

Metals Exploration - Scoping Study Commissioned Buy
- Moves company from explorer to developer

Metals Exploration (AIM:MTL) Mkt Cap: £38.7m Price: 42.25p BUY
Scoping Study Commissioned - Moves company from explorer to developer

Metals Exploration has announced the commissioning of a scoping study on the Runruno gold-molybdenum project in the Philippines. The study will be managed by Ian Holzberger, who has been appointed as a consultant to manage the scoping study. Ian has previously worked in several management roles in which he completed feasibility studies on projects in Southeast Asia, including the development, financing, construction and commissioning of the Kaintu gold mine in Papua New Guinea (recently acquired by Barrick for US\$141m).

The company aims to complete a limited amount of infill drilling, as well as looking at technical and economic aspects of the study, with a target completion date of 3Q08. The current resource is 28Mt @ 2.3 g/t Au and 0.06% molybdenum for 2.05Moz and 39Mlbs molybdenum, including 408,000oz in the Indicated category.

Comment

The appointment of industry heavyweight Ian Holzberger signals a major change in focus for the company — a positive one, we think, as it moves from an exploration company to a development company. Following the move to infill drilling, the share price has fallen around 50% since July 2007, based, in part, on investors' seeking higher headline resource numbers on an ongoing basis. As such, this move to feasibility studies and the engagement of a key figure to drive the study forward should create positive momentum.

Having moved from a pure explorer to a developer, we maintain our **BUY** recommendation. The company remains one of the cheapest +1Moz gold plays on the market in terms of Enterprise Value per Resource Ounce, at around US\$15/oz excluding molybdenum. We expect share price growth to come from progress on the project, as well as development at the recently-acquired Waigeo Island nickel laterite resource in Indonesia.

- Brock Salier

Recommendation - Buy

www.metalsexploration.com

Commodity Prices

Commodity	Price	Change		
		1 Month	6 Months	12 Months
Energy	/			
WTI	\$90.99/bbl	-5.2%	18.1%	64.2%
Brent	\$91.49/bbl	-2.8%	18.8%	70.5%
WTI/Brent spread	\$-0.51/bbl	-	-	-
Metals	/			
Gold	\$926/oz	10.4%	40.2%	43.2%
Silver	\$17/oz	12.7%	31.0%	25.4%
Platinum	\$1701/oz	10.6%	33.2%	45.8%

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Palladium	\$386/oz	5.7%	7.2%	12.8%
Nickel	\$27225/tonne	3.1%	-10.6%	-27.2%
Zinc	\$2318/tonne	-4.4%	-33.2%	-33.8%
Copper	\$7125/tonne	4.3%	-8.1%	27.6%
Aluminium	\$2535/tonne	4.8%	-8.0%	-6.5%
Tin	\$16600/tonne	0.8%	8.0%	35.5%
Lead	\$2690/tonne	4.7%	-9.4%	63.0%
Molybdenum	\$34/lb	2.4%	7.8%	31.1%
Soft commodities	/			
Palm oil	\$947.50/tonne	13.5%	19.9%	61.3%
Soy oil	€874.00/tonne	4.4%	32.0%	63.1%
Corn (Denver)	\$4.76/bushel	12.8%	37.4%	17.8%
Sugar	€14.40/lb	9.6%	18.7%	23.7%
Emissions	/			
ECX Emissions 2008	€ 20.86 /tonne	-6.1%	2.8%	34.6%
ECX Emissions 2009	€ 21.10 /tonne	-7.1%	2.0%	31.1%

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