

METALS EXPLORATION PLC

OPERATIONAL UPDATE QUARTER ENDED 30 JUNE 2012

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 ("the Project") and exploration activities in the Philippines.

AIM Code : MTL

At: 24 July 2012

Shares in Issue: 698,673,626

Options in Issue: 14,275,000

Warrants in Issue: 13,010,000

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Edward Parsons

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Highlights

- Initial inferred mineral resource estimated for the Malilibeg South area containing 190,000 ozs of gold at 1.7 g/t Au.
- Runruno resource base increased now containing 1.58 m ozs of gold at 1.69 g/t Au (combined Runruno Main and Malilibeg South resources).
- Malilibeg South resource remains open along strike - further potential recognised.
- Early construction work continued with good progress achieved.
- Campsite, batch plant, office and lay-down area earth works completed..
- Project access road in construction.
- Processing plant earthworks estimated to be 80% complete.
- The processing plant detailed engineering program is near complete, re-validation of Gross Maximum Price underway.
- Office and camp construction well advanced.
- Mine access road in construction.
- Legal documentation of a debt funding package continues. It is management's priority to bring this to completion.
- The Philippine Government's EO79 issued, no significant impact expected on the Runruno project.
- Routine Statutory Audit of the Runruno health, safety, environment and social programs completed with no adverse findings.

Ian Holzberger, Executive Chairman, commented:

"The delineation of an initial inferred mineral resource resulting from the exploration activities undertaken in the Malilibeg South is very encouraging and confirms the potential for further mineral resources within the Runruno FTAA. The zone remains open along strike both to the north and south and will be further tested for additional resources by the ongoing drill program. The discovery of additional mineral resource bodes well for the longevity of the planned Runruno project.

"The near completion of a number of elements of the early construction works at the Runruno site is equally pleasing to see. Excellent progress has been made with the earthworks and with commencement of the erection of a number of the infrastructure components which will support the main

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\$167.8 m

Operating Cost²: 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 Reserves³: 15mt @ 1.85g/t Au and 603 ppm Mo.

Mineral Resource

Runruno Main - 26mt @1.69 g/t Au and 453ppm Mo, including reserves.
Malilibeg South - 3.5mt @1.7 g/t Au and 1,853ppm Mo

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

Notes:

1. Capital Cost updated October 2011 - estimated in Q3 2011 US\$.
2. May 2010 Feasibility Study - estimated in Q4 2009 US\$.
3. Refer to the Company website, www.metalexploration.com for complete Mining Reserve and Mineral Resource statements.

construction effort, the project is positioned well to proceed into full construction on availability of full funding.

"Unfortunately the debt package has taken longer to document than was expected. This remains a priority of management to bring to completion."

Runruno Gold Project

Early construction work continued throughout Q2 with good progress made against the program. Step out drilling activities to further test the potential of the Runruno Financial or Technical Assistance Agreement ("FTAA") for gold and copper mineralisation were maintained. An initial mineral resource for an area south of the proposed pit has been estimated.

Early Site Works

The early site works comprises a program of key development activities which will enable the rapid transition of the project into "full construction" once the complete project funding package is finalised. The current work is being funded by the Company as part of its equity share of the development costs.

The program consists of seven key activities:

- General site earthworks;
- Processing plant pad earthworks;
- Construction camp and office;
- Construction power;
- Potable water system;
- Erection of a concrete batching plant; and
- Acquisition of selected units of the mobile fleet.

General site earthworks

The batch plant, accommodation camp and office site works are now complete and the site made available for the construction of the facilities.

Work has commenced on developing a permanent access road from the Runruno town proper to the project site. Two additional causeways across the Sulong river have been established as part of these road works. This work is around 50% complete but is in use by project related vehicles avoiding the need to use the Barangay road in this area. The road approaching the campsite and lay-down area is shown in the photograph below.



Site access road - looking towards campsite and lay-down area

The pit access road has been advanced from the run of mine pad / crusher area into the pit area and is currently around one third of the way into the starter pit location. These works are shown in the photograph below.



Development of pit access road - looking towards starter pit location

Processing plant earthworks

The processing plant works are being undertaken under two contracts, one to establish a seven metre high gabion wall along the edge of the plant-site adjacent to the Sulong river, the second to undertake the general earth works. Both contracts are in full operation.

The gabion wall contract was awarded to local contractors and is now around 85% complete. Progress is shown in the photograph below.



Gabion wall construction - processing plant

As a component of the processing plant detailed engineering works program the earthworks design standards, compaction criteria and levels have been finalised by Leighton Contractors (Asia) Limited (“Leighton”). Site work has now advanced on the basis of these criteria with work on the processing plant pad now estimated at around 80% complete. The processing plant pad is shown in the photograph below.



Panoramic view of processing plant pad

Construction camp and site office

Good progress has been made on the erection of the 650 person construction camp and the site office. Progress is shown in the photographs below.



Two storey office block - in construction



Stage 1 of construction camp - ablutions, accommodation and messing facilities

General

A concrete batching plant has been purchased and will be erected at site early in Q3. Work is proceeding on the potable water system.

EC&P - GMP contract

Detailed engineering of the processing plant continued through Q2 and is now nearing completion. This work is being undertaken by Leighton as an advance phase of the proposed Engineering and Construct contract and a Procurement contract ("EC&P") for the construction of the processing plant. A program to re-validate the gross maximum price ("GMP") of the EP&C contract off the current design work and current cost data has commenced. The re-validated GMP will provide a basis for finalising the EP&C contract.

Mining

Mining planning including the detailed layout of mine access roads and the starter pit have been undertaken. The mining fleet required for the operation has been selected. It is expected that ordering of the equipment will commence during Q3.

Environment

Environment works are ongoing with the Company actively mitigating silt runoff and rehabilitating cut surfaces as the site works proceed. Routine ongoing environment and social monitoring programs have been maintained. The Company is an active participant in the Mining Forest Program and the Greening Philippines program. At Runruno the Company is working with property owners to re-establish previously logged forests by planting large stands of trees endemic to the area.



Rehabilitation of cut slopes in the processing plant area using coconut matting and napier grass

Land Acquisition

Land acquisition activities continued successfully throughout the quarter.

Funding

Legal documentation of a debt funding package continued through the quarter. The debt package remains a priority of management to bring to completion.

Government

The Philippine Government recently released its long awaited Executive Order (EO) 79, relating to reforms in the mining sector. The EO is in effect a policy statement which directs reforms in the mining sector through a number of policies and guidelines aimed at responsible mining through

environmental performance, resource utilisation and a more equitable sharing of the benefits. Significantly the EO 79 affirms the primacy of national laws in managing the mining sector. Enabling legislation and regulations will be required before the substantive changes contemplated in the Order become effective.

The Order is largely seen as a forward looking document and at this time is not expected to have any significant impact on the Runruno project which is held under a Financial or Technical Assistance Agreement (FTAA).

The Mines and Geosciences Bureau conducted its annual Integrated Safety and Health, Environment and Social Monitoring audit of the Runruno operations with no adverse findings.

Regional Exploration

Exploration work designed to systematically assess the FTAA for additional Runruno style gold mineralisation and also for porphyry copper-gold mineralisation continued throughout the period. Activities included diamond drilling, geological mapping and regional geochemistry. Drilling activities were confined to the south of the planned pit area (resource extension). Two diamond drill rigs were committed full-time to the program.

LOCATION	QTR HOLES	QTR METRES	YTD HOLES	YTD METRES
RUNRUNO - Resource Extension	6	2,263	8	2,830
RUNRUNO FTAA - Regional Exploration	0	0	3	1,197
TOTAL	6	2,263	25	4,027

Runruno Mineral Resource Extension

Diamond drilling south of the proposed Runruno open pit continued to test the exploration model of a wide flat-dipping mineralised structure at depth.

Drill hole results during the quarter confirm the presence of a westerly dipping zone (7.5-22 metres thick) of flatly dipping gold and molybdenum mineralisation with individual intersections grading between 0.89 - 2.64 g/t Au extending south of the Runruno pit for more than 600m to the Tulingan prospect area and perhaps further south. The mineralised structure has now been intersected by wide spaced drilling over a down-dip length of nearly 400m. It appears that the mineralisation is truncated to the east by the Malilibeg Fault, a possible mineralising structure. Drilling is continuing to test this mineralised structure as it remains open both to the north and south and, on some sections, down dip.

The mineralisation is broadly analogous to and may be projected northwards towards the main Runruno mineralisation through a zone of disturbance marking the southern end of the Runruno mineral resource. Drilling results confirm that the mineralisation exhibits similar gold grades, much higher molybdenum grades and contains low but significant levels of copper compared with the main Runruno deposit.

Confidence in the exploration model for this mineralisation is now considered sufficient to allow estimation of a mineral resource which has been undertaken by Mining Associates. A full copy of Mining Associates report is set out in Appendix 1.

The JORC categorised Mineral Resource for the Malilibeg South Deposit have been classified in the inferred confidence category on a spatial, areal and zone basis and are compiled in following table.

Malilibeg South Mineral Resource Estimate, 30 June 2012					
Resource		Grades		Contained Metal	
Category	M Tonnes	Au g/t	Mo ppm	Au M oz	Mo M lb
Inferred	3.45	1.7	1,859	0.19	14.1

Notes to accompany Malilibeg South Inferred Resource estimate

1. The resource estimate is based on diamond drilling results and assays received to the end of June 2012 in an area to the south of the existing Runruno resource.
2. Mineralisation style and lithologies are similar to the main Runruno deposit and drill holes have intersected the mineralised structures at depths predicted by the geological model.
3. The resource was estimated using a sectional area-of influence method, with polygons defined on sections (perpendicular to mineralisation) extended orthogonally to the section plane halfway to the next section.
4. A total of 8 diamond drill holes within an area 150m to 500m south of the existing Runruno resource were used for the resource estimate.
5. Polygons on the mineralised structure were interpreted on 4 vertical sections spaced at intervals ranging from 85m to 100m with the number of drillhole intercepts ranging from one to four on each section. Down dip extent of the structures ranged from 160m to 490m.
6. An average grade for each of the four polygons was estimated from all drill intercepts on that section. A maximum of 3m of internal dilution (<0.3 g/t Au) was included within polygons.
7. Estimated true widths for the structure were used based on the geological interpretation.
8. Gold analysis was by classical 1kg screen fire assay and molybdenum analysis by pressed powder XRF. All samples were half core and sample preparation and analysis was carried out by Intertek, an internationally accredited laboratory.
9. No upper grade cap was applied to gold or molybdenum grades. The maximum uncapped gold grade in individual samples was 9.93 ppm Au.
10. Drilling, logging, sampling, and assaying techniques used were similar to those used to produce the Runruno deposit resource and reserve estimate of March 2011. A same bulk density of 2.5 was also used for tonnage estimates.
11. Infill drilling between existing intersections is in progress. As the interpreted structure is open to the north and south drilling will continue to test for the mineralised structure beyond the boundaries of this estimate.

Significant intersections reported during the quarter are presented in the following table:

Hole ID	From	To	Width	Au g/t	Mo ppm
MXD854	140	141	1.00	4.19	90
	191	192.5	1.50	1.97	168
	305	306	1.00	7.04	111
	339	352	13.00	1.24	640
TUD023	220	236	16	0.97	1432
TUD024	187.5	210.7	23.2	2.64	1470
TUD027	231	242	11	1.73	1011
TUD028	156	158	2	0.93	494
	172	176	4	1.31	1301
	190	192	2	1.03	3250
	199	209	10	1.96	4535

Magnetite Creek

Previously reported drilling in the Magnetite Creek area, 2km south-east of Runruno, has confirmed the presence of zones of anomalous porphyry copper-gold style mineralisation which are indicative of close proximity to a significant mineralising system. Drilling has confirmed the potential of the area for major copper and gold mineralisation associated with the brecciated parts of a west-dipping northwesterly-trending monzonite-monzodiorite intrusive.

Prior to further drilling in the Magnetite Creek locality, it is planned to complete a full review of exploration data generated to date and validate the current exploration model. Examination of drill core by a petrological consultant is suggesting that the drilling program has been centered on the cupola region of a monzonitic-syenitic intrusive complex. The vein dykes and pegmatoidal segregations may be the drilled sections of unidirectional solidification textures (USTs) which are a distinctive feature of the top of mineralised porphyry intrusions. USTs are widely believed to represent the magmatic-hydrothermal transition, recording pulses of massive volatile exsolution at the top of mineralizing plutons.

Regional Exploration

Anomalous gold and copper values have been located in rock chip samples from several areas in the south of the FTAA including Burnt Tree Creek and Tutuway Creek. Exploration conducted during the period included creek and ridge mapping, surface sampling, and trenching to follow-up these anomalous results.

Additional modelling and interpretation of data from the 2011 ground geophysical survey has resulted in the delineation of several chargeability anomalies in the southern part of the Runruno FTAA in the Cabocbocan-Cabinuangan area. Although some of these locations have been tested previously by drilling with negative results, at least eight anomalies are considered to have sufficient potential to warrant testing by drilling.

Drill Hole Location

The location of the drill holes referred to in this report is shown in the tables below.

Malilibeg South

Hole No	UTM Grid East	UTM Grid North	Collar Elevation (m)	UTM Azimuth (deg)	Dip (deg)	Depth (m)
MXD854	321148	1814257	455	270	-60	362.15
TUD023	321265	1813974	495	0	-90	294.60
TUD024	321191	1814068	467	88	-70	299.50
TUD027	321190	1814068	467	0	-90	300.15
TUD028	321182	1814164	459	95	-60	300.0

Approval

Mr Ian Holzberger, a director of the Company, who has been involved in the mining industry for more than 39 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.

Competent Person

The information in this report that relates to Mineral Resources and Ore Reserves is based on information compiled by Mr Andrew Vigar, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Vigar is an employee of Mining Associates Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 Vigar consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

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.

Technical Notes and Glossary of Technical Terms

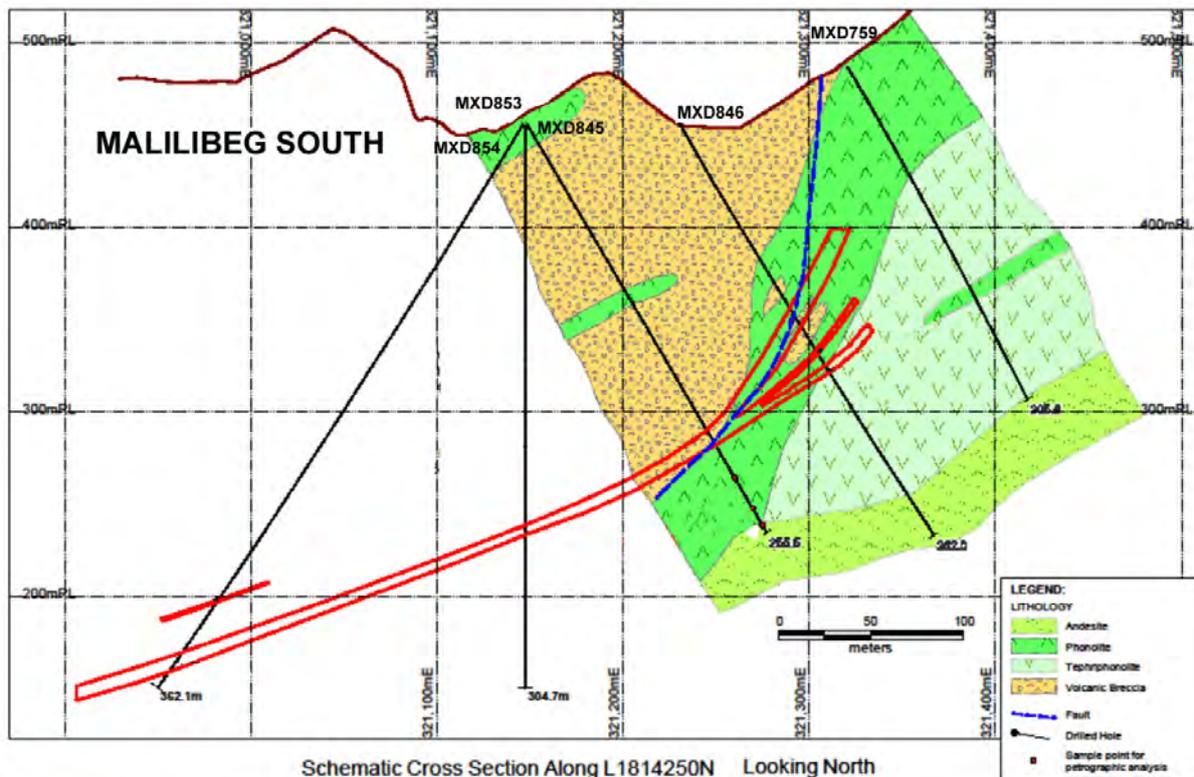
“assay”	qualitative or quantitative analysis of a metal or ore to determine its components
“Au”	chemical symbol for gold
“block model”	a computer based representation of a deposit in which geological zones are defined and filled with blocks which are assigned estimated values of grade and other attributes. The purpose of the block model (BM) is to associate grades with the volume model. The blocks in the BM are basically cubes with the size defined according to certain parameters.
“bulk density”	the dry in-situ tonnage factor used to convert volumes to tonnage. Bulk density testwork is carried out on site and is relatively comprehensive, although samples of the more friable and broken portions of the mineralised zones are often unable to be measured with any degree of confidence, therefore caution is used when using the data. Bulk density measurements are carried out on selected representative samples of whole drill core wherever possible. The samples are dried and bulk density measured using the classical wax-coating and water immersion method. The average bulk density for the mineralisation has been estimated at 2.5 using more than 3,000 measurements on drill core.
“cut-off grade”	the lowest grade value that is included in a resource statement. Must comply with JORC requirement 19: “reasonable prospects for eventual economic extraction” the lowest grade, or quality, of mineralised material that qualifies as economically mineable and available in a given deposit. May be defined on the basis of economic evaluation, or on physical or chemical attributes that define an acceptable product specification. A value of 0.3 g/tAu was used for Runruno.
“g/t”	grammes per tonne, equivalent to parts per million
“g/t Au”	grammes of gold per tonne
“grade cap”	the maximum value assigned to individual informing sample composites to reduce bias in the resource estimate. They are capped to prevent over estimation of the total resource as they exert an undue statistical weight. Capped samples may represent “outliers” or a small high-grade portion that is volumetrically too small to be separately domained.
“JORC”	<p>The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 (the “JORC Code” or “the Code”). The Code sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves.</p> <p>The definitions in the JORC Code are either identical to, or not materially different from, those similar codes, guidelines and standards published and adopted by the relevant professional bodies in Australia, Canada (NI43-101), South Africa, USA, UK, Ireland and many countries in Europe.</p>
“JORC Inferred Resource”	that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes which may be limited or of uncertain quality and reliability.

“JORC Indicated Resource”	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.
“JORC Measured Resource”	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.
“JORC Proven Reserve”	is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
“JORC Probable Reserve”	is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.
“kriging neighbourhood analysis, or KNA”	The methodology for quantitatively assessing the suitability of a kriging neighbourhood involves some simple tests. It has been argued that KNA is a mandatory step in setting up any kriging estimate. Kriging is commonly described as a “minimum variance estimator” but this is only true when the block size and neighbourhood are properly defined. The objective of KNA is to determine the combination of search neighbourhood and block size that will result in conditional unbiasedness.
“lb”	Avoirdupois pound (= 453.59237 grammes). Mlb = million avoirdupois pounds
“Mineral Resource”	a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories when reporting under JORC.
“micron (μ)”	a unit of length (= one thousandth of a millimetre or one millionth of a metre).

“Mining Reserve”	the part of a mineral resource which is economically and technically feasible to extract.
“2P Mining Reserve”	Proven and Probable Reserves.
“Mo”	chemical symbol for molybdenum
“oz”	Troy ounce (= 31.103477 grammes). Moz = million troy ounces
“screen fire assay”	a method of analysing gold through separating the coarse and fine grained particles then assaying them to produce a weighted average.
“strip ratio”	the ratio of the amount of waste which needs to be extracted in order to remove 1 unit of ore.
“t”	tonne (= 1 million grammes)

APPENDIX 1

**MEMORANDUM
MINERAL RESOURCE ESTIMATE
MALILIBEG SOUTH DEPOSIT
RUNRUNO PROJECT
NUEVA VISCAYA PROVINCE, PHILIPPINES**



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1. MINERAL RESOURCE STATEMENT

This memorandum describes the Geological Model and Resource Estimation undertaken for the Malilibeg South deposit conducted by Mining Associates Pty Ltd (“MA”). The Malilibeg South deposit is part of the Runruno Project, and lies 150m south of the Runruno gold-molybdenum deposit. The Runruno Project comprises one granted Financial or Technical Assistance Agreement (“FTAA 00000411”) covering an area of 3,091 hectares located in Northern Luzon, Philippines. It is located approximately 200 km to the north of Manila in the province of Nueva Viscaya, and is accessed via major national highways to the nearest town, Solano, and then 25 km via an unsealed national road.

The FTAA is held by FCF Minerals Corporation (“FCF”), a Philippine incorporated company and a subsidiary of AIM (London) listed Metals Exploration Plc (“MetalsEx”). MetalsEx owns 100% of FCF.

Mr. Ian Holzberger, Executive Chairman of MetalsEx and Runruno Project Director commissioned MA in July 2012 to prepare a Mineral Resource Estimate of the Malilibeg South deposit compliant with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves standards (“JORC”).

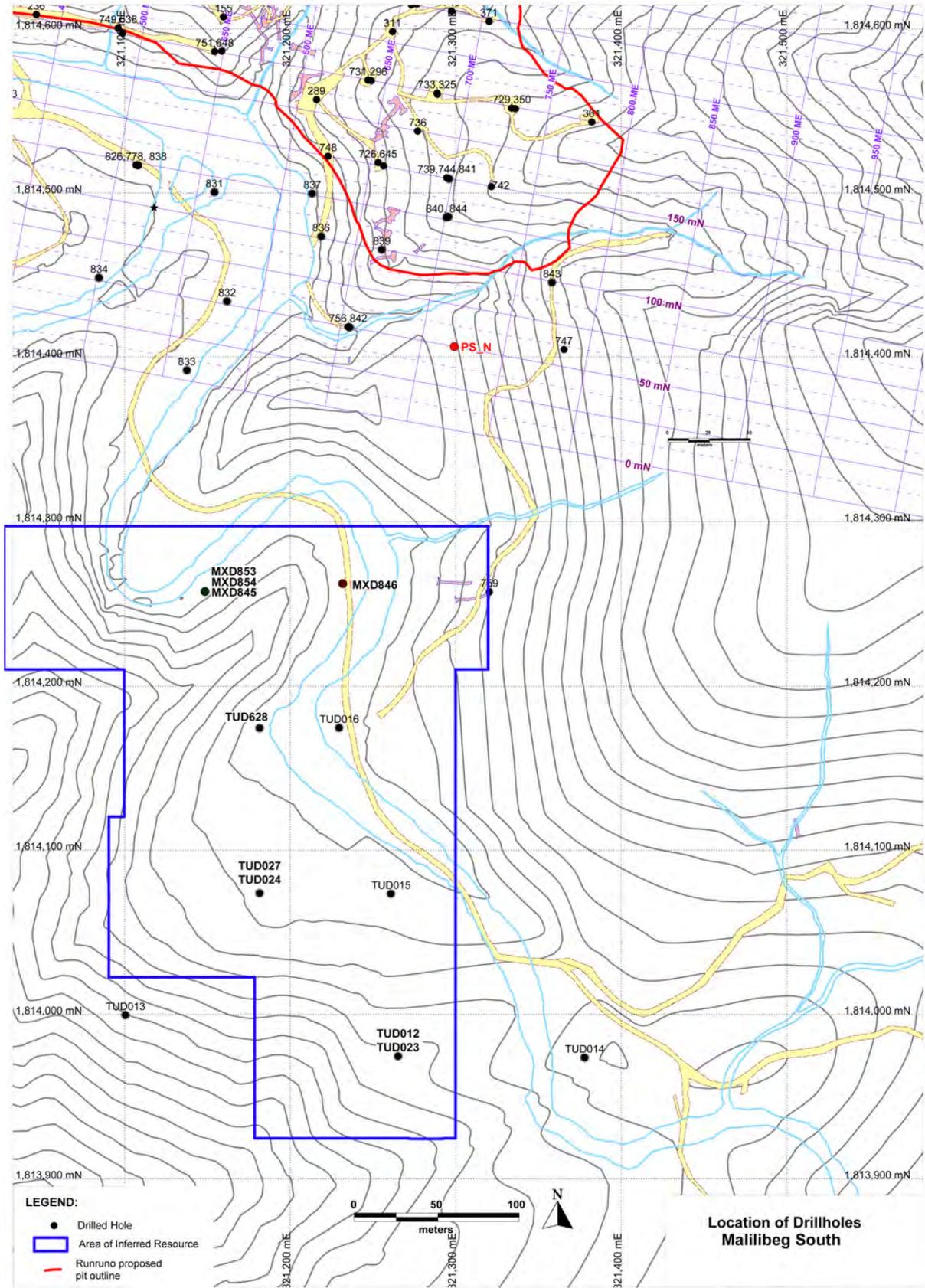
The Runruno region has been reported as having abundant gold and other precious metals since the early 1960s. MetalsEx first became involved with the Runruno deposit in 2005 and has undertaken extensive geological exploration since that time and, through FCF, is currently focused on development and construction of the gold and molybdenum resources at Runruno. MA has observed that security, access, infrastructure and available workforce are all favourable for the development of mineral resources at Runruno due to previous activity by mining and exploration companies at Runruno and elsewhere in the province.

Mineralisation style and lithologies of the Malilibeg South deposit are similar to the main Runruno deposit and drill holes have intersected the mineralised structures at depths predicted by the geological model. The Runruno deposit has been defined over a strike length of 1,500 metres, comprising a series of stacked, shallow dipping and cross-cutting mineralised lenses. The lenses appear to be best developed in both width and grade in the immediate hanging wall of the north-south striking, west dipping Malilibeg Fault, and along the fault zone itself. The combined mineralised intercepts range from 2 metres to about 40 metres in thickness. The source of the mineralisation is not known at this time.

The deposits are located on the western edge of a large alkaline volcanic complex, the Runruno Volcanic Complex, which is approximately 3.5 kilometres in diameter, of which less than 15% has been effectively explored. The area is predominantly underlain by silica-under-saturated, alkali-rich intrusive rocks consisting of monzonite to syenite porphyry belonging to the Palali –Cordon Intrusive Complex. Coeval with these intrusions are thick sequences of volcanoclastic tuffs, volcanic breccias and agglomerates forming a characteristic domal feature within the central part of the EP area.

The Runruno and adjacent Malilibeg South deposits are considered an alkaline type epithermal deposit, i.e. an epithermal gold-molybdenum mineralised system in an alkalic intrusive setting. The style of gold mineralisation is very distinct but quite rare in that quartz veining is absent, alteration and veining is dominated by adularia and the gold occurs mostly as fine disseminations associated with pyrite and significant, molybdenite. The major host unit is a crystal tuff capped by a coarse volcanoclastic fragmental.

FCF has intersected mineralisation in 8 diamond drill holes at Malilibeg South over a strike length of 375m, to a maximum vertical depth of 300m, some 150m to 500m south of the existing Runruno resource. MA is of the opinion that further drilling in the sparsely drilled area south of the proposed Runruno open pit has a high likelihood of locating additional resources between the pit and the newly defined resource at Malilibeg South.



Location of drill holes used in Malilbeg South Mineral Resource Estimate
Showing area of Inferred Resources

The collar coordinates of the drill holes referred to in this report are shown below.

Drillhole Location Data						
Hole ID	UTM Grid East	UTM Grid North	Collar Elevation	UTM Azimuth	Dip	Depth (m)
MXD854	321148	1814257	455	270	-60	362.15
MXD853	321147	1814257	455	0	-90	304.7
MXD845	321149	1814257	535	89	-60	255.5
MXD846	321230	1814257	456	92	-60	262.0
TUD028	321182	1814164	459	95	-60	300.0
TUD027	321190	1814068	467	0	-90	300.15
TUD024	321191	1814068	467	88	-70	299.50
TUD023	321265	1813974	495	0	-90	294.60

The drilling has identified one major mineralised zone ranging from 7.5m to 22m estimated true width, at vertical depths of 120m to 300m. The structure is similar to the Runruno mineralised structures, shallow dipping at depth and becoming progressively steeper approaching the Malilbeg Fault. The morphology of this mineralised zone was interpreted from drill hole logging data. The mineralisation is still open to extension to the north and the south, with good potential to further add to the resource base.

Sample protocol; including sample methodology, preparation, analysis and data verification have been conducted in accordance with JORC requirements with appropriate quality assurance/quality control procedures in place since the inception of FCF's work in 2005.

The approach to the resource estimation consisted of using a sectional area-of influence method, with polygons defined on sections (perpendicular to mineralisation) extended orthogonally to the section plane halfway to the next section. Polygons on the mineralised structure were interpreted on 4 vertical sections spaced at intervals ranging from 85m to 100m with the number of drillhole intercepts ranging from one to four on each section. Down dip extent of the structures ranged from 160m to 490m.

Polygons used in the Mineral Resource Estimate										
Section	Av. True Width (m)	Down Dip (m)	Strike Length (m)	Volume (cu m.)	Bulk Density	Tonnes	Au grade g/t	Au ozs	Mo Grade ppm	Mo M lb
1814250N (4 holes)	12	490	87.5	514,500	2.5	1,286,250	1.33	55,001	1403	4.0
1814175N (1 hole)	10	240	87.5	210,000	2.5	525,000	1.96	33,083	4535	5.2
1814075N (2 holes)	16	275	100	440,000	2.5	1,100,000	2.36	83,463	1326	3.2
1813975N (1 hole)	13.5	160	100	216,000	2.5	540,000	0.97	16,841	1432	1.7
Totals (8 holes)			375	1,380,500	2.5	3,451,250	1.70	188,388	1859	14.1

An average grade for each of the polygons was estimated from all drill intercepts on that section and with a maximum of 3m of internal dilution at a cut-off grade of 0.3 g/t Au. No upper grade cap was applied to gold or molybdenum grades. The maximum uncapped gold grade in individual samples was 9.93 g/t Au.

Intersections used in the Mineral Resource Estimate					
Section	Hole ID	Intersection	Estimated True Width	Au ppm	Mo ppm
1814250N	MXD854	339m to 352m	7.5m	1.24	640
	MXD853	207m to 223m	15m	0.89	635
	MXD845	192m to 205m	13m	2.28	2951
	MXD846	117m to 129m	12m	0.90	1164
1814175N	TUD028	199m to 209m	10m	1.96	4535
1814075N	TUD027	231m to 242m	10m	1.73	1011
	TUD024	187.5m to 210.7m	22m	2.64	1470
1813975N	TUD023	220m to 236m	13.5m	0.97	1432

The JORC categorised Mineral Resource for the Malilibeg South Deposit have been classified in the inferred confidence category on a spatial, areal and zone basis and are compiled in following table.

Malilibeg South Mineral Resource Estimate, 30 June 2012					
Resource		Grades		Contained Metal	
Category	M Tonnes	Au g/t	Mo ppm	Au M oz	Mo M lb
Inferred	3.45	1.7	1859	0.19	14.1

Notes to accompany Malilibeg South Inferred Resource estimate

1. The resource estimate is based on diamond drilling results and assays received to the end of June 2012 in an area to the south of the existing Runruno resource.
2. Mineralisation style and lithologies are similar to the main Runruno deposit and drill holes have intersected the mineralised structures at depths predicted by the geological model.
3. The resource was estimated using a sectional area-of influence method, with polygons defined on sections (perpendicular to mineralisation) extended orthogonally to the section plane halfway to the next section.
4. A total of 8 diamond drill holes within an area 150m to 500m south of the existing Runruno resource were used for the resource estimate.
5. Polygons on the mineralised structure were interpreted on 4 vertical sections spaced at intervals ranging from 85m to 100m with the number of drillhole intercepts ranging from one to four on each section. Down dip extent of the structures ranged from 160m to 490m.
6. An average grade for each of the four polygons was estimated from all drill intercepts on that section. A maximum of 3m of internal dilution (<0.3 g/t Au) was included within polygons.
7. Estimated true widths for the structure were used based on the geological interpretation.
8. Gold analysis was by classical 1kg screen fire assay and molybdenum analysis by pressed powder XRF. All samples were half core and sample preparation and analysis was carried out by Intertek, an internationally accredited laboratory.
9. No upper grade cap was applied to gold or molybdenum grades. The maximum uncapped gold grade in individual samples was 9.93 ppm Au.
10. Drilling, logging, sampling, and assaying techniques used were similar to those used to produce the Runruno deposit resource and reserve estimate of March 2011. A same bulk density of 2.5 was also used for tonnage estimates.
11. Infill drilling between existing intersections is in progress. As the interpreted structure is open to the north and south drilling will continue to test for the mineralised structure beyond the boundaries of this estimate.

The information in this report that relates to Mineral Resources is based on information compiled by Mr. Andrew Vigar, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr. Vigar is an employee of Mining Associates Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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. Vigar consents to the inclusion in this report of the matters based on this information in the form and context in which it appears

Respectfully submitted

Dated at Brisbane, Qld

25 July 2012



Andrew James Vigar
BAppSc Geo, MSEG
Qualified Person