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Metals Exploration Expects Pre-Feasibility Study On Runruno Shortly

By Rob Davies

The Philippines has always been a country long on geological promise but short on delivering mining projects. A recent review of the country on Minesite predicts that fraud and violence will continue to afflict it. That said it is hard to know which countries are exempt from these problems these days: it is usually more a matter of degree. A number of companies are working actively in the Philippines and making good progress. If and when conditions improve, existing operators will be well placed to take advantage of an improvement in sentiment. None more so than [Metals Exploration](#) who could then find itself very popular indeed.

The fact that it is currently capitalised at £34million and yet has a JORC standard inferred resource of 2.3 million ounces of gold and 33 million pounds of molybdenum gives some indication of the discount that the market currently places on the country. This resource sits at the Runruno property on the island of Luzon. At least this is in the north of the country and a long way from the troubles in the south. Placer Dome had done substantial work on the property and, on the basis of 53 diamond drill holes, had determined an inferred resource. Work by [Metals Exploration](#) has subsequently increased that to 28.3 million tonnes grading 2.23 g/t gold and 0.06% molybdenum.

There are however some metallurgical issues and tests so far suggest that only 38 per cent of the molybdenum can be recovered. On a more positive note much of the gold is free milling and, according to Jonathan Anderson of the company, 95 per cent of it can be recovered by a combination of gravity and flotation. More recent work has raised the molybdenum recovery to 50 per cent and investigations into using pressure oxidation to improve recoveries further are continuing. All this forms part of a pre-feasibility study that is due to report shortly. Once complete it will be followed by a bankable feasibility study.

That study ought to be made considerably easier by the presence of Jonathan Beardsworth as chief executive. His last role was running the Mining and Metals group for Standard Bank London so he knows a thing or two about project finance. His impact is already present in the share chart of Metal Exploration as he is a banker with a sense of humour and knows how to get his message across to an audience without reading out the bullet points from his Powerpoint presentation. In fact he embodies our contention that bullying from compliance officers should be ignored. It is perfectly reasonable for a director to speak off the cuff, without getting into any contentious areas, as long as that talk is rehearsed exhaustively. And if it isn't, it is because the speaker is too lazy.

Back to Metal Exploration where a ball park figure for developing the deposit is around US\$100million according to Jonathan Anderson. One thing in its favour is its similarity with the Cripple Creek mine in Colorado which Anglo American is mining and uses Biox treatment to process the gold. Geological comparison with that deposit gives [Metals Exploration](#) optimism that it has a similar sized deposit. There is certainly plenty of scope because the mineralised envelope is 1,500 metres long, 100 metres thick and 600 metres deep, yet only 10% of the dome areas has been drilled. A drill hole in March to test for

vertical structures in the north of the deposit recorded 21.35 metres at 3.74 g/t Au demonstrating the further potential of the deposit. The company expects to release a revised resource figure by the end of the third quarter using data from the current drill programme. This ought to raise the quality from inferred to measured and would be a much better base for the next stage of planning.

While Runruno is the company's top project it is not the only one and exploration permits have been applied for at Puray, Worldwide, Dupax, Sulong and Capas. Funding these programmes can be done from the existing cash resources of £4million. That cash is also being used to increase the company's stake in Runruno to 85 per cent by funding it through to the Bankable Feasibility Stage at which point it would need to apply for a Mineral Production and Sharing Agreement or a Financial or Technical Assistance Agreement. It should be well worth watching progress.