

METALS EXPLORATION PLC

Metals Exploration plc (AIM: MTL) ("Metals Exploration" or the "Company"), the natural resources exploration and development Company with assets in the Pacific Rim region announces that management, together with an independent third party BiOX specialist consultant, has completed the previously announced operational review of the historical Runruno performance data and provides clarification on mine performance in relation to previously market released data.

Results of Operational Review and Clarifications

On 30 January 2019, Metals Exploration announced that its new management team would be conducting a full review of its historical operational performance versus design and production data previously announced. Following the review, management have identified several material discrepancies in the operational data released versus the mine's actual performance and wish to make the following clarifications with regards to the processing plant's performance. This review does not impact gold poured or gold sales during the period.

2018 achieved BIOX® throughput

The historic statements referred to the BIOX circuit having achieved and maintaining 100% of design throughput rate for extended periods of 2018. It is the view of the new management and an independent 3rd party review completed by a BiOX specialist, that the BIOX® circuit has yet to reach 100% of nameplate design throughput and on average, for 2018, operated at 31% of design capacity. Changes implemented in December saw 66 sulfur tonnes fed for a single day into the BIOX® circuit, versus the design rate of 69 sulfur tonnes with the overall month, reaching 65% of design capacity on average.

The independent review completed provides the following statement and data:

"The data in the table below, generated from management's review of the Metallurgical Accounting data, confirms the data in the Internal Review Report and shows additional data that demonstrates that the design throughput was not achieved."

Period	Concentrate Feed (T)	S ²⁻ in Feed (%)	Total S ²⁻ in Feed (T)	Average S ²⁻ in Feed (TPD)	Design S ²⁻ in Feed (TPD)	Percent Variance Actual S ²⁻ in Feed vs Design
April, 2018	7,219	13.44	970	32.34	69	-53.1
May, 2018	6,937	11.16	774	24.97		-63.8
December, 2018	9,197	15.18	1,396	45.03		-34.7
Apr to Dec, 2018	55,791	13.26	7,403	26.92		-61.0
Year, 2018	60,812	13.27	8,069	22.10		-69.4

Based on the results of the operational review therefore, management believe the following previously released statements regarding BIOX® plant throughput require clarification:

Date of Release	Statement	Clarification (All %'s provided are of BiOX Design Circuit Throughput)
20 April 2018 Quarterly Update to 31 March 2018	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.	Average throughput for the quarter to Mar 2018 was 10.7%.
20 June 2018 AGM presentation	BIOX throughput is increasing steadily and has proven its capability of achieving 100% of design - having achieved 6 weeks at 100% in 2018	100% not achieved, the best 6 week period having an average throughput of 47.2%.
5 July 2018 operational update	<p>After having achieved 100% of design throughput early in Q2 2018, the BIOX circuit operated resiliently at and about these levels, demonstrating the capacity of the circuit.</p> <p>After previously announced disruptions, the BIOX® circuit has recently recommenced ramp-up and is progressing strongly with throughput having achieved 88% of design throughput.</p>	1 st Jan 2018 to 30 th June 2018 average throughput was 21.8% with the best month being April 2018 where average throughput was 46.9%.
23 July 2018 Operations Update to 30 June 2018	After previously announced disruptions, the BIOX® circuit has recently recommenced ramp-up and is progressing strongly with throughput having achieved 88% of design throughput	From 1 st of July to 22 nd of July the average throughput was 14.5% with a one week period during the month achieving a throughput of 38.5%.
10 Oct 2018 Company's Quarterly Operations Update to 30 September 2018	BIOX® operations have been stable throughout Q3 and design criteria has been demonstrated.	<p>Average throughput for the quarter Q3 was 39.1%.</p> <p>Best month was August 2018 with a throughput of 47.6%.</p>

Gold recoveries

Management have undertaken a full review and analysis of the recoveries achieved to date at Runruno. There has been a material overstatement of all gold recoveries announced to date. This is evidenced by the material difference reported in the mine head grade and mill feed grade which was calculated incorrectly. Management can further confirm that the reconciliation of mine ore tonnes to ounces provides for a strong and accurate representation of the ounces that were mined during the period ending December 2018 however the dilution is significantly higher than those analysed in the BFS leading to a lower mill feed head grade.

The stated recoveries, as a result, have been consistently overstated due to the incorrectly calculated mill feed grades to the processing plant. In 2017, while same level of detailed analysis undergone for 2018 cannot be undertaken due to lack of available information, by using the mine delivered records, it can be shown to have been overstated by 5% - recoveries were 42.8% versus the 47.9% announced in the Company's full year 2017 results. A table with the updated results is provided below.

Key Metric	Unit of measure	Period to 31 Dec 2017 Previously Reported	Period to 31 Dec 2017 Updated
<u>Mining activities</u>			
Ore mined	tonnes	1,815,669	1,815,669
Waste mined	tonnes	7,644,821	7,644,821
Total material movements		9,460,490	9,460,490
<u>Processing activities</u>			
Strip ratio	waste/ore	4.05	4.05
Au grade mined	grams/tonne	1.62	1.62
Ctd. ounces gold mined ¹	ounces	92,363	92,363.45
S grade	%	0.82	0.82
Tonnes milled	tonnes	1,688,254	1,687,811
S feed grade ²	%	0.82	0.76
Au feed grade	grams/tonne	1.38	1.55
Gold recovery	%	47.90%	42.80%
Gold poured	ounces	36,006	36,006
Gold sold	ounces	35,697	35,697

In 2018, by using sampled and assayed mill feed values and removing the return of scats, rather than calculated values, the plant feed data aligns to the mine reconciliation within 3% and provided confidence to the accuracy of the reconciliation. The corrected metallurgical recovery for the first 3 quarters is 55.6% against a previously reported recovery of 66.6%. This represents a reduction in gold recovery of 11%. The corrections for the first 3 quarters are provided in the following table.

Key Metric	Unit of measure	Quarter ended 31 Mar 2018	Quarter ended 31 Mar 2018	Quarter ended 30 Jun 2018	Quarter ended 30 Jun 2018	Quarter ended 30 Sep 2018	Quarter ended 30 Sep 2018
		Previously Reported	Updated Results	Previously Reported	Updated Results	Previously Reported	Updated Results

Mining activities

Ore mined	tonnes	353,960	353,960	407,884	407,884	367,385	367,385
Waste mined	tonnes	1,472,217	1,472,217	1,799,213	1,799,213	2,418,393	2,418,393

Total material movements

1,826,177 1,826,177 2,207,097 2,207,097 2,785,778 2,785,778

Strip ratio	waste/ore	4.16	4.16	4.41	4.41	6.58	6.58
Au grade mined	grams/tonne	1.6	1.6	1.61	1.61	1.55	1.55
Ctd. ounces gold mined ¹	ounces	18,250	18,250	21,113	21,113	18,325	18,325
S grade	%	0.99	0.99	0.82	0.82	0.62	0.62

Processing activities

Tonnes milled	tonnes	435,775	413,054	424,053	401,943	458,254	437,251
S feed grade ²	%	0.96	0.93	0.93	0.9	0.7	0.67
Au feed grade	grams/tonne	1.38	1.59	1.43	1.61	1.27	1.45
Gold recovery	%	54.70%	50.30%	69.60%	59.40%	75.30%	57.30%
Gold poured	ounces	10,593	10,593	12,359	12,359	11,665	11,665
Gold sold	ounces	11,334	11,334	13,496	13,496	10,522	10,522

The final quarter and 2018 results are therefore provided in the table below based on the same reconciliation analysis.

Key Metric	Unit of measure	Quarter ended 31 Dec 2018	Year to date 2018
<u>Mining activities</u>			
Ore mined	tonnes	494,184	1,623,413
Waste mined	tonnes	2,372,031	8,061,853
<u>Total material movements</u>		2,866,215	9,685,266
Strip ratio	waste/ore	4.8	4.97
Au grade mined	grams/tonne	1.53	1.57
Ctd. ounces gold mined ¹	ounces	24,238	81,925
S grade	%	0.67	0.77
<u>Processing activities</u>			
Tonnes milled	tonnes	403,121	1,655,368
S feed grade ²	%	0.82	0.83
Au feed grade	grams/tonne	1.6	1.56
Gold recovery	%	64.80%	57.90%
Gold poured	ounces	13,464	48,081
Gold sold	ounces	11,016	46,369

It is the view of management that this dilution of approximately 20%, which is not abnormal to operations, is ongoing and is leading to a reduced mill feed head grade and ounces produced. This dilution is expected to continue going forward. The management are currently engaging a 3rd party review of the life of mine plan and are targeting to have an updated plan by end of the second quarter of 2019 with an update to the reserve and resource statement by end of the fourth quarter of 2019.

It is management's intention to ensure a more accurate and integrated reconciliation is completed for internal and external reporting. 2019 quarter one results will be reported against this new reconciliation analysis ensuring a higher level of reporting accuracy.

The data in this announcement has been compiled in conjunction with a 3rd party independent BiOX specialist consultant and Mr Xiaofeng Zhen (B.Eng., Ph.D., MAusIMM). Mr Darren Bowden, a director of the Company, who has been involved in the mining industry for more than 25 years, is a member of the Australasian Institute of Mining and Metallurgy, has compiled, read and approved the technical disclosure in this regulatory announcement.

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