



Metals Exploration: Runruno speaks for itself

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Market: AIM

Epic: MTL

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Runruno is a slightly peculiar project; located some 200 kilometres northeast of Manila, the capital of the Philippines, Metals Exploration's flagship asset has attracted sustained interest from mining companies for decades for a number of reasons. First, and most telling, there are considerable artisan gold mining activities in the area. Second, the project is adjacent to the Didipio project which contains 3.8 million ounces of gold and 470,000 tonnes of copper. Finally, the Philippines is packed full of mineral prospectivity, having world-class deposits of gold, copper and nickel. This combination of artisan mining, impressive geological potential and a neighbouring world-class deposit convinced exploration companies to explore at Runruno.



Various exploration programmes dating back to 1969 have drilled in the area, and in 1978, a pre-feasibility study was completed, calculating 600,000 ounces of contained gold in the north western region of the project – which was subsequently left undeveloped, as the size of the deposit was too small to justify the capital expenditure required. Fast forward another 30 years, and Apex Mining, Base Metal Mineral Resources and Placer Dome have all punched additional drill holes into Runruno, none finding enough to maintain their interest.

Enter Metals Exploration, who optioned the project in 2005 from FCF Mining Corporation, to earn 85% by



completing a modern pre-feasibility study. Metals Exploration started by delving into the historical data and the result surprised many: Runruno is, in fact, an alkaline diatreme - or 'flow dome' - deposit, a rare type of deposit which happens to be geologically similar to the 23 million ounce Cripple Creek Project in Nevada, USA. No one, including yours truly, is suggesting that Runruno is a 23 million ounce deposit, but the similarities with Cripple Creek are intriguing. The key, however, is that once Metals Exploration had sussed out the geology, the characteristics of the project changed, and so too did the drilling logic.

Metals Exploration opted to pick up where the 1978 pre-feasibility study left off – a sensible strategy - and initiated fairly wide spaced drilling to announce a new JORC compliant inferred resource estimate of 28.3 million tonnes @ 2.23 grams per tonne gold, and 0.06% molybdenum containing 2 million ounces of gold and 34 million pounds of molybdenum. To put this into perspective, the project is already in the global top 10% when measured by contained gold and compared to a database of 2,700 gold projects. Drilling has continued, now on a tighter spacing grid, and hundreds of samples are at the labs as I write. Once those results are back, the company expects to update the resource estimate, which should see some of the resource move up to indicated status.

Preliminary metallurgical results and evidence from the local miners suggest the ore is free milling, and gold recoveries of well over 90% are eminently possible using gravity and flotation processes – using simple and relatively low cost plant. However, the 'hitch' is that recoveries for the molybdenum are considerably lower, at 50%, and with molybdenum trading at US\$25/pound Metals Exploration is very keen to extract as much as possible - an off-take agreement for any molybdenum credits could be very attractive to the overall economics of the project.

Before Metals Exploration completed its earn-in requirements, the decision was made to acquire the remaining 15% stake in the project for £4 million. Metals Exploration had two reasons for taking full control of the project: firstly, as the project advances, the value increases, so it made sense to complete the full acquisition as soon as was feasible. Secondly, the company's new found geological understanding of the project meant it was keen to start drilling the rest of the property, as previous geochemical surveys flagged up numerous targets, and to date, the resource only represents 15% of the total surface area of the dome. In fact, Metals Exploration is so keen on the exploration potential of the rest of the project that drill rigs are already turning on other targets, which will add a bit of interest to the already anticipated update to the resource estimate expected in October.

Since listing, the company has received attention from its fair share of speculators – comfortably outperforming many fellow AIM miners since listing in 2006. Metals Exploration also has a pretty impressive shareholder register, with Allianz, Framlington, Majedie, Cantor, RAB and even the National Grid Pension Fund. The management controls around 7.2% and the rest is held by private investors, many of whom came through Cornhill Asset Management which was involved in the pre-listing fundraisings. This offers, rather uniquely, a healthy balance of institutional, retail and management stakeholder interest in the company.

Jonathan Beardsworth joined as Chief Executive Officer around 12 months ago, balancing the company's lop sided board of directors which previously consisted of a chartered accountant, a geologist and a former founder of a drilling company. Jonathan, on the other hand, left Standard Bank, where he was head of the group's mining and metals division for Europe and Asia. Jonathan's financial background shows through, too. Rather than bombarding us with drill core pictures, we were offered a glimpse of a CEO who genuinely believes his company is on the cusp of great success. It is easy to share the same sentiment as Jonathan.

Further Reading:

Hardman Research Note: www.metalsexploration.com/ir-brokers-reports

Ambrian Comment: www.metalsexploration.com/ir-brokers-reports