

Metals Exploration PLC 36.25p Speculative Buy
Sector
Mining
Date of previous note

NA

Previous recommendation

NA

Results date

 3rd October 2007-
Runruno update.

Analyst

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Report date

4th October 2007

Key Data

 AIM TickerMTL
Broker.....Collins Stewart
Website
www.metalsexploration.com

 Year High/Low ...46p-22.65p
No. of Shares91.4m
Mkt. Cap.....£33.13m
Results January 2008 Finals

 NMS25,000
Bid/Offer ..35.5p/37p (4.2%)
Screen Size25,000
No of Market Makers.....7

Metals Ex is making good progress on their Runruno gold project in the Philippines. They have recently secured 100% ownership at a cost of £3.87m and have announced the completion of their infill drilling campaign. In addition for £50,000 they have acquired a 100% interest in the Waigeo Island nickel laterite project in Indonesia.

Metals Ex appears attractively priced against other gold exploration stocks. Ignoring Runruno's molybdenum value and the Waigeo nickel laterite project, we estimate that they trade at £13.70 per ounce of Inferred Resources. This is attractive when compared to Chinese gold explorers which trade on AIM at up to £50/oz. In addition Molybdenum comprises 45% of Runruno in-situ value, while Waigeo is potentially very similar to the projects held by other AIM stocks that themselves are valued at £30m.

Year end September	Turnover £000's	Admin Expenses £000's	Loss before tax £000's	Net Loss £000's	EPS (p)	PE times
2006A	-	(1,156)	(2,588)	(2,585)	NM	NM
2007E	-	(1,600)	(1,500)	(1,500)	NM	NM
2008E	-	(1,800)	(1,700)	(1,700)	NM	NM

Source data: Company reports and Hoodless Brennan forecasts.

At Runruno JORC compliant Inferred Resources of 28.3 Mt grading 2.23 g/t gold containing 2.04 Moz gold and 15,000 t of Molybdenum have been outlined. At £300/oz gold and £38,500/t Molybdenum we estimate this has an in-situ value of £1,180m. As the molybdenum represents 45% of in-situ value, the company is examining the possibility of forward selling this metal to Chinese buyers. If successful this could ensure the mine proceeds without further shareholder recourse. However further work is required to improve molybdenum recoveries.

The company has acquired for £50,000 the Waigeo nickel laterite project in Indonesia. The company is investigating a non-JORC compliant resource of 35 Mt grading 1.5% nickel, 0.13% cobalt and 37% iron at a 1.1% nickel cut-off. At a nickel price of £12,000/t, direct shipping nickel laterites have a sales value of about £25/t, hence valuing this potential deposit at £875m. AIM listed **Rusina Mining (RMLA)** is capitalised at £30m and has in the Philippines JORC compliant Indicated and Inferred Resources of 33.15 Mt of limonite grading 0.95% nickel and 0.074% cobalt. At £20/t, we estimate these lower grade lateritic nickel resources have an in-situ value of £660m.

Strengths

- Have 2.04 Moz of gold resources at Runruno in a small area of the 4km diameter alkaline diatreme complex. This has analogies to Cripple Creek in the US, which has historic production of 23 Moz.
- Have high grade potential nickel resource at Waigeo.
- Have £4m of cash, sufficient to fund exploration and evaluation at Runruno, and carry out resource evaluation at Waigeo.

Weaknesses

- No Runruno production until the end of 2009.
- Molybdenum metallurgical tests at Runruno so far inconclusive. Will require further Runruno production funding if unable to forward sell molybdenum.
- Indonesia may not allow direct shipping of nickel laterite from Waigeo. The necessary port construction for Waigeo may be expensive.

Profit and Loss

Year to September £000's	2006A	2007E	2008E
Turnover	-	-	-
Option and warrant fair value provision	(1,432)	0	0
Admin Expenses	(1,156)	(1,600)	(1,800)
Interest	30	100	100
Loss before and after Tax	(2,588)	(1,500)	(1,700)
Minority Interest	(3)	0	0
Net Loss	(2,585)	(1,500)	(1,700)

Balance Sheet

Year to September £000's	2006A	2007E	2008E
Exploration Assets	2,011	3,411	4,200
Fixed Assets	96	160	180
Debtors	108	200	300
Cash	372	4,368	1,336
Current Liabilities	(235)	(300)	(400)
Net Current Assets	245	4,268	1,236
Convertible	0	(2,000)	(2,000)
Net Assets	2,352	5,839	3,616

Cash Flow

Year to September £000's	2006A	2007E	2008E
Operating Loss	(2,588)	(1,500)	(1,700)
Depreciation	15	31	38
Debtor increase	(97)	92	100
Creditor increase	42	65	100
Minority	(3)	0	0
Fixed Asset Write off	333	0	0
Cash outflow from operating activities	(2,298)	(1,312)	(1,462)
Interest	30	100	100
Exploration	(752)	(1,400)	(1,650)
Fixed Assets	(111)	(64)	(20)
Acquisitions	0	(3,850)	0
Share Issues	2,324	8,572	0
Convertible Issue	0	1,950	0
Increase in cash	(807)	3,996	(3,032)

Major Shareholders

Shareholder	%
Allianz	10.75
Cantor Fitzgerald	3.97
Fidelity	3.95
Man Financial	3.24
Directors Officers	3.12

Sources: Company data and Hoodless Brennan forecasts. For Balance Sheet purposes the Convertible has been accounted for as long term debt.

Activities: The company is exploring the Runruno Gold project in the Philippines. The company has just acquired the Waigeo nickel laterite project in Indonesia.

Key Events

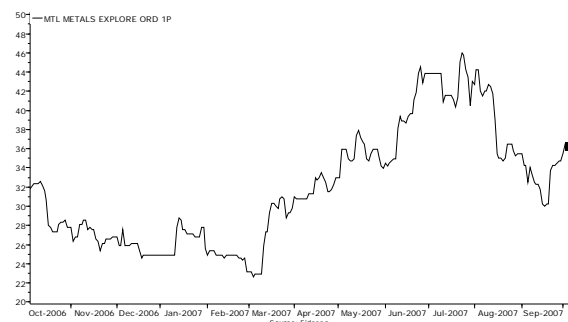
Date	Event
3 rd October 2007	Runruno infill drilling complete. Assays awaited.
14 th August 2007	Acquisition of Nickel laterite rights in Indonesia.
13 th August 2007	Acquisition of remaining 15% of Runruno.
19 th July 2007	Placing of 10.763m shares at 40p, plus a £2m 9% convertible note, convertible at 52p.
18 th October 2006	Placing of 20m shares at 25p.
6 th July 2006	Jonathan Beardsworth appointed as CEO
15 th September 2005	Placing of 15.625m shares at 8p
22 nd October 2004	AIM admission following the issue of 18.09m shares at 3p.

Financial Calendar

Date	Event
September	Year End
January 2008	Finals
June 2008	Interims

Board of Directors

Name	Position held
Steven Smith	Chairman & Company Secretary
Jonathan Beardsworth	Chief Executive Officer
Gary Powell	Exploration Director
Jonathan Pearson	Non-Executive Director

Share Price Chart


Key to Material Interests

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