

METALS EXPLORATION PLC

QUARTERLY UPDATE TO 31 DECEMBER 2017

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 construction and development of its Runruno gold-molybdenum project (the “Project”) in the Philippines.

AIM Code: MTL

At: 22 January 2018

Shares in Issue: 2,071,334,586

Warrants: 100,000,000

Directors:

Ian Holzberger, Executive Chairman

Timothy Dean

Guy Walker

Julian Wilson

Eduard Simovici

Management:

Ian Holzberger, Executive Chairman

Liam Ruddy, Company Secretary

Andrew Rodgers, CFO

Peter Storey, GM Operations

Ian Moller, GM Runruno Project

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Summary:

Mining Operations

- Mining operations continue to perform well at forecast levels.
- Construction of an overflow waste dump underway which, when commissioned, will further improve mining efficiencies.
- At the end of the quarter the ROM pad held six weeks' processing ore tonnages.

Processing Operations

- 11,236 ounces of gold were poured during the quarter, an improvement on 9,085 ounces poured in Q3.
- The process plant, with the exception of the BIOX circuit, is operating at above design throughput levels with good mechanical reliability.
- The ramp up of the BIOX® circuit continues to be challenging and limiting gold recovery. Encouraging improvement has been seen in January.

Finance

- 10,612 ounces of gold were sold during the quarter at an average realised gold price of US \$1,267.45 per ounce.
- Poured gold doré inventories at 31 December 2017 totalled 1,987 ounces.
- Cash at bank at 31 December 2017 was US \$502k.
- Total interest-bearing liabilities as at 31 December 2017 were US \$89.80 million.

Production Summary

Mining Operations

Key Metric	Unit of measure	Quarter ended 31 Dec 2017	Year to date 2017	Period to 31 Dec 2016
Mining activities				
Ore mined	tonnes	485,044	1,815,669	490,558
Waste mined	tonnes	1,229,141	7,644,821	7,920,205
Total material movements		1,714,185	9,460,490	8,410,763
Strip ratio	waste/ore	2.53	4.05	15.15
Au grade mined	grams/tonne	1.83	1.62	1.42
Ctd. ounces gold mined	ounces	28,467	92,363	22,396
S grade	%	0.94	0.82	0.29
Processing activities				
Tonnes milled	tonnes	466,384	1,688,254	468,170
S feed grade	%	1.06	0.82	0.53
Au feed grade	grams/tonne	1.47	1.38	1.29
Gold recovery	%	50.8%	47.9%	51.0%
Gold poured	ounces	11,236	36,006	8,166
Gold sold	ounces	10,612	35,697	6,489

The mining operations continued to perform well in Q4 2017, mining higher grade but harder ore from the stage 1.5 area of the pit. Blasting has been required in this area of the pit to efficiently mine the ore and waste. 1.7 million tonnes (ore and waste) were mined at a strip ratio of 2.5:1. Outside of the pit the mining fleet was used to advance the development of the overflow waste dump at Tullangan.

The Tullangan works comprised cutting and developing access roads, constructing buttresses and establishing an underdrain. Heavy and prolonged rain across the quarter slowed progress but the site will be ready to take waste in Q1 2018. Commissioning of the dump will further improve mining efficiencies.

Over the quarter mined gold grades improved to average 1.83 grams per tonne. At the end of December the run of mine ore pads were at capacity holding in excess of 230k tonnes of ore grading 1.71 grams per tonne gold equivalent to six weeks' processing requirements.

Process Plant

The period Q4 2017 was once again a challenging one for the process plant ramp up with the BIOX circuit not performing as expected. Following a maintenance programme on the BIOX reactors, focused mainly on cleaning the air sparge system, encouraging improvement has occurred in January.

The balance of the processing circuit continued to perform well, generally above design throughput. As a direct consequence of the BIOX performance the process plant recovery was below the ramp-up expectation at 50.8%.

Residual Storage Impoundment (“RSI”)

RSI construction works in stage 4 are at an advanced stage while stage 5 works are well established.

The Tullangan overflow waste dump when ready will be of assistance to accelerate the RSI works during the upcoming dry weather months. Investigations are ongoing on the use a barrier material in the construction of the core area of the wall, as previously reported.

Occupational Health & Safety

Normal operations with no lost time incidents reported.

Environment and Compliance

The operation remains compliant with all environment and regulatory requirements with no incidents recorded. It maintains very high environmental standard.

Community & Government Relations

Productive relations with both the community and the government have been maintained.

Finance (Unaudited)

- Net 10,612 ounces of gold were sold during the quarter at an average realised gold price of US \$1,267.45 per ounce;
- Poured gold inventories as doré at 31 December 2017 totalled 1,987 ounces;
- Interest payments of US \$1.9 million were made to the senior lenders in the quarter;
- A capital payment due to senior lenders on 30 September 2017 of US \$6.48 million settled through the bank in the quarter on 3 October 2017;
- A capital payment due to senior lenders on 29 December 2017 of US \$6.48 million was waived and discussions are in progress to reschedule this payment.
- The company and its senior lenders have agreed to work together to restructure the senior debt facility.
- On 3 January 2018 the Group made a payment of US \$69.8k in settlement of gold hedging totalling 7,500 ounces that matured in the quarter with a fixed price of US \$1,287.19 per ounce but achieved a strike price of US \$1,296.50 per ounce on 29 December 2017;
- Remaining forward sales of gold ounces total 15,000 ounces and two quarterly contracts remain outstanding each at an average forward price of US \$1,287.19 per ounce of gold;
- Total interest bearing liabilities as at 31 December 2017 were US \$89.80 million; and
- Cash at bank at 31 December 2017 was US \$502k. The movement in cash balances during the quarter is summarised as follows:

Cash movements & balances (unaudited)	Quarter ended 31 December 2017 US\$M
Receipts from gold sales	13.450
Operating expenditure	(12.625)
Net mezzanine loan proceeds	2.161
Corporate costs/receipts	(0.476)

Cash flows before finance costs	2.510
Interest and financing costs paid	(1.942)
Principal repayments	(6.480)
Gold hedge and interest rate swap settlements	(0.800)
Net movement for quarter	(6.712)
Cash balance at start of quarter	7.214
Cash balance at end of quarter	0.502

- END -

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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