

METALS EXPLORATION PLC

OPERATIONAL UPDATE QUARTER ENDED 30 SEPTEMBER 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 ("the Project") and exploration activities in the Philippines.

AIM Code : MTL

At: 21 October 2011

Shares in Issue: 694,673,626

Options in Issue: 14,725,000

Warrants in Issue: 17,010,000

Directors:

Ian Holzberger, Executive Chairman

Jonathan Beardsworth

Timothy Dean – acting Finance Director

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

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Highlights

- The Runruno Declaration of Mining Project Feasibility ("DMPF") approved.
- Final permit secured to move the Project forward into the development and construction stage.
- Early project development works are expected to commence during Q4, 2011.
- Further strong intersections including 12m at 2.12 g/t gold in MXD 839 reported from drill testing of the southern extension of the Runruno gold mineralisation.
- Guaranteed Maximum Price - Engineer and Construct, and Procure contracts to design and erect the Runruno processing plant for US\$95.1 million offered by Leighton Contractors Asia.
- The Runruno capital cost is now estimated at US\$167.8 million, a 12.4% increase over the May 2010 Feasibility Study estimate.
- Debt funding advanced with a number of resource banks and alternative funding sources engaged. A well credentialed advisor appointed to advise the Company.
- The potential of the Magnetite Creek area for porphyry copper style mineralisation confirmed by a second hole.
- Significant gold and copper drill hole intercepts returned from drilling at Bocboc.
- 231,299,590 new ordinary shares issued at 13p pursuant to the exercise of outstanding options.

Ian Holzberger, Executive Chairman, commented:

"It has been a very satisfying period in the Company's metamorphosis from explorer towards producer with the efforts of the Philippine based management team achieving a significant milestone in securing the Declaration of Mining Project Feasibility. With the DMPF in hand we will now be able to make the Runruno project development a reality by initiating a programme of preparatory ground work over the coming months.

"We are pleased with Leighton's offer to design and construct the process plant on a GMP-EC and P basis and are confident that such an approach will result in the plant being well built at a low risk to the Company. The slight increase in the Runruno capital costs over that previously estimated in the 2010 Feasibility Study is considered a sound outcome particularly as the increase has been maintained below the combined effects of the significant

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 Resource³: 26mt @1.69 g/t Au and 453ppm Mo, including reserves.

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 www.metalexploration.com Company website, for complete Mining Reserve and Mineral Resource statements.

weakening of the US dollar over the last eighteen months and inflationary impacts.

"The exercise of all of the options available to Solomon Capital Limited and Runruno Holdings Limited, together with funds raised earlier in the year, have placed the Company in a sound financial position and well poised to complete the debt funding required to commit the Runruno project to full development.

"The continuing success of the step out drilling to the south of the planned Runruno pit further confirms the potential to extend the proposed mine life."

Runruno Gold Project

The majority of the Company's Q3 activities have been focused on advancing the Runruno Gold project towards development.

Declaration of Mining Project Feasibility

Subsequent to the end of Q3, the Secretary of the Department of Environment and Natural Resources ("DENR") has approved the Runruno Declaration of Mining Project Feasibility. The Secretary made his determination on the basis of a recommendation prepared by the Mines and Geosciences Bureau ("MGB") following a comprehensive review of all aspects of the Runruno project including the Feasibility Study, socio-economic and environmental programmes, mandated approvals and agreements and various plans and procedures relating to the construction and operation of the Project.

On issue of the DMPF the Company will be authorised to proceed into the Construction and Operating Periods of the Runruno Financial or Technical Assistance Agreement ("FTAA") permitting on ground construction activities to commence.

EPC - GMP Contract

Leighton Contractors Asia Limited ("Leighton") has made a Guaranteed Maximum Price ("GMP") offer to the Company of US\$ 95.1 million to construct the Runruno process plant on an Engineering and Construct contract and a Procurement contract ("EC&P") basis. Leighton and the Company have worked together on an "Open Book" cost build up over the course of the current year. We are now satisfied that the scope of work has been comprehensively defined and the works optimised.

Leighton's offer was made on the basis of tender packages, pricing and currency exchange rates current at the end of Q1, 2011 and will be subject to revalidation at the time of execution of the construction contract. Preparation of the contract documents is well advanced and is expected to be completed

| during the current quarter.

The GMP pricing mechanism will facilitate the sharing of any cost under-runs between the Company and Leighton. Any cost over-runs will be to Leighton's sole account, with the exception of variations required by the Company or caused by defined events.

Following a final review and Board approval of the offer it is proposed that the Company enter into a "Letter of Intent" with Leighton confirming that it will proceed with the contract subject to full Project funding being made available and the Board sanctioning full development.

The construction contract is being prepared in such a way as to allow certain "pre-sanction" works to be undertaken but captured within the GMP-EC&P mechanism including some detailed engineering. These works will significantly advance the Project ahead of the commencement of the formal contract offering potential time and cost saving under the main contract.

The Company will have the responsibility for delivering to Leighton at the contract commencement date, the process plant pad prepared to levels provided by Leighton. This work will be undertaken during the early works phase operated by the Company.

Capital and Operating Costs

The Runruno Feasibility Study capital cost was estimated in Q4, 2010 after converting prices and the prevailing supply currencies using the estimating currency (US\$) exchange rates. This cost has now been revised into Q3, 2011 US\$ after considering:

- The Leighton GMP-EPC offer;
- Prevailing exchange rates;
- Philippine based cost inflation; and
- Re-estimation of costs based on tenders in some areas.

This work has shown an estimated increase of US\$ 18.5 million from US\$ 149.3 million estimated in the 2010 Feasibility Study to US\$ 167.8 million, a 12.4% increase. The increase in the headline cost may be largely attributed to the significant weakening of the US\$ against the supply currencies since the Feasibility Study was estimated, with the US\$ weakening by -14.2% on average against the major supply currencies.

The estimated capital costs are presented more completely below:

Area	Capital estimate US\$ million	% of total Capital
Mine	5.6	3.3
Process Plant - Leighton's GMP-EPC contract estimate	95.1	56.7
Tailing Storage Facility	11.1	6.6
On-site Infrastructure	14.7	8.9
Off-site Infrastructure	6.6	3.9
Indirect Costs - not including Leighton GMP-EPC contract	8.7	5.2
Owners Costs	20.9	12.4
Contingency - not including Leighton GMP-EPC contract	5.1	3.0
Total	167.8	100

Work is ongoing to refresh the operating costs into Q2, 2011 US\$ and to take advantage of cost savings brought about by optimisation work undertaken since the Feasibility Study was completed, including the 12% reduction in the operating strip ratio announced in March 2011.

Execution Plan

The Project execution plan has been revised and updated to enable the Company to commence early construction while the project funding is finalised. The project will now be executed in two parts:

- Early / pre-sanction works: these works will be undertaken by Filipino contractors under the management of the Company's owners team and will include site establishment, road development, plant site preparation, construction camp construction, office and workshop construction, establishment of supporting infrastructure and process plant detailed engineering; and
- Construction phase during which the major works including the processing plant, tailings storage facility, mine preparation and final infrastructure will be completed.

The planned early works will significantly advance the Project in readiness for the full construction phase with the site being prepared for occupation by the major contractor and available for the commencement of construction of the process plant immediate on full project funding being available. This early access is expected to reduce the full construction phase by two or three months to about an 18 month duration.

It is expected that the early works will commence during Q4, 2011 and extend for up to five months, depending on the availability of full funding.

Funding

The Company has appointed an experienced advisor to assist in securing a debt funding package on a "Project Finance Basis" for the construction of the Runruno project. Discussions are proceeding well with a number of resource banks and alternative funding sources currently engaged in negotiations and due diligence.

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 to Regional Exploration section below).

Metallurgical Testwork

No additional metallurgical testwork was completed during the quarter. However flotation variability testwork and molybdenum recovery testwork will resume during Q4, 2011.

Land Acquisition

Land acquisition activities continued successfully throughout the quarter.

Regional Exploration

Exploration activities within the Runruno Financial or Technical Assistance Agreement (FTAA) but outside the Runruno orebody were resumed during Q1 2011. 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. Two diamond drill rigs are committed to the programme.

Work completed during the quarter included, diamond drilling, regional geochemistry, ground mapping and an induced polarisation survey covering the southern portion of the FTAA. A summary of the holes drilled is presented in the following table.

Location	Holes Completed Ytd	Metres Ytd	Holes Completed During Q3	Metres During Q3
RUNRUNO - Resource Extension	11	1,962	3	423
RUNRUNO FTAA - Regional Exploration	14	3,845	9	2,478
TOTAL	25	5,807	12	2,901

Runruno Mineral Resource Extension

Drill testing for extensions to the Runruno resource area to the south of the planned pit recommenced late in the quarter with three holes completed. Results from the eight holes drilled during Q1 & Q2 had extended the Runruno mineralised zone 150m south of the previously interpreted southern extent. The current drilling has successfully traced the relatively wide zone of gold and molybdenum mineralisation outline from the prior drilling closer to the surface. Drill testing is continuing. Assays received to date are reported below.

Hole_ID	From	To	Width	Au g/t	Mo ppm
MXD838	48.0	50.0	2.0	1.47	149
	153	157.3	4.3	1.18	837
MXD839	98.0	110.0	12.0	2.12	Results not available
MXD840	Results not available				

Tulingan

In the Tulingan area, approximately 750m south east of the Runruno orebody, several intersections of significant mineralisation have been made in an area of structural complexity. As previously reported, correlation between intersections has proven difficult and the initial interpretation that the deeper mineralisation was hosted by a steeply dipping shear or breccia zone has not been supported by follow up drilling. Further geological work and drilling is planned between Tulingan and the main Runruno resource area to clarify the lithological and structural setting of the mineralisation.

Assay results for two diamond drill holes completed during the previous quarter did not return any significant intercepts.

Magnetite Creek

The Magnetite Creek area, 2km south-east of the Runruno orebody, is believed to be highly prospective for porphyry Cu-Au style mineralisation. A previously reported diamond drill hole (MAD001) testing beneath a biotite-magnetite rich outcrop, contained visible copper mineralisation and confirmed the presence of porphyry copper-gold style mineralisation at depth. A follow up drill hole (MAD005) collared 110m to the southeast of the initial intersected two zones of copper/gold mineralisation returned similar widths and tenor to those intersected in MAD001. A previous hole (MAD003) drilled 130m west of MAD001 returned anomalous gold and copper values from a shallow zone of visible copper mineralisation which has been correlated with the wide mineralized zones reported from MAD001 and MAD005. Drill hole MAD003 also intersected a narrow zone with significant gold values at depth.

Test drilling beneath other copper-bearing outcrops associated with biotite-magnetite rich monzonites continues in this locality during the quarter. Deeper drilling to test below the mineralised zones encountered in holes MAD001 and MAD005 is planned.

Drill hole assay results are shown in the table below.

Hole_ID	From	To	Width	Cu %	Au g/t
MAD002	No Significant Intersections				
MAD003	6.5	7.5	1.0	0.25	0.08
	11.5	13.5	2.0	0.49	0.08
	120.0	122.0	2.0	0.01	1.57
	195.0	198.0	3.0	0.07	0.24
MAD004	48.0	51.0	3.0	0.15	BDL
	176.0	181.0	5.0	0.12	0.01
MAD005	51.0	78.0	27.0	0.34	0.53
	incl. 52.0	58.0	6.0	0.33	0.18
	and 67.0	78.0	11.0	0.54	1.14
	236.0	240.0	4.0	0.23	0.04

Bocboc

At Bocboc, 2.5km northeast of the Runruno orebody, two holes were drilled to test a geological setting considered favourable for Runruno style mineralisation. Lithologies directly analogous with the Runruno mineralisation were intersected in the upper sections of the holes and lithologies more analogous with porphyry systems at depth. Disseminated chalcopyrite was identified throughout the holes with assay results returning some low but noteworthy copper values. This is considered a significant new anomaly and geological mapping and sampling is continuing in this locality to better define the potential before further drilling is undertaken.

Drill hole assay results are shown in the table below.

Hole_ID	From	To	Width	Cu %	Au g/t
BBD001	91.0	92.0	1.0	0.30	0.01
	141.0	143.0	2.0	BDL	0.11
	158.8	162.0	3.2	0.11	BDL
	165.1	167.6	2.5	0.13	0.01
BBD002	7.0	8.0	1.0	0.03	0.11
	14.0	15.0	1.0	BDL	0.20
	44.0	50.0	6.0	0.15	0.02
	90.0	100.0	10.0	0.11	0.01
	115.0	134.0	19.0	0.13	0.01

Regional Exploration

Geological mapping and rock geochemistry continued over the Runruno FTAA. Work was concentrated in the Booboc and Magnetite Creek localities in conjunction with the diamond drilling programmes.

A geophysical contractor completed a ground induced polarisation and resistivity survey in the southern part of the FTAA. Initial interpretation of the results has identified several zones of high chargeability which may reflect mineralised zones containing disseminated sulphides. Drill testing is planned once interpretation and prioritisation of anomalies has been completed.

Woggle Exploration Licence Application

Detailed sampling and geological mapping of limestone deposits in an area north west of Bambang, 40km by road from Runruno, commenced towards the end of the quarter. Initial sampling of outcropping limestone has shown acceptable levels of CaCO₃ for use at the Runruno treatment plant. Further sampling and geological mapping leading to delineation of a resource is planned for the coming quarter.

Drill Hole Location

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

Runruno Mineral Resource Extension

Hole ID	Local Grid East m	Local Grid North m	Collar Elevation m	Azimuth deg	Dip deg	Depth m
MXD838	512	124	447	89	-60	182.0
MXD839	665	100	495	90	-63	150.0
MXD840	701	126	526	100	-79	152.0

Bocboc

Hole ID	UTM Grid East m	UTM Grid North m	Collar Elevation	Azimuth deg	Dip deg	Depth m
BBD001	323604	1816000	719	23	-63	250.0
BBD002	323653	1815914	721	43	-60	250.3

Magnetite Creek

Hole ID	UTM Grid East m	UTM Grid North m	Collar Elevation m	UTM Azimuth	Dip deg	Depth m
MAD002	322850	1812888	619	55	-62	250.0
MAD003	322458	1813054	559	45	-60	252.0
MAD004	322426	1813242	541	45	-60	255.1
MAD005	322670	1812949	588	44	-61	250.1

Corporate Activity

Exercise of Options and Warrants

During the quarter, share options were exercised resulting in the issue and quotation of 231,299,590 new ordinary shares. 1,000,000 additional new ordinary shares were issued following the exercise of a warrant. There are now 694,673,626 quoted ordinary shares in issue. There remain 14,725,000 staff options and 17,010,000 warrants outstanding at the date of this report.

The share options issued are summarised as follows with further information provided on the Company's website.

- On 7 July 2011 and pursuant to a binding agreement between Solomon Capital Limited ("Solomon") and Baker Steel Capital Managers LLP ("Baker Steel"), Solomon exercised its rights under an Option Deed entered into with the Company on 4 April 2011 pursuant the Subscription and Shareholder Agreement ("SSA") in respect of 76,923,076 new ordinary shares in the Company at 13p per share which on issue Solomon immediately transferred the shares acquired to funds managed by Baker Steel; and
- On 16 August 2011 the Company announced a further exercise of rights under the Solomon and Runruno Holdings Limited ("RHL") Option Deeds entered into with the Company on 4 April 2011 pursuant the SSA:

- Solomon exercised its rights to a further 50,000,000 new ordinary shares in the Company at 13p per share and pursuant to its agreement with Baker Steel on issue immediately transferred the shares acquired to funds managed by Baker Steel;
- Solomon also exercised its rights in respect of 75,260,164 new ordinary shares in the Company at 13p per share; and
- RHL exercised its rights under its option deed with the in respect of 29,116,350 ordinary shares in the Company at 13p per share.

The shares allotted pursuant to exercise of the options have been admitted to trading on AIM.

Following completion of the option exercises and the transfers from Solomon to Baker Steel, the shareholdings of Solomon, Baker Steel, RHL and their associates are as set out in the table below:

Shareholder	Number of Metals Exploration PLC Shares	Percentage of the issued share capital of the Company
Solomon Capital Limited	222,864,781	32.1
Shelfco724 Limited	100,000,000	14.4
Baker Steel	151,190,731	21.8
Runruno Holdings Ltd	106,039,427	15.3
Graham Edwards	19,001,919	2.7

There are now no rights remaining under either the Solomon or RHL Option Deeds.

Appointment of a Broker

The Company appointed Fairfax I.S. PLC ("Fairfax") as the Company's sole broker effective from 6 September 2011. Westhouse Securities Limited continues to act as the Company's Nominated Adviser.

Approval

Mr Ian Holzberger, a director of the Company, who has been involved in the mining industry for more than 38 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.