**

Mine	April production (oz)	May production (oz)	June production (oz)	Q2 2015 production (oz)	H1 2015 production (oz)	H1 2014 production (oz)
How	2,745	4,887	5,008	12,641	26,320	25,745
Shamva	2,194	2,408	2,015	6,617	12,736	11,291
Mazowe	967	962	842	2,772	5,855	4,710
Arcturus	625	522	582	1,729	3,232	3,674
TOTAL	6,531	8,780	8,446	23,759	48,143	45,524
Group C1 costs (\$/oz)	989	722	736	800	786	822
Group AISC (\$/oz)	1,475	1,013	966	1,128	1,064	1,026

- The Group gold production for Q2 2015 was 23,759 ounces and H1 2015 gold production was 48,143 ounces. The H1 2015 production was 6% higher than H1 2014 gold production of 45,524 ounces.
- The gold production shortfall and increased costs against the budget for H1 2015 was mainly due to:
  - a loss of 9 days production in January 2015 due to the North Shaft Hoist motor failure and a planned shutdown of underground ore hoisting of 12 days in April 2015 in order to replace the 25 Level loading station infrastructure at How Mine. The installation of a new loading station had been outstanding for the past five years and will reduce future operational and safety risks.
  - a shortfall at Mazowe Mine due to equipment challenges in the crushing and milling plants. There was 19 days of lost production in April 2015 because of a breakdown at



- mill No. 1. Major repair work was completed to the mill civils which will improve mill availability. The purchase of a new secondary crusher and screen, as part of the equipment replacement programme, will result in further improvement of production.
- a loss of 21 days in April 2015 at Arcturus Mine due to a breakdown at Chikomo hoist. A plan to recapitalise the mine and restructure the management team is being implemented. Two new locos, two new airloaders, secondary crushers and slurry pumps have been purchased which will improve in production over the coming months.
  - The Group C1 costs and all-in-sustaining costs for H1 2015 were US\$786 and US\$1,064 per ounce respectively. There has been an improvement of C1 costs from H1 2014 due to increased production, however AISC have increased due to greater sustaining capital expenditure. Metallon expects further cost improvements in the second half of the year.

### **Finance Update**

Over the last two years Metallon has reduced bank loans from US\$24.2m to US\$15.6m, of which US\$3.8m was interest repayments. In the first half of this year, Metallon obtained an additional bank debt facility of US\$5m, bringing the total current debt position to US\$20m.

In this volatile gold price environment, Metallon's main focus is to maintain a low debt position and negotiate down the current cost of interest repayments. Metallon continues to engage with financial institutions for CAPEX funding and is confident that funding at significantly lower cost will be available in the next few weeks. Metallon is committed to spending over US\$20m on New Projects in this financial year.

Metallon is committed to ensuring that outstanding creditors are paid and the new management team has drawn up a plan for liquidating outstanding creditors. Metallon's target is that future payments are made within 45 days of any services entered into.

### **New Projects Update**

Throughout H1 2015, Metallon has been focused on increasing production to full capacity at all mining operations and continuing work on New Projects that will add further production in the second half of the year.

### **Sands Retreatment Project, Mazowe Mine**

- Work is continuing on the Sands Retreatment Project at Mazowe Mine. Construction of civil engineering work at Mazowe Mine commenced in March 2015 and is approximately 70% complete. Fabrication of the 60,000 tonne per month plant by Baldmin Engineering in South Africa is approximately 90% complete and will be delivered on site in the coming weeks. Plant erection on site will commence in August 2015 with commissioning of the plant delayed by a month until November 2015.



- The Sands Retreatment Project at Mazowe Mine will deliver gold at a grade of about 1.3 g/t to produce approximately 2,000 ounces of gold each month for six years, at a forecast C1 cost of approximately US\$350 per ounce in Year 1.
- A new Tailings Storage Facility at Mazowe Mine is also planned and work is expected to commence in October 2015.
- As part of the new plant labour force, Metallon is planning to recruit an additional 44 employees by October 2015.
- The CAPEX for the Sand Retreatment Project is approximately US\$10m and the new Tailings Storage Facility is approximately US\$5m. This is being financed through cash flows and bank debt.

### **Resumption of Operations, Redwing Mine**

- Installation of services and rehabilitation of underground areas above 6 level has progressed well and a reasonable amount of ore has been stockpiled on surface. The refurbishment of surface metallurgical plant circuit is now at advanced stages. The late delivery of materials and spares coupled with unforeseen contractual delays have slowed completion of expected works. To date, 50% of the expected work has been completed and commissioning is targeted for the end of October 2015.
- Production at Redwing Mine will commence in 2015 at lean capacity of 15,000 tonnes a month and then ramp up to installed capacity of 22,500 tonnes a month in H2 2016. 2015 production at Redwing is expected to be approximately 3,400 ounces at US\$959 per oz and 2016 production is targeted at approximately 17,500 ounces at US\$935 per oz.
- Redwing Mine has a current total establishment of 346 employees. Once mining commences in October 2015, the mine will employ over 500 staff and once the mine reaches installed capacity in H2 2016, the number of employees will increase to over 700. The majority of employees are drawn from the local community.
- The CAPEX at Redwing Mine is will be approximately US\$1.6m in 2015 and US\$2.6m in 2016.

### **New Tailing Facility, Shamva Mine**

- In April 2015 Metallon appointed Fraser Alexander Zimbabwe for the construction of the Shamva Mine 27 hectare Tailings Storage Facility and mobilisation of staff and equipment commenced in May 2015. Since then excavating by the dozer of the starter wall area, the return water pond, the camp site and the two access roads to the slimes dam and camp site have been completed. Soil baseline test pits have been dug and soil profile samples have been sent to the laboratory for analysis. Once soil sample results are received, construction of the starter wall will commence. Commissioning is expected in mid-October 2015.
- The CAPEX for the Shamva Tailings Storage Facility is approximately US\$4.5m.

Ken Mekani, Chief Executive Officer, Metallon Corporation, commented;



*“We are pleased that gold production in H1 2015 saw a 6% increase against the comparative period in 2014, which reflects Metallon’s strategy of ramping up existing operations to full capacity. Production during the second quarter was below budget mainly due to equipment breakdowns, which have mostly been addressed. The How Mine replacement of the 25 Level loading station had been planned and we are confident the mine will be able to make up this production in the second half the year.*”

*“Throughout 2014 and 2015 Metallon has successfully repaid a significant portion of our debt facilities and interest payments. During this volatile gold price environment, our focus remains on the repayment of debt and outstanding creditors and this will continue as production increases over the next 12 months.*”

*“The commissioning of New Projects is slightly behind schedule, however we look forward to the commencing production at the Mazowe Sands Retreatment Plant and the reopening of Redwing Mine in Q4 2015. Such major investment projects will lead to significant local job creation and long-term, social economic growth, demonstrating Metallon’s commitment to reinvesting in Zimbabwe.”*

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