

## **Metals Exploration PLC**

### **Runruno Gold-Molybdenum Project**

#### **Positive Scoping / Pre-Feasibility Study Results**

**183,000 ozs gold, 1.7m lbs moly per annum at US\$285 /oz gold net**

Metals Exploration PLC ('Metals Ex' or 'the Company'), the natural resources exploration and development company with assets in the Pacific Rim region, is pleased to announce the results of its Scoping / Pre-Feasibility Study into the economic viability of its 100% controlled Runruno gold-molybdenum (Au-Mo) project located in the Philippines.

#### **Scoping / Pre-Feasibility Study Highlights**

- ***183,000 ozs gold and 1.7m lbs moly production per annum***
- ***Capital cost US\$208m (including moly circuit)***
- ***Average annual cash operating costs of US\$285 per oz Au (net of moly credits at US\$20/lb) are in the lowest quartile of the cost curve***
- ***Life of mine strip ratio 5.9:1***
- ***Potential to extend minelife and improve economics through addition of resources both within the proposed pit and to the north-east***

#### **Conclusions**

The study was based on an open pit mining operation and biological leaching using the proven BIOX® process combined with conventional carbon in leach treatment to recover gold to doré bullion and molybdenum to a saleable molybdenum product.

The project's location and ease of access, combined with available power and road infrastructure, contribute significantly to the positive outcome of the study; these aspects set Runruno apart from many greenfield projects.

The project as defined in the study is based on a nine year mine operation which in full production would produce:

- An average of 183,000 ozs of gold and 1.7 million lbs of molybdenum per annum;

- from a 3.0 million tonne per annum mine and processing operation,
- at a cash operating cost of US\$285/oz net of projected molybdenum credits.

A summary of the key project fundamentals is presented below:

<b>Scoping Study Years 1-9</b>			
	<b>Unit</b>	<b>Gold Only Project</b>	<b>Gold &amp; Moly Project</b>
Annual milling rate	million tonnes	3.0	3.0
Gold grade	g/t	2.09	2.09
Molybdenum grade	%	0.056	0.056
Gold recovery	%	90.6	90.6
Molybdenum recovery	%	-	45
Gold bullion produced per annum,	ozs	183,000	183,000
Contained molybdenum produced per annum	lbs	-	1,700,000
Annual mining rate	million tonnes	3.0	3.0
Life of mine strip ratio		5.9:1	5.9:1
Capital cost	US\$million	203.4	208.4
Annual operating cost	US\$million	84.6	86.1
Cash operating cost (net of Mo at US\$20/lb)	US\$/oz	463	285

The study was project managed by the Company, with sub-studies undertaken by a number of external consultants including the Ammtec Group (processing), Goldfields/SGS (processing), Ausenco (plant design), GHD (tailings storage), Parsons Brinkoff (roads), Dallas Cox (mine design) and bmp Environment and Community Care (environment). In addition, a variety of other groups and consultants contributed to elements of the study.

The positive results from the study provide the basis for the Company to commit the project to a full feasibility study.

*Jonathan Beardsworth, CEO of Metals Exploration, said:*

*“These study results confirm the transition of Runruno from an exploration project to a mine-in-waiting. The detail of the study is impressive, benefiting as it does from input from over 40 external agencies; it is pleasing that the results have so closely mirrored the results of the much less extensive Concept Study released earlier this year.*

*“Forecast cash operating costs of US\$463/oz on a gold-only basis are around the current industry average.\* Factoring in molybdenum credits reduces anticipated costs to US\$285/oz , which would put Runruno in the bottom quartile of the cost curve.\**

*“Moly testwork continues to progress well and, while not as advanced as the gold, we continue to receive encouraging results.*

*“Significantly, the recent resource update and the mine design studies contributing to this announcement have identified both additional potential to add to the resource base within the pit boundary and to the north-east where the resource remains open along strike. These elements offer the potential to extend mine life, reduce the strip ratio improve project economics still further and will be tested by diamond drilling in the next drilling campaign.”*

\* Data from “World Gold Analyst Autumn 2008” published by GFMS.

## **Study Results**

### **Mining**

Mine design and optimisation was undertaken by Dallas Cox, a consulting mining engineer, based on the October 2008 diluted mineral resource (announced on 13 October 2008 – see Appendix 1). The optimised pit is estimated to recover 25.5 million tonnes of the mineral resource grading 2.09 g/t Au and 0.056% Mo at a 5.9:1 waste to ore ratio.

The mining operation has been designed to mine 3.0 mt of ore and 17.7 mt of waste per annum, working as a conventional backhoe configured excavator and truck based open pit operation. The study has been prepared on the basis of an owner operation using vendor fleet leasing and has been built up using operational parameters and quotations from Komatsu and Cat suppliers.

For the first three years of mining, waste rock will be used in the initial construction of the tailing storage facility with the excess being stored as valley fill adjacent to the pit. For the remainder of the mining operation, it is proposed to store the mine waste rock permanently in the mined out pit.

### **Mineral Processing**

The mineral processing circuit will use proven unit processes to concentrate and extract precious metals from the ores. Testwork was undertaken on representative samples by a number of laboratories in the Ammtec Group along with SGS Laboratories under the direct management of Goldfields.

Conventional comminution, gravity and flotation circuits will be used to produce a bulk gold and sulphide concentrate suitable for further processing by oxidation, and a gravity concentrate suitable for intense cyanide leaching. BIOX® technology has been

selected as the oxidative process to liberate the refractory gold from the sulphide minerals. A conventional carbon in leach (“CIL”) circuit will be used to extract the gold from the BIOX® residue. Doré bullion will be produced on site.

The predicted gold recovery is shown by mineral type in the table below:

<b>Mineralisation type</b>	<b>Gravity recovery</b>	<b>Flotation recovery</b>	<b>BIOX® and CIL recovery</b>	<b>Total recovery</b>
	Au % of feed	Au % of feed	Au % of feed	Au % of feed
Fresh	35.7	59.6	96.0	92.9
Transitional	32.8	56.0	95.1	86.0
Av. feed	34.7	58.4	95.7	90.6

A method of recovering molybdenum dissolved during the BIOX® process is currently under development. Work is underway to confirm the application of activated carbon or ion specific resin columns to recover this valuable by-product to a saleable product. The Company anticipates an overall molybdenum recovery of around 45%, based on 60% recovery to concentrate, 80% dissolution during the BIOX® process and 94% recovery from the BIOX® residue.

## **Process Plant**

Ausenco was retained to develop a preliminary process plant design and prepare a capital and operating cost estimate based on the physical parameters of the site and the metallurgical testwork undertaken to date. Ausenco produced a design based on a conventional comminution and gravity circuit, bulk flotation, biological leaching using the proprietary BIOX® process and conventional CIL processing. Goldfields Engineering Services, the provider of the BIOX® technology, provided significant input into the study.

Ausenco has demonstrated expertise in this style of mineral processing plant having successfully designed and constructed the Jinfeng plant in China. Jinfeng is based on the BIOX® technology to recover gold with the entire process route being analogous to that proposed for Runruno.

## **Tailings Storage and Facility**

GHD, a specialist engineering company, was retained to provide a tailing storage facility design suitable for the study, to provide construction methodology and a capital cost estimate.

An area adjacent to the project operation has been identified as a suitable site for a permanent “valley fill” tailings storage facility. The site has the potential to store up to 15 years of tailing materials at the proposed production rate and will thus support any future extension to the mine life.

The dam will initially be constructed with a two year starter embankment using locally sourced materials primarily won from within the mine pit. The height of the embankment will then be progressively raised using waste materials sourced from the mining operation.

## **Infrastructure**

**Power:** The Runruno site is currently serviced by grid power from the Magat Dam hydro-electrical scheme (80km north) via the National Grid and a well maintained switchyard at Bayambong, approximately 36km by transmission line from Runruno. Discussions with all of the statutory authorities and Aboitiz Power Group, the owner of the Magat facility, has demonstrated that sufficient capacity is available and is projected to remain available to support Runruno’s requirements. It is proposed that the current transmission line to Runruno be replaced by the Company with a 69kv dedicated line to the project which will use the current power easement.

A back-up power facility which will support essential services will be established at site.

A number of Philippine specialist consultancies and relevant transmission authorities had input into this study.

**Road:** The Runruno site is serviced via a national secondary road and is 26km from the Regional town of Solano. Solano is serviced by sealed and concrete surfaced national roads which access Manila and the ports of Manila, Subic and Port Irene.

The Solano – Runruno road is concrete paved for the first 5.2km with plans to extend the concrete pavement a further 5.5km over the next year. The remainder of the road comprises a well formed all weather gravel road which requires maintenance.

Parsons Brinkoff Philippines was retained to evaluate the road and prepare a capital cost estimate to improve the road to a standard suitable to service the planned operations.

**Camp, office and other site infrastructure:** Design and capital and operating cost estimates were developed using estimates provided by local fabricators, builders and suppliers.

### Capital Cost Estimate

The development cost for the Project inclusive of molybdenum recovery is estimated to be US\$208.4 million as presented below:

#### **Summary of Forecast Capital Cost Estimate**

Area	Capital estimate \$US million	% of total Capital
Mine	2.6	1.2
Process plant (excluding site preparation and temporary Facilities which are included in On-site infrastructure and Indirect costs)	79.1	38.0
Tailing Storage Facility	10.6	5.1
On-site Infrastructure	21.3	10.2
Off-site Infrastructure	8.3	4.0
Indirect costs	9.6	4.6
EPCM – plant	21.5	10.3
Owners cost – total	55.4	26.6
- Engineering contingency @ 10% – non plant	8.0	
- Engineering contingency @ 15% – plant	14.8	
	208.4	100

### Operating Cost Estimate

The operation of the Runruno project will benefit from its location, logistics and the ready supply of hydro-electric power from the National Grid. The estimate of cash operating costs (direct costs denominated in 2008 dollars inclusive of a 10% contingency allowance) are shown below in total dollars and per oz of gold both gross and net of molybdenum credits (at US\$20/lb of molybdenum). It is forecast that the

direct cost to produce gold gross will be US\$462.29/oz and net of credits will be US\$284.83/oz.

### ***Summary of Forecast Operating Cost Estimate***

<b>Area</b>	<b>Operating Cost estimate \$US million gold only</b>	<b>Operating Cost estimate \$US million gold + moly</b>	<b>US\$/oz gold gross</b>	<b>US\$/oz gold net of moly credits</b>
Mine	33.6	33.6	180.41	111.15
Process Plant	41.7	43.2	231.95	142.90
Admin & Infrastructure	9.3	9.3	49.93	30.77
<b>Total annual cost</b>	<b>84.6</b>	<b>86.1</b>	<b>462.29</b>	<b>284.83</b>

The major cost categories are mining (35%), power (22%), reagents (20%) and labour (14%).

### **Environment and Community Aspects**

The Company follows the World Bank Guidelines and the Equator Principles (a voluntary framework for the assessment and management of environmental and social issues associated with project financing) in all aspects of its environmental and community related work.

The project environment baseline study was undertaken by bmp Environment and Community Care. This is supplemented with routine ongoing environmental monitoring. The two combined provided the basis for the environmental engineering of the project. The performance of the Environment Impact Assessment and a working programme to assist the Company secure an Environmental Clearance Certificate has been awarded to Maunsell Philippines Inc. It is planned that this work will be completed within the feasibility study period.

The Company maintains a Foundation and a well staffed community relations group to work closely with the local communities and to instigate sustainable health, life and business development programmes to the benefit of these communities. The proposed mine development is well supported by the local communities.

### **Tenure**

Currently the project is secured under a granted Exploration Permit (“EP”) issued to FCF Minerals Corporation, a Philippine incorporated company. Metals Ex owns 85% of FCF and has rights to the remaining 15%. An application to convert the EP into a Financial and Technical Assistance Agreement (“FTAA”) has been made and is being assessed. A FTAA allows 100% foreign ownership of the project. The Company is pleased with the progress of the FTAA application and expects that it will be granted during the feasibility study period.

The study has been prepared on the basis of a FTAA.

### **Construction Timetable**

Construction and commissioning of the project is forecast to take 24 months from project sanction provided that the mills, the critical long lead time item, are ordered sufficiently early during the feasibility study period. Depending on the early commencement of other critical path programs, including site pioneering and front end engineering and design, the development timetable may be shortened by between 3 and 6 months.

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### **QUALIFIED/COMPETENT PERSONS**

Gary Powell (a Director of the Company) has been involved in the mining and exploration industry for more than 23 years. He has a Bachelor of Applied Science degree in geology and is a member of the Australasian Institute of Mining and

Metallurgy and the Australasian Institute of Geoscientists. He has compiled, read and approved the technical disclosure in this regulatory announcement.

#### **FORWARD LOOKING STATEMENTS**

*Statements relating to the estimated or expected future production, operating results, cash flows and costs and financial condition of Metals Ex, planned work at the Company's projects and the expected results of such work are forward-looking statements. 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 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 forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable at the time they are made, are inherently subject to a variety of risks and uncertainties which could cause actual events or results to differ materially from those reflected in the forward-looking statements, including, 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*

## Appendix 1, Runruno Resource Estimate – October 2008

### Runruno Resource Estimate – October 2008

Resource Category	Tonnes m	Gold (Au)		Molybdenum (Mo)	
		g/t	Ounces	%	Pounds
Measured	3.55	2.37	270,000	0.100	7,800,000
Indicated	7.98	1.90	487,000	0.053	9,360,000
Inferred	19.64	1.98	1,248,000	0.040	17,258,000
<b>Total</b>	<b>31.17</b>	<b>2.00</b>	<b>2,005,000</b>	<b>0.050</b>	<b>34,418,000</b>

#### Notes to accompany resource statement:

1. The tenement holder is FCF Minerals Corp.
2. Metals Exploration plc currently holds 85% of FCF, with an option to purchase the remaining 15% at its sole discretion and at any time it chooses. Therefore current net attributable resources are 85%.
3. Resource estimate based on all drill-holes completed by end of August 2008 (220drillholes for a total of 32,153 metres)
4. All analyses undertaken by Intertek, an internationally accredited independent laboratory.
5. Gold analysis by classical 1kg screen fire assay analysis
6. Molybdenum analysis by mixed acid digest and ICP-OES
7. Cut off grade of 0.3g/t gold applied to the resource model.
8. No top cut applied to gold grades. Statistical analyses calculated that negligible nugget effect is observed in the data set due to high quality screen fire assay technique use for gold determination. Statistical review confirms log-normal distribution of gold assays.
9. No top cut applied to molybdenum grades.
10. Average bulk density of 2.5 applied to the model.
11. Grade interpolated into a geologically constrained block model using inverse distance weighting algorithm.
12. Qualified and competent persons. Gary Powell (a Director of the Company) has been involved in the mining and exploration industry for more than 20 years. He has a Bachelor of Applied Science degree in geology and is a member of the Australasian Institute of Mining and Metallurgy and the Australasian Institute of Geoscientists. He has compiled, read and approved the technical disclosure in this regulatory announcement. The information in the report to which this statement is attached that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Niel Silvio, who has a Bachelor of Science degree in geology and is a member of the Australasian Institute of Mining and Metallurgy. Mr Niel Silvio was employed as technical consultants to the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activities which he undertook to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Niel Silvio consents to this report in the form and context in which it appears.
13. Resources have been classified in compliance with the JORC Code