

METALS EXPLORATION PLC

OPERATIONAL UPDATE QUARTER ENDED 30 JUNE 2011

Metals Exploration plc (AIM: MTL) ("Metals Exploration" or "the Company"), the natural resources exploration and development company with assets in the Pacific Rim region, is pleased to provide an operations update on matters relating to its Runruno gold-molybdenum project and exploration activities in the Philippines.

AIM Code : MTL

At: 22 July 2011

Shares in Issue: 540,297,112

Options in Issue: 169,352,657

Warrants in Issue: 17,010,000

Convertible instrument: 3,846,154

Directors:

Ian Holzberger, Executive Chairman

Jonathan Beardsworth

Timothy Dean

Edward Parsons

Guy Walker

Richard Williams

Management:

Ian Holzberger, Executive Chairman

Liam Ruddy, Company Secretary, CFO

Craig Watkins, Country Manager

Chevy Albo, Finance & Administration

Agnes Goze, Environment & Permitting

Ivan Anthony, Earthworks

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Highlights

- Extension of the Runruno gold mineralisation south of the proposed pit confirmed by additional step out drilling.
- The potential of the Magnetite Creek area for porphyry copper style mineralisation confirmed by drilling mapping and sampling.
- Drilling confirmed the potential for the Bocboc area for Runruno style gold mineralisation.
- Regional exploration continues to confirm the potential of the Runruno FTAA for further gold discoveries and for porphyry copper style mineralisation
- Molybdenum recovery testwork continues to be positive using synthetic solutions. Testwork to be continued.
- Planning for early works at Runruno progressing well.
- Finalisation of Fixed Price Engineering and Procurement contract with Leighton Contractors at advanced stage.
- Anticipate the issue of the Declaration of Mining Project Feasibility in the third quarter.
- The Company confirms it will remain quoted on AIM.
- 269,230,768 shares at 13p issued pursuant to the 8 March 2011 Shareholder Agreement and the exercise of Options by Solomon Capital Limited.
- Baker Steel significantly increases its shareholding.

Ian Holzberger, Executive Chairman, commented:

"It has been a particularly satisfying quarter with strong progress made in respect of the planned development of the Runruno Gold project and a very satisfactory conclusion to the Solomon Capital takeover offer.

"We are pleased to have Runruno Holdings Limited become a major shareholder and to have Baker Steel a leading independent natural resources investment group, significantly increase its shareholding in the Company.

"The continued success of the step out drilling and regional exploration activities confirms the short and long term potential of this well mineralised system."

About Runruno Gold Project,

Location: Central Luzon, Philippines 320km north of Manila.

Status: Development Ready, Feasibility Study completed May 2010.

Mine life: 10.3 years.

Payable Au: 1 million ozs.

Annual Production:
Year 1-5: 101,800 ozs Au ave.
Years 6-10: 92,700ozs Au ave.

Capital Cost¹: US\$149.3 m

Operating Cost¹: US\$ 477/oz Au

Mining: Open pit, truck and shovel operation.

Operational Strip Ratio: 5.2:1 waste to ore.

Processing: gravity, BIOX® oxidation and CIL to recover gold as doré bullion.

2P Reserves²: 15mt @ 1.85g/t Au and 603 ppm Mo.

Mineral Resource²: 26mt @1.69 g/t Au and 453ppm Mo, including reserves.

Upside: by product molybdenum, mine life extension, highly prospective mineralised system..

Notes:

1. Based on May 2010 Feasibility Study - estimated in Q4 2009 US\$.
2. Refer to Company website, www.metalexploration.com for complete Mining Reserve and Mineral Resource statements.

Runruno Gold Project

The majority of the Company's activities have been focused on advancing the Runruno Gold project towards development.

Resource and Reserve Drilling

No in-pit resource or reserve drilling was undertaken during the quarter. All drilling activities have been focused on step out drilling to the south of the pit and exploration drilling elsewhere in the FTAA area; refer below to Regional Exploration section below.

Metallurgical Testwork

Routine flotation testwork continues to assess more completely the variability of the Runruno ores. Results confirm the design of the flotation section of the proposed processing plant and the knowhow provided by this work will be important in the operational management of the circuit. The work is being undertaken at the AMMTEC laboratory in Perth.

Testwork to identify a molybdenum recovery circuit is ongoing at Electrometals Laboratory in Queensland. Work to date has identified a potential circuit comprising a two stage process using electrowinning to reduce the iron in solution followed by recovery of the molybdenum onto resin. The total molybdenum recovery (from run of mine ore) achieved at bench scale using synthetic solutions is within the Company's previous guidance of 45-50% of the contained molybdenum.

Before any commitment to use such a processing route can be considered further work is required to establish the practical feasibility of this new process, test its application on Runruno solutions and to determine the capital and operating cost parameters.

The recovery of molybdenum from the Runruno ores is considered as an upside potential to the base gold project proposed for development.

Mining and Earthworks

Work is underway to refresh the capital and operating cost estimates with enquiries out to major equipment suppliers and specialised maintenance groups. Work is underway to optimise the proposed mining fleet to take advantage of the reduced stripping ratio announced in the Q1 update.

Early submissions have been invited from selected contractors to undertake a program of early works to be undertaken following the issue of the Declaration of Mining Project Feasibility ("DMF").

EPC - GMP Contract

Work is at an advanced stage with Leighton Contractors Asia to fully define, scope, cost and document an EPC (engineering procure construct) - GMP (guaranteed maximum price) for the design and construction of the proposed processing plant.

The Company has retained an industry expert consultant to assist with this process.

Declaration of Mining Project Feasibility

In the December 2010 Operational Update the Company advised that a Declaration of Mining Project Feasibility in respect of the Runruno project had been submitted to the Mines and Geosciences Bureau ("MGB") for assessment and approval. Once approved, the project will move into the "Development and Construction Period" as defined in the Company's Financial or Technical Assistance Agreement permitting on-ground development works to commence.

The Company has continued to work with the MGB assessment team but is satisfied that it has met all of the requirements for a positive determination of its application. The issue of the DMF is anticipated in the third quarter.

Land Acquisition

Land acquisition activities in support of the commencement of early works following the issue of the DMF are proceeding well.

Staffing

The Company has commenced building up its owner's team to manage and implement the proposed development of Runruno. Two experienced earthmoving and project management professionals have been added to the team.

Environmental, Safety Community Award

The Company received from the Department of Environment and Natural Resources Region 02 a Certificate of Commendation for its significant contributions on Environmental Protection, Safety and Health and Community Development.

The project site has now achieved 1,977,822 hours without a lost time injury.

Regional Exploration

Exploration activities within the Runruno Financial or Technical Assistance Agreement (FTAA) but outside the Runruno orebody were maintained throughout the quarter. The work is designed to systematically assess the highly prospective FTAA for further gold mineralisation of the Runruno style and the potential for porphyry copper mineralisation.

Work has included, diamond drilling, regional geochemistry, ground mapping and interpretation of an aeromagnetic survey. A summary of the holes drilled is presented in the following table.

LOCATION	COMPLETED HOLES	TOTAL METRES
RUNRUNO - Resource Extension	8	1,539
RUNRUNO FTAA - Regional Exploration	5	1,367
TOTAL	13	2,906

Runruno Mineral Resource Extension

Eight holes have been drilled south of the planned Runruno pit testing for extensions to the resource area south of a fault interpreted from previous drilling to have terminated the main mineralisation in this area. The initial five holes, as reported, during the quarter, intersected significant intercepts of gold and molybdenum mineralisation, which have extended the Runruno mineralised zone 150m south of the previously interpreted southern extent. Three additional holes have now tested the up dip extension of these intersections towards the Malilibeg Structure and closer to the currently proposed pit limit. Results have been received from two of these holes and they confirm the continuity of a relatively wide zone of gold mineralisation. Further drilling to trace the mineralised zone closer to the surface is planned.

The assay results received to date are shown in the table below.

Hole_ID	From	To	Width	Au g/t	Mo ppm
MXD831	114	131	17.0	1.59	1,319
MXD832	123	125.1	2.1	0.26	1,493
	130	131	1.0	0.88	707
	132	134	2.0	1.07	867
	142	148	6.0	0.73	420
	153	157.3	4.3	1.18	837
MXD833	135	136	1.0	2.14	319
	147	150	3.0	1.08	1,327
	151	152	1.0	0.80	157
	154	158	4.0	1.00	474
	164	166.4	2.4	1.09	2,583
	183	186.95	3.95	3.48	4,212

MXD834	179	182	3.0	0.92	1,715
	183	184	1.0	0.65	1,233
	189	197	8.0	0.92	810
MXD835	63	65	2.0	2.52	1,854
	84	85	1.0	1.33	2,141
	168	170	2.0	2.05	397
	172	173	1.0	0.88	620
	175	176	1.0	1.21	37
	94	101	7.0	1.97	4,768
MXD836	No significant intersection				
MXD837	83	88	5.0	2.21	3,405
MXD838	55	57	2.0	1.47	149
	Assay results incomplete				

Tulingan

In the Tulingan area approximately 750m south east of Runruno three diamond drill holes were completed to test a gold soil geochemical anomaly in an area of structural complexity. Two intersections of significant mineralisation were made in the initial hole drilled. Correlation with the shallower gold-molybdenum mineralisation intersected 150m to the east (previously reported in December 2009) has proven difficult because of contrasting host rock types. The initial interpretation that the deeper mineralisation was hosted by a steeply dipping shear or breccia zone was not supported by a follow up hole that tested the projected position of the high grade zone closer to the surface. Further drilling and petrological investigation is required to clarify the lithological and structural setting of the mineralisation before further drilling is planned.

Hole_ID	From	To	Width	Au g/t	Mo ppm
TUD012	184	185.35	1.35	0.92	860
	241	247.90	6.9	2.81	383
TUD013	No significant intersection				
TUD014	143	147	4.0	0.19	NA

Magnetite Creek

The Magnetite Creek area, 2km south-east of Runruno, is believed to be highly prospective for porphyry Cu-Au style mineralisation. Rock chip sampling has returned anomalous copper and gold values from potassic-altered monzonitic rocks near the centre of a strong positive aeromagnetic anomaly. A drill hole (MAD001) testing beneath a biotite-magnetite rich outcrop containing visible copper mineralisation confirmed the presence of porphyry copper-gold style mineralisation at depth. A second drill hole collared 300m to the southeast of the initial hole testing similar style but lower grade surface mineralisation encountered visible copper mineralisation at depth. Assays are not yet available. Drilling of a third hole is now in progress northwest of the MAD001 with a zone of visible copper mineralisation reported between 6m and 14m and disseminated copper mineralisation reported from further down the hole.

Geological mapping has confirmed the existence of other copper-bearing outcrops associated with biotite-magnetite rich monzonites in the locality and drill testing is planned. A geophysical contractor has been engaged to carry out a ground induced polarisation and resistivity survey of the southern part of the Company's FTAA. Results from the ground geophysical survey and petrological work on drill core from Tulingan and Magnetite Creek will lead to more precise targeting of potentially mineralised zones.

Hole_ID	From	To	Width	Cu %	Au g/t
MAD001	27	40.15	13.15	0.23	0.75
	48	55	7.0	0.57	1.16
	69	75	6.0	0.27	0.06
	80	83	3.0	1.56	0.32
	89	96	7.0	0.25	0.06
	188	190	2.0	0.34	0.04
Assay results incomplete					

Bocboc

At Bocboc, 2.5km northeast of Runruno, geological mapping and sampling in Safir Creek has located argillically-altered volcanoclastic breccias close to the contact with intrusive monzonites. These rocks are associated with anomalous gold-molybdenum geochemistry and are considered to be prospective for mineralisation similar to that at the Runruno deposit. Two drill holes were planned to test this favourable geological setting at depth.

The first hole has now been drilled intersection lithologies directly analogous with the Runruno mineralisation in the upper section of the hole and lithologies more analogous with porphyry system at depth. Some limited chalcopyrite was identified at various intercepts in the hole. Assay results are not yet available.

Drilling of the second hole has commenced.

Regional Exploration

Geological mapping and soil and rock geochemistry continued over the Runruno FTAA. Results from this ground work together with further processing and interpretation of the 2009 airborne magnetic and radiometric data and spectral processing of ASTER imagery will be used to develop a more complete understanding of the mineral potential of the FTAA and to target ongoing work

Additional grid soil geochemistry and mapping was completed in the Cabinuagan/Magnetite Creek locality extending coverage to the southern boundary of the FTAA. Anomalous copper values were obtained from altered monzonitic intrusives in the vicinity of interpreted fault zones confirming the potential for porphyry copper-gold deposits in this area.

Follow-up geological mapping and stream sediment sampling was completed at South Malilbeg Creek in the southwest of the FTAA. BLEG samples taken from Elay and Tilitil Creeks where visible gold had previously been located in panned concentrates returned anomalous gold values. Interpretation and further follow-up of results are planned.

Geological mapping and soil geochemistry in the northern part of the FTAA is extending current coverage northwards over the contact zone between the Runruno Volcanic Complex and the surrounding Palali Syenite.

Drill Hole Location

The locations of the drill holes referred to in this report are shown in the table below.

Hole_ID	Local Grid East	Local Grid North	Collar Elevation	Local Grid Azimuth	Dip	Depth (m)
MXD831	567	115	446	101	-60	198.6
MXD832	580	52	449	90	-61	200.0
MXD833	564	6	450	94	-60	220.4
MXD834	501	52	452	86	-60	217.6
MXD835	412	100	458	89	-58	221.6
MXD836	629	101	449	90	-60	145.0
MXD837	618	126	447	97	-60	150.0
MXD838	512	124	447	89	-60	182.0

Hole_ID	UTM Grid East	UTM Grid North	Collar Elevation	UTM Azimuth	Dip	Depth (m)
TUD012	321265	1813975	495	91	-59	251.2
TUD013	321100	1814000	531	91	-59	252.6
TUD014	321378	1813974	464	89	-50	187.0

Hole_ID	UTM Grid East	UTM Grid North	Collar Elevation	UTM Azimuth	Dip	Depth (m)
MAD001	322591	1813031	574	43	-60	252.5
MAD002	322850	1812888	619	55	-62	250.0

MAD003	322458	1813054	559	45	-60	173.8m (in progress)
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Corporate Activity

Subscription and Shareholders Agreement

On 5 April the Subscription and Shareholders' Agreement ("SSA"), details of which were announced on 8 March 2011 was completed.

Pursuant to the SSA the Company issued 192,307,692 Ordinary Shares at a price of 13p per share to Solomon Capital Limited ("Solomon"), Runruno Holdings Limited ("RHL") and Williams de Broë Limited and sufficient options by way of an Option Deed to Solomon and RHL exercisable on or before 19 August 2011 at 13p per Ordinary Share to maintain Solomon's and RHL's holdings in the Company at 65% and 18% respectively, of the issued Ordinary Shares.

On 20 April 2011 the Company announced that the cash offer made by Solomon Capital to acquire the entire issued and to be issued share capital of Metals Exploration not already owned by it had closed with Solomon and its associate Shelfco 724 Limited owning 53.5% of the shares in issue.

Further details are provided on the Company's website.

Director Changes

On 4 April 2011 Mr Edward Parsons and Mr Richard Williams were appointed to the Board. Both Mr Parsons and Mr Williams were nominated by Solomon.

On 10 May 2011 Mr Guy Walker was appointed to the Board. Mr Walker was nominated by RHL.

AIM Quotation

The Company announced on 22 June 2011 that it would retain its AIM quotation. This followed a review by the Board required by the SSA to determine "whether to take steps to re-register as a private limited company and de-list from AIM".

Annual General Meeting

On 16 June the Company successfully completed its Annual General Meeting with all resolutions being passed. A copy of a presentation made at the meeting is available on the Company's website.

Exercise of Options and Warrants

After the end of the quarter, on 8 July 2011 Solomon announced that it had entered into an agreement with Baker Steel Capital Managers LLP ("Baker Steel") pursuant to which Solomon would exercise its rights under its Option Deed entered into with the Company, and then immediately transfer the shares acquired as a result of the exercise to funds managed by Baker Steel. Following its announcement Solomon exercised its rights under the Option Deed and subscribed for 76,923,076 new ordinary shares in the Company at 13p per share which on issue by the Company were immediately transferred to funds managed by Baker Steel.

Solomon further advised that it and Baker Steel had also agreed that at any time prior to 14 August 2011, Solomon will exercise (subject to certain conditions) the Option Deed in respect of a further 50,000,000 new ordinary shares in the Company at 13p per share, and which on issue would also be

immediately transferred to funds managed by Baker Steel. At the date of this report Baker Steel holds 18.19% of the Ordinary Shares in issue of the Company.

On 12 July 2011 the Company announced that following the exercise of warrants at 3.25p per share it had allotted 1,000,000 shares and following Solomon's exercise of options 76,923,076 shares to Solomon. After these allotments the Company had 540,297,112 ordinary shares of 1p each in issue. These recently allotted shares have now been admitted to trading.

Further information is provided on the Company's website.

Approval

Mr Ian Holzberger, a director of the Company, who has been involved in the mining industry for more than 37 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.