

13th October 2008

Metals Exploration* Runruno Resource Update: Buy with 82p Target Price.

Metals Exploration has today announced an updated JORC-compliant resource estimation from its 100% controlled Runruno gold-molybdenum deposit in the Philippines. The company has also set up a drilling division to control the quality and timing of this critical input to the projects' bankable feasibility study. It states explicitly its belief that this data shows that "*mineralisation occurs at practical mineable widths and grades which will support large scale open pit mining.*"

As part of its scoping study of Runruno project, Metals Exploration has updated its resource estimates based on its entire database of drilling data which comprises 119 diamond drill holes totalling almost 19,000 metres and 101 RC drill holes totalling around 13,400 metres. The new estimates are tabled below and represent a net recoverable resource after expected mining dilution and ore losses are incorporated, as well as including resources in the Measured category for the first time.

Key Data

EPIC	MTL
Share Price	7p
Spread	6.5p – 7.5p
Total no of shares	112.3 million
Market Cap	£7.9 million
12 Month Range	6.5p – 42.25p
Net Cash	£2 million
Market	AIM
Website	www.metalsexploration.com
Sector	Mining
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	Ore (Mt)	Gold (g/t)	Gold (oz)	Moly (%)	Moly (lb)
Measured	3.55	2.4	270,000	0.10%	7,800,000
Indicated	7.98	1.9	487,000	0.05%	9,360,000
Measured + Indicated	11.50	2.0	756,000	0.07%	17,200,000
Inferred	19.64	2.0	1,248,000	0.04%	17,258,000
TOTAL	31.17	2.0	2,005,000	0.05%	34,418,000

The overall metal content has not changed greatly from the previous estimate, but importantly the resource level has improved. Having drilled over 32,000 metres already, Metals Exploration will now embark on a larger drilling

programme to upgrade its current inferred and indicated resources into indicated and measured categories. This further resource upgrade will then allow the booking of proven and probable reserves which will flow directly into the project's bankable feasibility study.

Having not only upgraded the Runruno resource estimate, the recently completed drill program established a northern extension to the deposit and represents a real opportunity of adding to the current resource. Whilst pleased with the eventual results, the late completion of the recent drilling programme, with some of the holes having to be re-drilled, prompted Metals Exploration to create its own drilling division and bring this important activity in-house. Having purchased a multi-purpose RC drilling rig and three diamond drill rigs, the company anticipates diamond drilling will recommence by the end of this month.

The share price of Metals Exploration has suffered along with many other AIM resource companies in recent times, and while this is frustrating for many of the good companies caught up in the sell off, CEO Jonathan Beardsworth believes that *"in these extraordinary times, all we can do is to keep doing what we do best"*. This is very true of Metals Exploration which is progressing Runruno towards production in a systematic and methodical manner. While the news of the updated resource estimate doesn't alter our valuation of the company, it does represent an important step on the path to production and shows that Metals has a deposit which is capable of attracting the funding needed to bring it into production either from traditional sources or, potentially, from a corporate partner. GE&CR is due to write a detailed research note on Metals Exploration shortly, but this positive news gives us the confidence to maintain our 82p target price and **buy** recommendation.



Forecast Table

Year to 30th Sep	Sales (£ Million)	Pre-tax Profit (£ Million)	Earnings Per Share (p)	Price Earnings Ratio	Dividends Per Share (p)	Dividend Yield (%)
2006A	0	(1.16)	(2.20)	NA	0	0.0
2007A	0	(2.60)	(3.34)	NA	0	0.0
2008E	0	(2.8)	(2.5)	NA	0	0.0
2009E	0	(3.0)	(2.8)	NA	0	0.0

**Shares in this company are held in the t1ps SF smaller companies fund managed by Tips Investment Management (TIM) which is owned by RSH, the ultimate owner of GE&CR. Metals Exploration is also a corporate client of Bishopsgate Communications which is also owned by RSH.*

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