

# Metals Exploration keeps Runruno moving

SOME mining CEOs give you the minutiae of detail; others offer the bigger picture. Metals Exploration CEO Jonathan Beardsworth is very much in the latter category and in his view it is a very big picture indeed.

As WMS talks to Metals Exploration for the second time this year, the prime focus of attention for the company is still its Runruno gold and molybdenum project in the northern Philippines. The company has recently completed what Mr Beardsworth describes as an aggressive 6,000 m drilling programme on the project and is now set on further defining a 2 Moz gold resource. Mr Beardsworth is quick to point out that this level of resource puts it in the global top 10% of gold projects and given the still untapped exploration potential, it could be just the tip of the iceberg. In addition, Metals Exploration has purchased a quality nickel project in Indonesia.

"We're currently valued at about US\$60 million which in turn values the existing 2 Moz resource at US\$30/oz. You could argue that we're fairly valued on the existing ounces but this takes no account of the potential to step outside the current exploration area and increase those ounces."

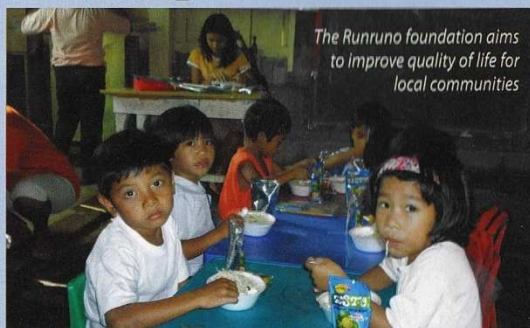
Also important, says Mr Beardsworth, is the company's molybdenum which at the current price of moly could go a long way towards funding a future mine. "If we can get the moly out, that will have an order of magnitude effect on the share price – as will our ability to start shipping nickel and to start finding resource at Runruno outside the existing exploration area."

He has strengthened his argument for the potential of Runruno on a number of occasions by drawing comparisons between the geology of this project and the 23 Moz Cripple Creek project in Nevada, US. While nobody is claiming there are 23 Moz of gold in Runruno, the similarities in geology do seem to raise some intriguing possibilities.

In fact, in the wake of the sub-prime correction and the resulting market caution, Mr Beardsworth has a number of reasons for highlighting the company's as yet unaccounted for upside. Aside from the potential to make a world class resource even bigger and to go on and mine it, he also takes us back to the August announcement that the company has now acquired the remaining 15% of Runruno from Filminer Resources Corporation for just under £4 million.

"This is a huge development in the evolution of the company," he says, "and the market hasn't cottoned on to it yet. It's much more than a *pro rata* increase when you look at the potential for drilling elsewhere on the property and owning 100% of whatever we find."

Back then to the big picture, or at least part of it, namely the small portion of Runruno where the company has been drilling so far to define a resource. Look outside this area on the company's satellite map of the

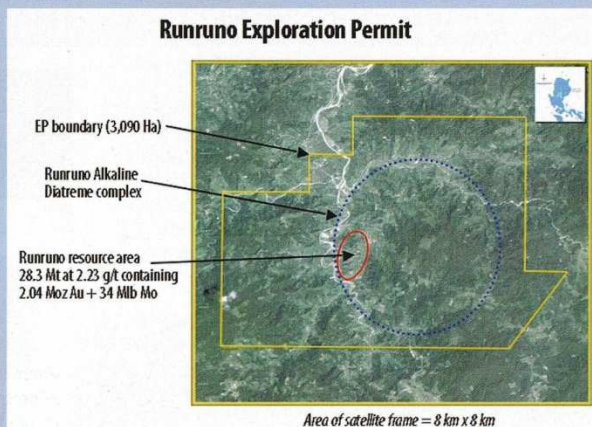


project and you can see a blue dotted circle that outlines the 4 km-diameter of the whole Runruno volcano. By drilling outside the existing area, suggests Mr Beardsworth, the company could end up with a multiple of the current resource.

Another big development for the company – also announced over the summer – has been its purchase for US\$100,000 of the Waigeo Island Nickel Project in Indonesia – what Mr Beardsworth describes as "the dash for cash" alongside the long-term quality of Runruno. What Waigeo appears to offer is a high grade, readily accessible nickel laterite deposit with the potential for substantial margins and relatively modest mining costs.

"All we're doing here," says Mr Beardsworth, "is seeking to take advantage of a huge imbalance in the nickel market. The constraint in supply since the 1990s and the explosion in demand for nickel means that there is a window for doing nothing more subtle than acquiring a nickel laterite, digging it up and selling it." With an historically identified grade of 1.5% nickel, the company is understandably excited about its buy and will, according to Mr Beardsworth, have spent around US\$1 million in addition to the entry price by the end of October to get a better handle on what it has got.

In terms of the main event at Runruno,



## THE TEAM

### STEVEN SMITH Executive chairman

Mr Smith is a chartered accountant and experienced public company director, with extensive experience in corporate management, finance and taxation in the UK.

### JONATHAN BEARDSWORTH CEO

Mr Beardsworth joined Metals Exploration from Standard Bank, where he was the head of the London office of the bank's mining and metals team, with additional responsibility for the group's Moscow and Shanghai offices. For over 10 years, with Standard Bank and formerly with Warrior International, he has participated in and led a variety of M&A and



corporate finance transactions around the world, focused exclusively on the mining and metals sector.

### GARY POWELL Executive director

Mr Powell is a geologist with over 20 years' experience in mineral exploration, development and mining in Australia, southeast Asia and Central Asia. He has experience of mining operations in Australia, and corporate directorship experience in Australia, the Philippines and the UK.

### PETER DRAPER COO

Mr Draper operated his own privately-owned drilling company for over 20 years in Australia and southeast Asia before founding Metals Exploration. He currently lives and is based in the Philippines, and has corporate directorship experience in Australia and the Philippines.

### BRIAN LUECK Consulting geologist

Senior consulting geologist on the Runruno deposit. Specialising in alkaline gold and copper deposits and author of several papers on alkaline porphyry systems, Mr Lueck brings over 20 years of geological and corporate experience to the company and has over 10 years' experience in the Philippines mining exploration sector.

### ERNESTO MENDOZA Community relations

Environmental licensing and social relations consultant with over 35 years' experience in the mining industry in the Philippines. A specialist in community relations who was a key player in securing agreements with the indigenous people in one of the only two Financial and Technical Assistance Agreements signed to date. Mr Mendoza was responsible for the approval of the first Environmental Clearance Certificate (ECC) under President Arroyo's Administration.



the company expects to do a whole lot more drilling, both to take growing chunks of the existing resource from inferred to indicated status and to do step-out drilling elsewhere on the property – a prospect that has become considerably more exciting now the company owns 100% of the asset. Another factor in the company's favour, says Mr Beardsworth, is the well-defined nature of the existing resource. If the company chose to do so, it could go forward and mine this area without compromising the rest of the resource. "We could move the 2 Moz through feasibility and development to production while at the same time doing step-out drilling on what we believe could be one of the major undiscovered gold resources in the world today."

Speaking with his financial hat on, ex-banker Mr Beardsworth is fairly candid about the need to keep the company's cash burn rate under control – and to keep a watchful eye on the bounce back resilience of the share

price which fell back from 45p to 30p as part of the market correction but is now back up to around 35p at the time of writing. After raising £6 million before going on holiday in the summer, the company has about £4 million left in the bank. If, says Mr Beardsworth, "we were to continue at the rate of drilling that we have maintained through much of this year then we would be spending about US\$1 million per month and at that rate would have to come back to the market in about six months time. However, now that the current drilling campaign is complete we can sit back and assess the most cost-effective way to deploy our remaining cash resources."

A key challenge for the company is to get the market to recognise what it has achieved between fund-raising and Mr Beardsworth and his team hope this will be the case, as the now 100% owned Runruno resource is redefined and positive news comes out of the nickel project.

Metals Exploration says it recognises that the key

to its future success lies in the establishment of strong and lasting relationships with all stakeholders. The Runruno Livelihood Foundation is designed to offer support and opportunities to the local community by providing infrastructure and tools to improve their quality of life. The Foundation is a joint partnership with the Government of the Philippines which is managed by a dedicated team of locals. It aims to empower people through supporting improvement programs in education, healthcare, sanitation, employment, environmental awareness and literacy. All projects are designed to ensure long-term sustainability and promote environmentally-friendly practices. In the aftermath of Super Typhoon Paeng in October 2006, the Runruno Foundation, led by Ernesto Mendoza, senior vice president of MTL Philippines, played a role in the relief effort.

Aside from the main shows, Mr Beardsworth points out that the company happens to have five other highly prospective projects in the Philippines, all currently awaiting exploration permits. By any other standard these projects alone would be enough to provide an ambitious junior with *raison d'être*. In the case of Metals Exploration they are only part of a much bigger picture.



## VITAL STATISTICS

**Name:** Metals Exploration plc  
**Address:** Portland House, 4 Great Portland Street, London W1W 8QJ  
**Tel:** +44 (0) 20 7927 6690  
**Website:** www.metalsexploration.com

**CONTACT**  
**CEO:** Jonathan Beardsworth  
**Tel:** +44 (0) 7747 101552  
**Investor relations:** +44 (0) 7950 410 680 (UK) or +63 917 560 6654 (Philippines)  
**E-mail:** info@metalsexploration.com

**SHARE INFORMATION**  
**Listed:** AIM  
**Ticker:** MTL  
**Shares in issue:** 91.4 million  
**Net cash:** £4 million  
**Market cap:** US\$62 million  
**Major Shareholders:** Allianz, Framlington, Majedie, Fidelity, Cantor

**PEER GROUP**  
Moto Gold  
Kryo Resources  
Tianshan Goldfields  
CGA Mining

