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 development of its Runruno gold project (the “Project”) in the Philippines.

**Mining Operations**
- 494,184 tonnes mined during the quarter. This rate was affected by reduced mining fleet availability and heavy rains associated with Typhoon Rosita. The reduced availability was due to scheduled maintenance and component refitting to prolong the life of the fleet.
- Average grade of 1.53g/t was achieved during the quarter as mining moved from transitional ore to the fresh ore as the pit opened up in accordance with stage 2 of the mine plan.

**Processing Operations**
- Gold recoveries reached 64% in Q4.
- Planned maintenance shutdown occurred during the quarter to coincide with maintenance works on the national grid.
- Milling operations were reduced during Typhoon Rosita to manage the pumping of excess water in the residual storage
- The gravity circuit has been recalibrated and 37% gold recoveries were achieved from it during the period.
- BIOX operated at 45% of design during the quarter the best quarter of 2018.

**Finance and corporate**
- 11,016 ounces of gold were sold during the quarter at an average realised gold price of US $1,291.81 per ounce.
- Discussion with Lenders ongoing to refinance the Group's debt position.
- Ian Holzberger moved to Non-Executive Chairman, previously Executive Chairman.

**Post Period Events**
- Appointment of Darren Bowden as CEO on 3 January 2019.
- Restructure of Processing Plant Management and appointment of Xiaofeng Zheng as Vice President.
Technical Services. Xiaofeng has a PhD degree in flotation from Julius Kruttschnitt Mineral Research Centre (JKMRC), University of Queensland.

- Appointment of Andrew Crawford as the Plant Manager. Andrew has 27 years mineral processing experience and holds a Bachelor of Engineering (Honours) and Metallurgical Engineering from the Royal Melbourne Institute of Technology.
- Operational review commenced by new management.
- On 24 January 2019, Mr Ian Holzberger resigned as Non-executive Chairman and Mr Andrew Rodgers resigned as Chief Financial Officer effective 28 February 2019. The Company wishes them well in their future endeavours.
- On 25 January, Mr Guy Walker, was appointed as Non-Executive Chairman on an interim basis until a permanent Chairman has been appointed.

New Business Plan and Management Changes

In conjunction with the appointment of Darren Bowden as CEO, the Company has begun a restructuring of the Processing Plant Management Team as part of a wider ‘Business Plan Review’ for Runruno. This review is ongoing.

Xiaofeng Zheng has joined the Company recently as Vice President Technical Services. Xiaofeng has a PhD degree in flotation from Julius Kruttschnitt Mineral Research Centre (JKMRC), University of Queensland, Australia. In addition, Andrew Crawford has been appointed the Plant Manager at Runruno. Andrew has 27 years mineral processing experience and holds a Bachelor of Engineering (Honours) and Metallurgical Engineering from the Royal Melbourne Institute of Technology. Prior to joining Metals Exploration, Andrew was the Processing Manager at Australia’s largest tin producing mine. He has also worked for Newcrest, where he was the Senior Metallurgical Advisor, and he was the Metallurgical Manager at Golden Grove Operations.

Review of Processing, and Metallurgical Accounting

The new management team is reviewing the Processing Plant data and is in the process of upgrading the accounting and monitoring systems. Initial findings have revealed that gold recovery levels may have been previously overstated and that BIOX has yet to perform at design capacity.

A review of these accounting and monitoring systems may lead to changes in the previously stated performances for previous periods, though not the mined tonnages or gold poured. To the extent such changes are made as a result of the review the Company will release the updated figures upon completion of the review.

Mining Operations

494,184 tonnes were mined throughout the quarter despite activities being suspended for several days due to Typhoon Rosita, including preparing for the typhoon and undertaking remediation works before mining could recommence safely. Heavy rains throughout October and early November provided mining with further challenges.

The challenges of the previous quarter were overcome in early October and stage 2 of the pit has been opened to allow the ore to be mined. In October and early November transitional ore was mainly mined which was
partially oxidised and having a relatively low sulphur content which negatively affected recoveries. However, by mid-November and through the rest of the period the quality of ore had improved as fresh ore was accessed.

The mining fleet is undergoing a programme of major component refitting which will prolong the equipment life and benefit mining operations in the long term. During Q4 2018, mining did not have the full and continuous use of its fleet due to the refit works but this is expected to improve as the fleet benefits from higher availability of the maintenance.

The average mine gold grade in the quarter was low at 1.53 grams/tonne but is a result of transitional ore being mined early in the quarter when opening up stage 2 of the pit. The mined gold grade progressively increased through the quarter as better-quality ore became available.

**Process Plant**

The mill underwent a planned maintenance shutdown during the quarter to coincide with maintenance works undertaken by the Philippines National Grid Corporation on the province’s electrical supply infrastructure. Other than this issue the power supply to the mine site was stable in Q4. Milling operations were negatively impacted during the typhoon due to interruptions experienced on the return water line. It is normal operating procedure during a typhoon to divert pumping capacity to manage the excessive water entering the residual storage impoundment (“RSI”).

The process plant received a blend of ore with a high transitional proportion and the operators made several operational adjustments in flotation to accommodate the material as best they could. As a result of the operational adjustments, the current estimated gold recoveries reached an average of 64% for Q4.

The gravity circuit achieved 37% gold recoveries during that period.

The average estimated gold grade for Q4 was 1.53 grams/tonne.

The BIOX® circuit remained stable during the quarter operating at 45% of design for the quarter. Management is focused on optimising the Processing Plant to improve both the BIOX® circuit and gold recovery levels. Currently BIOX is limiting the overall plant performance, steps are being taken to improve this.

**Residual Storage Impoundment (“RSI”)**

Typhoon Rosita passed over the mine site and RSI on 30 October depositing 354mm of rainfall in the vicinity of the mine. It is pleasing to report that no uncontrolled discharge events occurred and the RSI performed to its design criteria. The typhoon event was planned and executed extremely professionally and successfully, including remediation works. The return water line supplying water to the process plant experienced interruption incidents which were managed by the process plant operators.

**Occupational Health & Safety**

There has been 6,441,649 working hours elapsed since the last lost time incident at Runruno which was recorded in December 3, 2016. 2018 is the second full year in a row where no incidents involving lost time were recorded and a proud achievement for the entire mine site.

**Environment and Compliance**

The mine has a high compliance level >90% which covers its entire obligations with environmental matters. Compliance matters are fully embraced by the Runruno workforce and never taken for granted.
Community & Government Relations

Productive relations with both the community and the government continue.

Director Changes

On 6 December 2018 the Company announced that Mr Ian Holzberger had stepped down from his executory position to become Non-Executive Chairman of the board of directors. Mr Darren Bowden accepted the position of Director and Chief Executive Officer of the Company on 3 January 2019. Post the end of the Period, on 24 January 2019, Mr Ian Holzberger resigned as Non-executive Chairman and Mr Andrew Rodgers resigned as Chief Financial Officer effective 28 February 2019. The Company wishes them well in their future endeavours.

On 25 January, Mr Guy Walker, was appointed as Non-Executive Chairman on an interim basis until a permanent Chairman has been appointed.

Finance (Unaudited)

- 11,016 ounces of gold were sold during the quarter at an average realised gold price of US $1,291.81 per ounce;
- 2,992 ounces of gold were poured but unsold at the end of December 2018;
- Unsecured standby loan facility of up to $6.6 million from two major shareholders;
- Interest payments of US $840,253 were made to the senior lenders in the quarter;
- A capital payment of US $500,000 was made to the senior lenders in the quarter;
- Capital payments due to senior lenders on 29 December 2017, 29 March 2018, 30 June 2018 and 30 September 2018 totalling US $27.04 million have been deferred until 31 January 2019 subject to debt restructuring conditions;
- Total interest-bearing liabilities as at 31 December 2018 were US $104.5 million;
- Total short term shareholder loans included in the US $104.5 million as at 31 December 2018 were US $11.72 million; and
- Cash at bank at 31 December was US $1.77 million.

Discussions with Senior Lenders regarding restructuring of FCF Minerals Facility are ongoing and a market announcement will be made when these discussions are finalised.

Restructuring of the Company’s working capital loans is yet to be completed but discussions are ongoing.
The movement in cash balances during the quarter is summarised as follows:

<table>
<thead>
<tr>
<th>Cash movements &amp; balances (unaudited)</th>
<th>Quarter ended 31 Dec 2018 US$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from gold sales</td>
<td>14.231</td>
</tr>
<tr>
<td>Operating expenditure</td>
<td>(18.362)</td>
</tr>
<tr>
<td>Short term loan facility proceeds</td>
<td>5.720</td>
</tr>
<tr>
<td>Corporate costs/receipts</td>
<td>(1.030)</td>
</tr>
<tr>
<td>Cash flows before finance costs</td>
<td>0.559</td>
</tr>
<tr>
<td>Interest and financing costs paid</td>
<td>(0.840)</td>
</tr>
<tr>
<td>Principal repayments</td>
<td>(0.500)</td>
</tr>
<tr>
<td>Interest rate swap settlements</td>
<td>0.013</td>
</tr>
<tr>
<td>Net movement for quarter</td>
<td>(0.768)</td>
</tr>
<tr>
<td>Cash balance at start of quarter</td>
<td>2.539</td>
</tr>
<tr>
<td>Cash balance at end of quarter</td>
<td>1.771</td>
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</table>

**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](http://www.metalsexploration.com)

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