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## **With £12 Million In New Money, Metals Exploration Can Now Put Its Foot To The Floor In The Philippines**

By Alastair Ford

**Jonathan Beardsworth is in an upbeat mood when Minesite finally catches up with him after a frantic game of telephone ping-pong. Jonathan's been pretty busy lately, charged as he is with turning Filipino-focused Metals Exploration into a serious gold and molybdenum producer. There's been a lot to juggle: markets have been tough, the moly price has dropped, cash is in short supply. So it's not been easy, as he explained at our Christmas forum at the end of last year, when, to a packed house, he presented various graphs demonstrating that the dismal performance in Metals Exploration shares last year was by no means out of line with the performance that anyone else put in. At that stage, says Jonathan, he still saw his job as being to move Metals Exploration away from its status as a "candidate in a hospital waiting room".**

And this week, he delivered on this mandate, closing a financing deal worth almost £12 million. The money should see the company through to the end of the feasibility stage on its Runruno gold-molybdenum project 200 miles north of Manila. The terms are what you might call harsh but fair, given the state of the debt and equity markets at the moment. The company's equity on issue will increase by nearly 50 per cent, as new 29.9 per cent shareholder Solomon Capital injects £3.7 million of new money directly into the company. Those new shares were roughly marked to market, issued as they were at 7p each, although the market liked the news of the overall financing package so much that it bundled Metals Exploration shares up by 30 per cent straight away. So Solomon's investment is already nicely in the money, and they are said to be very happy. The other element of the financing is a straightforward £8 million debt facility, also with Solomon, at Libor plus eight per cent. A nice quirk of that deal is that the standard arrangement fee – in this case three per cent - is only payable on draw-down, rather than in advance, so even if this fund raising is dilutive and expensive, it does cut costs where possible.

Of far greater import than the nuts and bolts of the terms is the fact that this deal got done at all. Jonathan Beardsworth calls it "stunning", and it's certainly true that it's transformed medium-term outlook for Metals Exploration. Back at our Christmas forum Jonathan was asked about financing, but all he was able to give us at that stage were various platitudes with an encouraging lilt to them. This cash may be expensive, but that's the new world that we live in. As Jonathan himself says of the wider investment community, "there's a growing acceptance that we are where we are". Money will be

expensive. The trick is to get it all. After the freeze up at the end of last year, more companies are managing to get cash in, but none are doing it cheaply.

Interestingly, though, the market, which spent most of the last two months of last year selling mining equities on any news whatsoever, good or bad, has now returned somewhat to its senses. It viewed the financing of Metals Exploration as positive and marked the shares up accordingly. It wasn't always that way, and the end of the recent tendency of the market to sell shares on any so-called "liquidity event" is an encouraging sign. It means that a lot of hot money that was formerly waiting around for an opportunity to exit has now gone, and it also shows that there are buyers out there, waiting for positive news. In the case of Metals Exploration, the value destruction last year was severe, but not catastrophic. The shares dropped from just over 25p in January 2008, to close the year out at 7p. Depressing, but not the apocalypse that was visited on some company valuations.

So from a share price perspective, this year has started well. Solomon's entrance onto the scene has revitalized interest, and more than a million shares changed hands on news of the new money. Not much is known about Solomon, other than what it says in the Metals Exploration press release. The company is a Guernsey-registered private equity fund. It will put a certain Mr Tim Dean onto the board of Metals Exploration, a man who, according to Jonathan Beardsworth is an Oxford-educated engineer who knows what he's talking about. There is hope in some circles that Solomon might emerge from the shadows somewhat in the fullness of time, or even quite soon. But for now Jonathan's bound by confidentiality clauses, and can say little about Solomon. He can say plenty about what the Solomon money means to Metals Exploration, though. The company now has its "foot flat to the floor, charging ahead with the feasibility study", he enthuses.

Metals Ex's earlier scoping study, released last year, showed a project capable of producing 183,000 ounces of gold per year, and 1.7 million pounds of molybdenum. That study, says Jonathan, was done on US\$750 gold and US\$20 ,molybdenum, so given that moly is now roughly half that, those numbers may be in for a bit of tweaking. The good thing from the Metals Exploration perspective is that although the economics would be very favourably enhanced by a strong moly price, the capex and operating cost involved in extracting the moly are such that the company will still get a moly credit even at these prices. For his part, Jonathan is a moly bull, partly for the same reasons that we outlined on Minesite yesterday in our article on molybdenum specialist Virgin Metals – big infrastructure spending seems to be the order of the day in the global economy, rather than discretionary consumer spending. That favours molybdenum, and supply is still tight. The argument for gold remains, as ever, that it is the ultimate safe haven. So now that there's money in the bank, it's almost as if the global economic crisis will work to Metals Exploration's advantage. No wonder Jonathan Beardsworth's in a good mood.