

METALS EXPLORATION PLC

OPERATIONAL UPDATE QUARTER ENDED 31 DECEMBER 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: 25 January 2012

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

For further information please contact:

Metals Exploration plc

Ian Holzberger: +61 41 888 6165

Liam Ruddy; +44 7911 719 960

Nominated Adviser:

Westhouse Securities Limited

Tim Feather / Matthew Johnson

+44 (0)20 7601 6100

Broker:

Fairfax I.S. plc

Ewan Leggat

+44 (0)20 7598 5368

Public Relations:

Tavistock Communications

Edward Portman / Jos Simson

+44(0) 7733 363 501

Highlights

- Runruno site earthworks commenced.
- Program of early site works approved for implementation over five months to expedite full construction.
- Full construction estimated to take 15 months following completion of early site works and availability of debt funding.
- Key early works include development of the processing plant pad and construction infrastructure.
- Contracts awarded for site earthworks and the construction camp.
- Good progress made on processing plant earthworks.
- The Company through its subsidiary FCF Minerals Corporation and Leighton Contractors (Asia) Limited (“Leighton”) have entered into a Letter of Intent for an Engineering and Construct contract and a Procurement contract to design and construct the Runruno processing plant.
- Leighton has commenced detailed design and engineering works for the processing plant.
- Debt funding activities have progressed positively.
- Potential gold mineralised zone outlined south of the Runruno mineralisation; follow up drilling required.
- Drill hole intercepts include MXD842 - 3m @3.46 g/t Au, 454 ppm Mo and MXD845 - 13m @ 2.28 g/t Au, 2,951 ppm Mo.
- Strong copper intersection recorded in hole MAD010 - 31m @ 0.85%Cu, 0.35 g/t Au at Magnetite Creek.
- Metals Exploration increases its beneficial interest in the Runruno Gold project to 100%.

Ian Holzberger, Executive Chairman, commented:

“It has been a very rewarding and significant quarter with the issue of the DMPF, approval of a package of early site works and indeed the initiation of those works with the commencement of earthworks on the processing plant site. To see the daily changes at site as the work proceeds demonstrates the reality of the Runruno project.

“We are pleased to be working closely with Leighton on the detailed design of the processing plant and to have confirmed our intentions to use them to construct the plant through the Letter of Intent between the Company and Leighton.

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

“The encouragement we continue to receive in our exploration drilling activities both south of the Runruno pit and at Magnetite Creek demonstrates the potential of the Runruno FTAA. It is significant that the Company has now developed an understanding of the potential mineralisation south of the planned pit and can set about testing that model.

“The Company's securing of full ownership of the Runruno project is a major step in the ultimate development of the Project and it must be considered to offer a significant value add for the Company.”

Runruno Gold Project

The Company's Q4 2011 activities were directed to the advance of the Runruno Gold project towards construction. 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.

Declaration of Mining Project Feasibility

The Secretary of the Department of Environment and Natural Resources (“DENR”) approved the Runruno Declaration of Mining Project Feasibility (“DMPF”) early in the quarter. Subsequently, the DMPF was issued to the Company's operating subsidiary FCF Minerals Corporation (“FCF”) on 20 October.

On issue of the DMPF, FCF became authorised to proceed into the Construction and Operating Periods of the Runruno FTAA permitting on ground construction activities to commence.

Commencement of Early Site Works

A program of site works has been approved for execution over a five month period leading up to the expected commitment to full construction. Full construction will be initiated upon the availability of draw down of the debt component of the Project funding package.

Site work began during December with initiation of the earthworks on the processing plant pad.

The early works package is being implemented to materially advance the Project into construction and to support the reduction of the full construction phase to an estimated 15 month period. This expedited full construction phase will be achieved through the early establishment of the construction infrastructure and the early preparation of the processing plant pad.

The program consists of seven key activities:

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

Site earthworks

A contract has been awarded to a Filipino earth moving contractor for a scope of work which includes the preparation of:

- Site roads;
- Construction of three permanent causeways across the Sulong river;
- Preparation of the office, camp, concrete batch plant and construction lay-down pads; and
- Road access to the pit.

The earthmoving equipment is at site and work is expected to commence in February.

Processing Plant Earthworks

Two contracts have been awarded for work on the processing plant site including the crusher pad; the first to a local community based group to undertake the construction of gabion walls as required and the second to a Filipino earth moving contractor. All the required equipment is located at site. Work commenced midway through December but was suspended over the Christmas - New Year period and resumed in mid January, following the festive period.

The work, which is expected to take around five months to complete, is proceeding well with excellent progress made to date. The majority of the site has been cleared and grubbed and the establishment of the various levelled pads commenced. Leighton Contractors Asia Limited (“Leighton”) the selected EC&P contractor responsible for the design and construction of the processing plant, designed the pad and specified the pad construction parameters. Whilst FCF's Owner's Team is supervising the contractor, Leighton are working with the Company to ensure the pad meets specifications.

Progress to date is shown in the photographs below.



Processing plant site earthworks - looking north (20 Jan 2012)



Processing plant site earthworks - looking west from the top of the proposed pit (20 Jan 2012)

Construction Camp

A contract to construct the first accommodation module, ablutions and messing facilities of the 550 man construction camp has been let. Work is expected to commence during February.

General

Preparatory works are underway on the balance of the early site work activities.

EC&P - GMP Contract

In December the Company advised the market that it had issued a Letter of Intent (“LOI”) to Leighton to enter into an Engineering and Construct contract and a Procurement contract (“EC&P”) to design and construct the Runruno processing plant subject to availability of debt funding, final Board construction approval and full contract documentation. This letter has been accepted by Leighton and it and the Company are now focused on the construction of the Runruno project.

The LOI was issued against Leighton's offer of a Guaranteed Maximum Price (“GMP”) of US\$95.1 million to construct the Runruno processing plant. Leighton's offer is subject to revalidation at the time of execution of the construction contract.

FCF has also contracted Leighton to undertake a program of detailed design in advance of the full EC&P contract. The cost of this program, which will run over five months, will be captured under the GMP cost.

The detailed engineering program will take the processing plant design to around an estimated 60% complete with a number of key areas being 100% complete. Like the early site works program outlined above, the detailed engineering work program is designed to enable the full 15 month construction phase of the Project. Work will be tailored so that all long lead time items can be ordered immediately on the commencement of full construction and footing and foundation works commenced after a minimal mobilisation stage.

Work commenced in December.

Metallurgical Testwork

A program of work to assess the potential variability in gravity and flotation performance of the ores forecast to be mined during the first four years of production commenced during the quarter. Samples representing the first two years of production by quarters and years three and four by halves are being tested at AMMTEC's laboratory in Perth. Results received for five of the twelve samples submitted reported excellent results with total process recoveries of gold (after allowing for BIOX® and carbon in leach processing) projected from the gravity and flotation recoveries in line or exceeding those projected from earlier work (93.3% combined). The program will be completed during Q1, 2012.

The available results support the gold production forecasts for the early years by demonstrating that the ore should perform as forecast in the selected metallurgical circuit.

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).

Land Acquisition

Land acquisition activities continued successfully throughout the quarter.

Funding

The Company is currently engaged in detailed discussions with a number of resource banks and alternative funding sources to finalise a debt funding package on a "Project Finance Basis", aiming to support the construction of the Runruno project. The Company has progressed to detailed diligence with one of these potential funders and it is being assisted in all of these endeavours by an experienced advisor.

It is the Company's intention to finalise a package during Q1, 2012.

FCF work at Runruno Highly Recognised at the Mineral Industry Environmental and Safety Awards

The Company's Philippine operating subsidiary, FCF, was recognised for its work at Runruno and in the host communities and environment by being identified as the outstanding achiever at the 2011

Presidential Minerals Industry Environmental Awards. FCF received three awards, demonstrating its commitment to responsible mining, the environment and a zero harm culture:

- The 2011 Presidential Mineral Industry Environment Award (Exploration Category);
- Safest large scale Exploration project; and
- Runner-up in the Best Mining Forests Award - Exploration Category.

The awards demonstrate the Company's commitment to being a responsible miner



Regional Exploration

Exploration activities within the Runruno FTAA but outside the Runruno orebody continued throughout Q4, 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 and ground mapping within the FTAA. A summary of the holes drilled is presented in the following table.

Location	Holes Completed Ytd	Metres Ytd	Holes Completed During Q4	Metres During Q4
RUNRUNO - Resource Extension	16	2,916	5	957
RUNRUNO FTAA - Regional Exploration	17	4,718	3	873
TOTAL	33	7,634	8	2,901

Runruno Mineral Resource Extension

Drill testing for extensions to the Runruno resource area to the south of the planned pit continued during the quarter. Previously reported intercepts of gold and molybdenum mineralisation extended the Runruno mineralised zone 150m south of what had been the interpreted southern extent of the Runruno mineralisation. Recent drilling has traced the mineralised zone closer to the surface and extended the potential for significant mineralisation further to the south.

A wide high-grade mineralised zone was intersected in hole MXD842 which traced the previously intersected deeper mineralisation on line 50N to the east. and closer to the surface.

Two step-out drill holes MXD845 and MXD846, drilled late in the quarter and collared a further 150m to the south, around 300m south of the proposed Runruno pit, intersected wide zones of gold and molybdenum mineralisation at depth. These intersections lie about half way between the southern

boundary of the proposed pit and the previously reported deep zone of mineralisation found in TUD012, 6m at 2.81 g/t Au from 241m at the Tulingan prospect.

With the information available from the holes drilled to date it appears possible to interpret a significant zone of flatly dipping gold and molybdenum mineralisation measuring between 8-12m thick and grading between 2- 3 g/t Au and occurring at depth extending south of the Runruno pit for 600m plus to the Tulingan prospect area and perhaps further south. The potential width of the mineralisation has not been established but it has been intersected over 200m in an east west direction. It appears from the data available that the mineralisation is truncated towards the east by the Malilbeg Fault, a possible mineralising structure, but remains open in both a westerly and southerly direction. Of significant interest is that though the mineralisation is broadly analogous to and may be projected back into the main Runruno mineralisation through a zone of disturbance marking the southern end of the Runruno mineral resource, the character of the mineralisation is unique. The mineralisation appears to exhibit slightly higher gold grades, displays much higher molybdenum grades and contains low but significant levels of copper unlike the Runruno mineralisation.

While the gold molybdenum mineralisation has been intersected at depths of between 75-180m below the surface the indicated widths and grades make it a target for underground mining.

Drilling to more fully test the potential of the zone is planned in 2012 with drilling having recommenced following the Christmas - New Year break. Significant assays reported during the quarter are shown below.

Hole_ID	From (m)	To (m)	Width (m)	Au g/t	Mo ppm
MXD842	102.0	110.0	8.0	3.46	454
	112.0	113.0	1.0	1.83	138
MXD845	191.0	204.0	13.0	2.28	2,951
MXD846	117.0	129.0	12.0	0.90	1,164
	144.0	146.0	2.0	1.07	1,232
	153.0	157.5	4.5	1.37	1,360

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. Previously reported drilling returned encouraging zones of anomalous copper and gold indicative of being in close proximity to a mineralising system.

Two deeper holes were completed during the quarter to test for continuation and development of the of the mineralised zones previously encountered in holes MAD001 and MAD005.

MAD008 intersected narrow intervals of anomalous gold and copper mineralisation throughout the hole including an interval of 73m averaging 0.10% Cu from 149m. This included narrower higher grade sections of 9m at 0.23% Cu from 154m and 10m at 0.13% Cu from 175m which correlate with the anomalous copper intersections previously reported from MAD001.

Hole MAD010 intersected a number of zones of copper and gold mineralisation which can be correlated with mineralised zones intersected in MAD005. Most encouraging was that the drill hole contained some of the best mineralisation intersected to date at Magnetite Creek. Of special interest was an interval of 24.65m from 229.35m which averaged 1.01% Cu and 0.43 g/t Au within a 31m zone averaging 0.85% Cu and 0.35 g/t Au between 227m and 258m.

These holes continue to confirm the potential of the area for significant copper and gold mineralisation. Drilling is continuing to test the identified mineralised zones both along strike and at depth.

Significant drill hole assay results are shown in the table below.

Hole_ID	From (m)	To (m)	Width (m)	Cu %	Au g/t
MAD008	109.0	126.0	17.0	0.14	0.08
	140.0	145.0	5.0	0.07	0.75
	154.0	163.0	9.0	0.23	0.08
	175.0	185.0	10.0	0.13	0.08
	203.0	210.0	7.0	0.22	0.09
MAD010	153.0	155.0	2.0	0.01	0.73
	192.0	194.0	2.0	0.59	0.42
	227.0	258.0	31.0	0.85	0.35
	339.0	342.0	3.0	0.75	0.45
	357.0	369.0	12.0	0.40	0.34
	379.0	389.0	10.0	0.18	0.02
	429.0	444.0	15.0	0.44	0.02

Regional Exploration

Geological mapping and rock geochemistry sampling continued within the Runruno FTAA. Work was concentrated in the Magnetite Creek and Burnt Tree Creek localities in conjunction with the diamond drilling programme.

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
MXD842	656	50	460	92	-60	150.0
Hole ID	UTM Grid East	UTM Grid North	Collar Elevation	UTM Azimuth	Dip	Depth M
MXD845	321149	1814257	535	89	-60	255.5
MXD846	321230	1814257	456	92	-60	262.0

Magnetite Creek

Hole ID	UTM Grid East m	UTM Grid North m	Collar Elevation m	UTM Azimuth	Dip deg	Depth m
MAD008	322522	1812963	590	40	-61	535.85
MAD010	322590	1812861	679	41	-59	488.50
MAD011	322715	1812898	605	42	-61	189.40 In prog.

Corporate Activity

Acquisition of Remaining 15 % of the Runruno Project

During the Quarter the Company announced that it had exercised its pre-existing option with Christian Mining Inc, a domestic Philippine company, to purchase the remaining 15% of FCF Minerals Corporation's ("FCF") shares in issue which it did not previously own, for US\$6.0 million.

The cost of the option was equivalent to US\$44.44 per reserve ounce or US\$28.78 per resource ounce (total, including reserves).

The transaction has now completed and Metals Exploration's beneficial ownership of Runruno is now 100%.

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.

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.