

METALS EXPLORATION PLC

QUARTERLY UPDATE TO 30 SEPTEMBER 2017

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.

The overall project performance has improved but gold production levels remain hampered by the ongoing suboptimal performance of the processing facilities. Since the update provided to the market on 29 September 2017, the BIOX® circuit has recovered satisfactorily and is being ramped up having achieved 27.5% of design throughput at the date of this report. As previously announced the Company has finalised a \$21m mezzanine funding facility to be used for its immediate working capital requirements and to repay recent short term loans.

AIM Code: MTL

At: 19 Oct 2017

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, GM Runruno Project
Roland Taganas, Legal Counsel
Tommy Alfonso, Financial Controller

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Summary:

Mining Operations

- Mining operations continue to perform well at design forecast levels.
- The site magazine blasting permit has been approved providing an improved flexibility in the mining operations.
- The third tree cutting permit was issued removing a potential bottleneck on waste material dumping.

Processing Operations

- 9,677 ounces of gold were recovered during the quarter an improvement on 7,319 ounces recovered in Q2.
- The process plant, with the exception of the BIOX circuit, is operating at design throughput levels with good mechanical reliability.
- The ramp up of the BIOX® circuit continues to be challenging but stands at 27.5% of design throughput at the date of this report.

Finance

- 8,961 ounces of gold were sold during the quarter at an average realised gold price of US \$1,258.32 per ounce.
- Poured gold inventories at 30 September 2017 totalled 1,350 ounces.
- A mezzanine loan facility of US \$21 million was secured from the Company’s two major shareholders in the period.
- Short term loans totalling US \$12 million were repaid to the same shareholders during the period.
- Cash at bank at 30 September 2017 was US \$7.214 million.
- Total interest-bearing liabilities as at 30 September 2017 were US \$89.80 million.

Production Summary

Key Metric	Unit of measure	Quarter ended 30 Sep 2017	Year to date 2017	Period to 31 Dec 2016
Mining activities				
Ore mined	Tonnes	394,043	1,330,625	490,558
Waste mined	Tonnes	2,023,967	6,415,680	7,920,205
Total material movements		2,418,010	7,746,305	8,410,763
Strip ratio	waste/ore	5.14	4.82	15.15
Au grade mined	grams/tonne	1.56	1.54	1.42
Ctd. Ounces gold mined	ounces	19,840	64,530	22,396
S Grade	%	0.71	0.76	0.29
Processing activities				
Tonnes milled	tonnes	406,843	1,221,870	468,170
S Feed grade	%	0.93	0.76	0.53
Au feed grade	grams/tonne	1.41	1.28	1.29
Gold recovery	%	55.0%	51.4%	51.0%
Gold recovered	ounces	9,677	25,956	8,186
Gold Poured	ounces	9,085	24,753	8,166

Mining Operations

Mining has performed well throughout Q3 2017, achieving expected production levels. Quarterly ore production tonnages achieved reflects the ability of the mining team to mine harder ores and the milling rates achieved in the same period.

In September 2017 FCF Minerals Corporation ('FCF') obtained the magazine stocking permit. This has allowed the mine to plan and blast with flexibility, improving productivity and reducing the stresses applied to the mining equipment.

Mining movements during Q3 totalled 2,418 million tonnes (ore and waste) with the waste to ore strip ratio averaging 5.14:1.

The third tree cutting permit was issued by the Department of Energy and Natural Resources of the Philippines, removing potential restrictions to the efficient operations of the mine by:

- allowing access to the overflow waste dump,
- improved mining efficiencies and flexibilities by better scheduling of ore types and waste extraction, and
- improved operation of the Residual Storage Impoundment.

Process Plant

The process plant ramp up continued to be challenging throughout the quarter.

The BIOX® circuit saw increased throughput during the month of August delivering some of the best gold recoveries experienced to date of up to 76%.

As the flow rates increased to 50% in early September the circuit then commenced progressive deterioration with the circuit passivating. After a series of logical and diagnostic tests it was clear there was a pathogen present. The source has been identified as being present in the process water drawn from the Residual Storage Impoundment ('RSI'), which at the time contained dead algae.

Successful mitigation measures have been put in place. Towards the end of September the BIOX® tanks have been reactivated and the ramp up recommenced having achieved 27.5% throughput at the date of this report.

The ramp up is being approached on a conservative basis and while this has been a challenging period the lessons learned has strengthened the operating & technical knowledge of the BIOX® circuit.

Residual Storage Impoundment

Construction of the RSI and its current uplift works are proceeding to design. The company is investigating an option to use a barrier material in the construction of the core area of the wall and if successful this will reduce the clay and filter materials required and accelerate construction. This would provide a significant cost savings in the longer term.

The 3rd tree cutting permit has allowed the preparatory works to commence to develop an overflow waste dump. It will take up to three months to complete the civil works required to allow this dump to be compliant to take waste. When it is ready this will provide a significant relief of various logistical and planning restrictions which have constrained the rate of development of the RSI.

Occupational Health & Safety

Normal operations with no lost time incidents reported.

Environment and Compliance

The operation remains compliant with all environment and regulatory requirements with no incidents recorded. It maintains very high environmental standard with a number of unique aspects installed to ensure these standards.

Community & Government Relations

Sound community relations have been maintained.

Finance (Unaudited)

- 8,961 ounces of gold were sold during the quarter at an average realised gold price of US \$1,258.32 per ounce;
- Poured gold inventories at 30 September 2017 totalled 1,350 ounces;

- Capital & interest payments were made to the senior lenders two business days after the end of the Quarter;
- A Mezzanine loan facility of US \$21 million was secured from the Company's two major shareholders (Runruno Holdings Limited and MTL (Luxembourg) Sarl) and used to repay short term loans amounting to US \$12 million and to provide funds which will be used to facilitate payments due to the senior lenders;
- On 3 October 2017, the Group received cash proceeds of US \$2k in settlement of gold hedging totalling 7,500 ounces that matured in the quarter with a fixed price of US \$1,287.49 per ounce but achieved a strike price of US \$1,286.95 per ounce on 29 September 2017;
- Remaining forward sales of gold ounces total 22,500 ounces and three quarterly contracts remain outstanding each at an average forward price of US \$1,287.19 per ounce of gold; and
- Total interest bearing liabilities as at 30 September 2017 were US \$89.80 million.
- Cash at bank at 30 September 2017 was US \$7.214 million. The movement in cash balances during the quarter is summarised as follows:

	Quarter ended 30 September 2017
Cash movements & balances (unaudited)	US\$M
Receipts from gold sales	11.276
Operating expenditure	(11.627)
Net mezzanine loan proceeds	5.908
Corporate costs/receipts	-
Cash flows before finance costs	5.557
Interest and financing costs paid	(0.452)
Principal repayments	-
Gold hedge and interest rate swap settlements	0.309
Net movement for quarter	5.414
Cash balance at start of quarter	1.80
Cash balance at end of quarter	7.214

- END -

Mr Ian Holzberger, a director of the Company, who has been involved in the mining industry for more than 44 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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