

METALS EXPLORATION PLC

QUARTERLY UPDATE TO 31 MARCH 2018

Metals Exploration plc (AIM: MTL) (“Metals Exploration” or “the Company”), the natural resources exploration and development company with assets in the Pacific Rim region, today provides a quarterly update on matters relating to the construction and development of its Runruno gold-molybdenum project (the “Project”) in the Philippines.

AIM Code: MTL

At: 20 April 2018

Shares in Issue: 2,071,334,586

Warrants: 100,000,000

Directors:

Ian Holzberger, Executive Chairman

Timothy Dean

Guy Walker

Julian Wilson

Eduard Simovici

Management:

Ian Holzberger, Executive Chairman

Liam Ruddy, Company Secretary

Andrew Rodgers, CFO

Peter Storey, GM Operations

Ian Moller, Country Manager

Roland Taganas, Legal Counsel

Tommy Alfonso, Financial Controller

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Summary:

The Company is pleased to report that subsequent to the period end and within the last week, the Company has achieved and maintained 100% design throughput at its BIOX[®] circuit. While clearly early days, this is a significant achievement for the Company and maintaining this level of throughput will facilitate achieving higher gold recoveries.

Mining Operations

- Mining operations begin to benefit from the commissioning of the Tullangan waste dump.
- Komatsu mining equipment is approaching its first scheduled major components replacement stage requiring a progressive work through program.

Processing Operations

- 10,593 ounces of gold were poured during the quarter.
- The Runruno Process Plant team has taken full control of the BIOX[®] ramp-up and implemented its own working protocols.
- The BIOX[®] circuit had achieved a throughput of 45% in ramp-up at the end of the quarter; subsequent to the end of the quarter, the BIOX[®] circuit reached a milestone event achieving and maintaining 100% of the design throughput rate.
- The BIOX[®] circuit bio-mass has demonstrated strong resilience and excellent health.

Finance

- 11,338 ounces of gold were sold during the quarter at an average realised gold price of US \$1,328.14 per ounce.
- Poured gold doré inventories at 31 March 2018 totalled 1,242 ounces.
- Cash at bank at 31 March 2018 was US\$1.74 million.
- Total interest-bearing liabilities as at 31 March 2018 were US\$90.8 million.

Recent photographs of the project have been uploaded onto the website and can be accessed by clicking on the following link:

<http://metalsexploration.com/overview.html>

*** Refer to end of this document ***

Production Summary

Mining Operations

Key Metric	Unit of measure	Quarter ended 31 Mar 2018	Year to date 2018	Period to 31 Dec 2017	Period to 31 Dec 2016
Mining activities					
Ore mined	tonnes	353,960	353,960	1,815,669	490,558
Waste mined	tonnes	1,472,217	1,472,217	7,644,821	7,920,205
Total material movements		1,826,177	1,826,177	9,460,490	8,410,763
Strip ratio	waste/ore	4.16	4.16	4.05	15.15
Au grade mined	grams/tonne	1.60	1.60	1.62	1.42
Ctd ¹ . ounces gold mined	ounces	18,250	18,250	92,363	22,396
S ² grade	%	0.99	0.99	0.82	0.29
Processing activities					
Tonnes milled	tonnes	435,775	435,775	1,688,254	468,170
S ² feed grade	%	0.96	0.96	0.82	0.53
Au feed grade	grams/tonne	1.38	1.38	1.38	1.29
Gold recovery	%	54.7%	54.7%	47.9%	51.0%
Gold poured	ounces	10,593	10,593	36,006	8,166
Gold sold	ounces	11,338	11,338	35,697	6,489

Notes:

¹ 'Ctd.' means 'contained'

² 'S' represents the element Sulphur

Mining operations are benefitting from being able to use the Tullangan waste dump which provides shorter haul distances combined with dumping flexibility and capacity during wet weather. The Komatsu equipment has reached mid-life and requires a program of maintenance, during which major components are either changed out or re-manufactured to ensure its ongoing reliability. Two additional trucks have been sourced on a short term hire bases to ensure production during this period.

Productivity during the quarter was impeded with mechanical breakdowns and further preparatory and safety works to the Tullangan waste dump. The benefits of these works are now being delivered at Runruno.

Process Plant

Significant advances have been made in the Processing Plant with the BIOX[®] circuit having achieved 100% of design throughput rate after the end of the quarter within the last week. The circuit will now be stabilised before

the remainder of the processing circuit is brought into balance with the now performing BIOX® circuit. A corresponding improvement in the overall gold recovery circuit, building towards the design recovery of 91%, is expected.

Contemporaneous with the commencement of the quarter the FCF site operating team took full control of the BIOX® ramp-up. At that time the physical and chemical parameters used to operate the circuit were significantly adjusted and a new site developed control philosophy instituted with positive effect. Further fine tuning of these parameters over the quarter underwrote the ramp-up which commenced from a zero base. As the quarter progressed the bio-mass demonstrated increasing strength and resilience behaving in a manner hitherto unseen. During the ramp-up two power interruptions external to the Runruno operation but impacting its power supply and consequently the BIOX® air supply occurred. It is management's view that if both of these events were to have occurred previously they would likely have set the circuit back 6 weeks for each event. However, with the newly established strength and resilience the circuit was quickly re-established and ramp-up continued. The circuit has shown evidence of further strengthening the closer it got to design throughput. The circuit is also now demonstrably more resilient.

A detailed assessment by the processing team identified that some of the reagents used in the processing circuit which were present in the BIOX® circuit, when combined were acting to impede the BIOX® processes either physically or chemically. These specific reagents have now been isolated and where possible replaced to the operating benefit of the BIOX® circuit.

Additional initiatives to further mitigate the impacts of unscheduled power outages have been identified and are being continuously implemented.

Residual Storage Impoundment ("RSI")

RSI construction works in stage 4 are near complete while stage 5 works are well established.

The Tullangan overflow waste dump has been established and the dumping of waste commenced. The dump's availability has improved the efficiency of the mining fleet cycle and provides flexibility to the mining operations.

Occupational Health & Safety

The Runruno gold mine has an impressive occupational health and safety record since commencement of operations and this continued throughout the quarter ended 31 March, with no lost time accidents reported. The Company is fully committed to providing a safe and healthy workplace for everyone at Runruno engaged in mining and support services at all times.

Environment and Compliance

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

Community & Government Relations

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

Finance (Unaudited)

- 11,338 ounces of gold were sold during the quarter at an average realised gold price of US \$1,328.14 per ounce;

- Poured gold inventories as doré at 31 March 2018 totalled 1,242 ounces;
- Interest payments of US \$1.174 million were made to the senior lenders in the quarter;
- Capital payment due to senior lenders on 29 December 2017 and 29 March 2018 totalling of US \$12.96 million have been agreed to be deferred until 30 June 2018;
- The Company is in discussions with financial lenders to restructure the Group debt facilities;
- The Company secured a US\$2 million standby loan facility from its major shareholders of which US\$1 million has been drawn to date;
- Total interest-bearing liabilities as at 31 March 2018 were US \$90.80 million; and
- Cash at bank at 31 March 2018 was US \$1.74 million. The movement in cash balances during the quarter is summarised as follows:

Cash movements & balances (unaudited)	Quarter ended 31 March 2018 US\$M
Receipts from gold sales	14.945
Operating expenditure	(13.393)
Standby loan facility proceeds	1.000
Corporate costs/receipts	(0.136)
Cash flows before finance costs	2.416
Interest and financing costs paid	(1.174)
Net movement for quarter	1.242
Cash balance at start of quarter	0.502
Cash balance at end of quarter	1.744

- END -

Mr Ian Holzberger, a director of the Company, who has been involved in the mining industry for more than 45 years, is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists, has compiled, read and approved the technical disclosure in this regulatory announcement.

Forward Looking Statements

Statements relating to the estimated or expected future production, operating results, cash flows and costs and financial condition of Metals Explorations, planned work at the Company's projects and the expected results of such work are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by words such as the following: expects, plans, anticipates, forecasts, believes, intends, estimates, projects, assumes, potential and similar expressions. Forward-looking statements also include reference to events or conditions that will, would, may, could or should occur. Information concerning exploration results and mineral reserve and resource estimates may also be deemed to be forward-looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed.

These forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable at the time they are made, are inherently subject to a variety of risks and

uncertainties which could cause actual events or results to differ materially from those reflected in the forward-looking statements, including, without limitation: uncertainties related to raising sufficient financing to fund the planned work in a timely manner and on acceptable terms; changes in planned work resulting from logistical, technical or other factors; the possibility that results of work will not fulfil projections/expectations and realize the perceived potential of the Company's projects; uncertainties involved in the interpretation of drilling results and other tests and the estimation of gold reserves and resources; risk of accidents, equipment breakdowns and labour disputes or other unanticipated difficulties or interruptions; the possibility of environmental issues at the Company's projects; the possibility of cost overruns or unanticipated expenses in work programs; the need to obtain permits and comply with environmental laws and regulations and other government requirements; fluctuations in the price of gold and other risks and uncertainties.

For further information please visit or contact www.metalsexploration.com

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Surface mine aerial view 1 – MDS and mine slope rehabilitation



Surface mine aerial view 2 – stage 1 floor



Surface mine aerial view 3 – stage 1 floor



Preparatory works on Tullingan Dump Site – January 2018



Residual Storage Impoundment – spillway view



Residual Storage Impoundment – aerial view of pond



Residual Storage Impoundment – aerial view on top of dam front wall



Residual Storage Impoundment – storage capacity view