

METALS EXPLORATION PLC

QUARTERLY UPDATE TO 30 JUNE 2018

Metals Exploration plc (AIM: MTL) (“Metals Exploration” or “the Company”), the natural resources exploration and development company with assets in the Pacific Rim region, today provides a quarterly update on matters relating to the development of its Runruno gold-molybdenum project (the “Project”) in the Philippines.

AIM Code: MTL

At: 30 June 2018

Shares in Issue: 2,071,334,586

Warrants: 100,000,000

Directors:

Ian Holzberger, Executive Chairman

Guy Walker

Eduard Simovici

Management:

Ian Holzberger, Executive Chairman

Liam Ruddy, Company Secretary

Andrew Rodgers, CFO

John Barnes, COO

Ian Moller, GM Operations (Acting) & Country
Manager

Roland Taganas, Legal Counsel

Tommy Alfonso, Financial Controller

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Summary:

The Company is pleased to report that after a period of severe power disruptions from the National Grid in the Philippines to its Runruno gold mine operations that it has recommenced its BIOX® circuit ramp-up, with excellent progress being made. Increased gold recoveries are also being experienced.

Mining Operations

- Tullingan waste dump benefits are helping the mining operations.
- The mining fleet mid-life component change outs have commenced.

Processing Operations

- After previously announced disruptions, the BIOX® circuit has recently recommenced ramp-up and is progressing strongly with throughput having achieved 88% of design throughput.
- Improved gold recoveries from the overall processing circuit are being recorded as a consequence.

Finance

- Discussions are ongoing with senior lenders and external finance providers with a view to refinancing the Group’s overall debt position.
- The Company is in discussions with its two main shareholders to increase and extend the working capital facility.

Production Summary

Production Summary

Key Metric	Unit of measure	Quarter ended 30 Jun 2018	Year to date 2018	Period to 31 Dec 2017	Period to 31 Dec 2016
Mining activities					
Ore mined	tonnes	407,884	761,844	1,815,669	490,558
Waste mined	tonnes	1,799,213	3,271,430	7,644,821	7,920,205
Total material movements		2,207,097	4,033,274	9,460,490	8,410,763
Strip ratio	waste/ore	4.41	4.29	4.05	15.15
Au grade mined	grams/tonne	1.61	1.61	1.62	1.42
Ctd ¹ . ounces gold mined	ounces	21,113	39,364	92,363	22,396
S ² grade	%	0.82	0.90	0.82	0.29
Processing activities					
Tonnes milled	tonnes	424,053	859,828	1,688,254	468,170
S ² feed grade	%	0.93	0.95	0.82	0.53
Au feed grade	grams/tonne	1.43	1.41	1.38	1.29
Gold recovery	%	69.6%	62.0%	47.9%	51.0%
Gold poured	ounces	12,359	23,962	36,006	8,166
Gold sold	ounces	13,496	24,941	35,697	6,489

Notes: ¹ 'Ctd.' means 'contained'

² 'S' represents the element Sulphur

Mining Operations

Mining operations improved across the quarter as operating procedures were reviewed and improved and the full impact of Tullangan waste dump became available. Waste stripping associated with a cut back into Stage two (of six stages) of the surface cut and fill pit mine, commenced. The cut back will access new ore zones and provide additional working faces to improve the flexibility in the operation and to the supply of ore to the processing plant; throughout Quarters 3 and 4.

Mid- life maintenance on the Company's Komatsu mine fleet has commenced, with an engine change in the smaller of the two excavators completed. Two additional Komatsu 785 dump trucks, have been added to the fleet under a hire agreement, to increase and maintain the rate of waste removal while the schedule mid-life maintenance is undertaken on the Company's fleet.

Process Plant

Significant advances were made in the Processing Circuit, with the overall throughput and capacity being demonstrated in May. After the BIOX[®] having achieved 100% of design throughput in April the circuit operated resiliently at and about these levels which demonstrated the capacity of the circuit. However, as announced on 5 July 2018, following an extended period of power "brown outs" and disruptions experienced throughout

June the circuit passivated. The power supply issues were as a consequence of an unusually long hot and dry period in the Philippines which caused high power demand and power supply shortages across Luzon.

The Company had anticipated such issues and was in the process of installing additional power supply circuitry in addition to that previously installed, to better secure a more reliable power supply to the BIOX® support systems. Unfortunately due to supply related issues and operating approvals not all of the additional circuitry was available throughout that time. Since then, all of this equipment has now been installed, commissioned and is operating.

The BIOX® circuit has now substantially rehabilitated with a throughput of 88% of design achieved as at the date of this report. Improved gold recoveries from the total processing circuit are now being experienced. As was experienced previously, once the BIOX® circuit commenced reactivation it has ramped-up quickly and is demonstrating good resilience.

Residual Storage Impoundment ("RSI")

Normal operations with the RSI build proceeding as planned and the Tullangan waste dump in full operation.

Occupational Health & Safety

The Runruno gold mine has an impressive occupational health and safety record, with no lost time accidents reported. The Company is fully committed to providing a safe and healthy workplace for everyone at Runruno engaged in mining and its support services at all times.

Environment and Compliance

The operation remains compliant with all environment and regulatory requirements and no material incidents recorded. The Runruno gold mine maintains very high environmental standards.

Community & Government Relations

Productive relations with both the community and the government continue.

Finance (Unaudited)

- 13,496 ounces of gold were sold during the quarter at an average realised gold price of US \$1,297.63 per ounce;
- Interest payments of US \$1.326 million were made to the senior lenders in the quarter;
- Capital payment due to senior lenders on 29 December 2017, 29 March 2018 and 30 June 2018 totalling of US \$20.25 million have been agreed to be deferred until 31 July 2018;
- The Company is in discussions with financial lenders to restructure the Group debt facilities;
- Total interest-bearing liabilities as at 30 June 2018 were US \$91.80 million;
- Total short term shareholder loans included in the US \$91.80 million as at 30 June 2018 were US \$2.0 million
- The last gold forward sales contracts were executed as of 29 June 2018; and
- Cash at bank at 30 June 2018 was US \$1.95 million.

The movement in cash balances during the quarter is summarised as follows:

Cash movements & balances (unaudited)	Quarter ended 30 June 2018 US \$M
Receipts from gold sales	16.263
Operating expenditure	(15.343)
Standby loan facility proceeds	1.000
Corporate costs/receipts	(0.130)
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Cash flows before finance costs	1.790
Interest and financing costs paid	(1.326)
Gold hedge and interest rate swap settlements	(0.259)
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Net movement for quarter	0.205
Cash balance at start of quarter	1.744
Cash balance at end of quarter	<hr/> 1.949 <hr/>

The Company continues to progress its refinancing discussions with external finance providers and the same with its current senior lenders.

Discussions have also developed with its two major shareholders to provide additional short-term working capital

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Mr Ian Holzberger, a director of the Company, who has been involved in the mining industry for more than 45 years, is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists, 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 Explorations, 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.

For further information please visit or contact www.metalsexploration.com

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