

1st June 2009

## Metals Exploration\* - Results Comment Reiterate 'Buy' with 42p Target Price.

Metals Exploration has today announced its results for the 3 months to 31st December 2008 having decided to align its reporting period to that of its subsidiaries. Operationally, the company made two significant announcements during the period regarding its Runruno project - with the first being a resource upgrade, and the second the completion of a scoping study which confirmed the viability of the project.

Runruno's JORC compliant resource was upgraded to 31.2 million tonnes at 2.0 g/t gold and 0.05% molybdenum - containing 2.0 million ounces gold and 34.4 million pounds molybdenum. Of this, 270,000 ounces of gold and 7.8 million pounds of moly are in the Measured category and 487,000 ounces of gold and 9.36 million pounds of moly are in the Indicated category.

The scoping study at Runruno confirms an open pit operation with an initial nine year mine operation processing 3 million tonnes of ore per annum and producing an average of 183,000 ounces of gold and 1.7 million pounds of moly each year. Capital costs were estimated at \$208 million including a moly circuit, while operating costs are projected at \$285 per ounce of gold assuming a moly price of \$20 per pound.

Since the end of 2008 Metals Exploration has made strong progress on each of the funding, bankable feasibility study (BFS) and permitting fronts. The company has announced a placing to raise £12 million at 11.5p per share, with a first tranche of the placing having raised approximately £5.72 million

### Key Data

EPIC	MTL
Share Price	12.25p
Spread	12p - 12.5p
Total no of shares	269.7 million (after placing)
Market Cap	£33.0 million
12 Month Range	6.5p - 23.75p
Net Cash	£10 million (est after placing)
Market	AIM
Website	<a href="http://www.metalsexploration.com">www.metalsexploration.com</a>
Sector	Mining
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and the remainder – which would see major shareholder Solomon Capital increase its interest in the company from 29.9% to 44.1% - subject only to regulatory and shareholder approval. This will allow Metals Exploration to complete the bankable feasibility study at Runruno as well as provide funds to explore outside the existing resource area. The placement will more than replace the all but unused £8 million loan facility previously arranged with Solomon. On the BFS front, having established its own drilling division, Metals Exploration has 5 drill rigs operating at Runruno which have completed 15,000 metres of the planned 65,000 metres believed necessary to satisfy the study's requirements. This drilling will allow the company to begin upgrading its resources from the Inferred category to Indicated and from Indicated to Measured. Final BFS results are anticipated for market announcement in the first quarter of 2010. Permitting wise, Runruno's final hurdle is the receipt of an FTAA (Financial and Technical Assistance Agreement) from the president of the Philippines. The company's application received a major boost through its endorsement by Secretary Lito Atienza of the Department of the Environment and Natural Resources, and Metals Exploration can now be confident of a successful outcome.

Financially, the 3 months of data prevent any meaningful prior period comparisons, but show administrative expenses of £0.67 million partly offset by a foreign exchange gain of £0.17 million to produce a pre-tax loss of £0.52 million. This translates into a loss per share of 0.44p. The company's cash position at 31st December 2008 was £0.73 million and although long term borrowings of £2 million produce a net debt result, the subsequent equity placing will see the company comfortably liquid to the tune of c.£10 million.

While the change of reporting date is immaterial to the company's operations, the progress made in these three months is certainly material and demonstrates that Metals Exploration is making strong and clear progress. Having already adjusted our valuation post the placing announcement we maintain our 42p per share target price and recommendation of **buy**.



## Forecast Table

Year to 31st Dec	Sales (£ Million)	Pre-tax Profit (£ Million)	Earnings Per Share (p)	Price Earnings Ratio	Dividend Per Share (p)	Dividend Yield (%)
2007A#	0	(2.1)	(0.79)	NA	0	0.0
2008A#	0	(3.3)	(1.24)	NA	0	0.0
2008A^	0	(0.5)	(0.44)	NA	0	0.0
2009E	0	(3.5)	(1.31)	NA	0	0.0
2010E	0	(4.0)	(1.50)	NA	0	0.0

# 12 months to 30th September

^ 3 months

\*Shares in this company are held in the t1ps SF smaller companies fund managed by T1ps 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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