

AMBRIAN

Metals Exploration - Technical Report - Exploration model confirmed by expert **Buy**

Metals Exploration (AIM:MTL)	Mkt Cap: £23.8m	Price: 26p	BUY
--	---------------------------	----------------------	------------

Technical Report - Exploration model confirmed by expert

Metals Exploration has released a technical report by a recognised expert in alkaline intrusive-associated gold deposits, the largest of which is Cripple Creek (over 26Moz gold). The report confirms the company's initial thoughts that the Runruno deposit is analogous to Cripple Creek, and several conceptual exploration targets can now be generated as a result of the work.

While the company is maintaining focus on the scoping study based on the existing resource (2.1Moz @ 2.4 g/t gold; 0.78Moz in Indicated category), the study indicates significant potential for further discoveries in the parallel exploration programme.

Comment

With a 2.1Moz resource and a market cap of £23.8m, the key value driver for Metals Exploration remains development of mine scoping studies for Runruno. To this end, the company is currently utilising the majority of its resources in undertaking the scoping study. This report confirms the company's own earlier work regarding the Cripple Creek analogy, and should provide several good conceptual drill targets. Conceptual drill targets are often the domain of larger blue-chip mining companies, but in this case should allow for a more efficient drill programme.

Regarding the ongoing scoping study, it's early days yet, but having recently met with Ian Holzberger, who has been retained to complete the feasibility study, early indications are that there are no major bottlenecks (road access and conceptual tailings solutions have been formulated). We were particularly impressed with the depth and commitment to local relationships, as such things are critical when working in Southeast Asia, especially when site works increase in scope and size.

Recommendation

The end-game for Metals Exploration is production of at least 100,000oz pa, and possibly over 150,000oz pa, with added upside from molybdenum if a metallurgical process can be designed to recover it. Although difficult to speculate on timeframes, with the scoping study scheduled for completion by mid-year, a full BFS could be commissioned thereafter for completion in mid-2009. If results were favourable, there is potential for production by late-2010, and an associated increase in market cap to £100m plus. For this reason, we maintain our **BUY** recommendation.

With around three years of feasibility studies, construction and commissioning, there is plenty of time for the company to undertake near-mine and camp-scale exploration. In light of this

Focus

Company	Price	Rec.
Afren (AFR)	138p	Buy
Leyshon Resources (LRL)	28p	Buy
MP Evans (MPE)	490p	Buy
Nighthawk Energy (HAWK)	63p	Buy
Zenergy (ZEN)	253p	Buy

Contact Details

Kam Bansil

Technology
+44 (0)20 7634 4763
kam.bansil@ambrian.com

Richard Chase

Metals & Mining
+44 (0)20 7634 4770
richard.chase@ambrian.com

Dean Cooper

Alternative Energy
+44 (0)20 7634 4769
dean.cooper@ambrian.com

Julian Emery

Metals & Mining
+44 (0)20 7634 4768
julian.emery@ambrian.com

Gurpreet Gujral

Technology
+44 (0)20 7634 4771
gurpreet.gujral@ambrian.com

Richard Lucas

Special Situations
+44 (0)20 7634 4762
richard.lucas@ambrian.com

Brock Salier

Metals & Mining
+44 (0)20 7634 4765
brock.salier@ambrian.com

Dougie Youngson

Oil & Gas
+44 (0)20 7634 4764
dougie.youngson@ambrian.com

Sales

Charles Bendon
+44 (0)20 7634 4736
charles.bendon@ambrian.com

Forbes Cutler

+44 (0)20 7634 4735
forbes.cutler@ambrian.com

Anthony Nathan

technical report, the good news is that Metals Exploration does not have to pursue new targets, new licences or undertake grassroots exploration as it can continue to work on its existing licences.

- Brock Salier

Recommendation - Buy

www.metalsexploration.com

Commodity Prices

Commodity	Price	Change		
		1 Month	6 Months	12 Months
Energy	/			
WTI	\$109.92/bbl	18.5%	37.6%	86.6%
Brent	\$106.82/bbl	14.7%	36.4%	77.7%
WTI/Brent spread	\$3.80/bbl	-	-	-
Metals	/			
Gold	\$987/oz	8.7%	39.2%	52.9%
Silver	\$20/oz	17.2%	62.0%	58.2%
Platinum	\$2075/oz	4.7%	59.8%	71.1%
Palladium	\$504/oz	15.5%	51.5%	44.6%
Nickel	\$31900/tonne	13.9%	14.3%	-26.8%
Zinc	\$2609/tonne	8.0%	-9.1%	-19.0%
Copper	\$8350/tonne	7.3%	10.8%	34.2%
Aluminium	\$3115/tonne	15.8%	25.6%	13.8%
Tin	\$19400/tonne	13.5%	27.6%	41.6%
Lead	\$3120/tonne	3.0%	-1.6%	68.6%
Molybdenum	\$34/lb	0.6%	5.3%	17.2%
Soft commodities	/			
Palm oil	\$1,340.00/tonne	20.4%	69.6%	120.6%
Soy oil	€74.00/tonne	5.9%	39.1%	81.4%
Corn (Denver)	\$5.38/bushel	14.6%	51.5%	34.0%
Sugar	€15.00/lb	3.1%	31.2%	29.5%
Emissions	/			
ECX Emissions 2008	€22.52 /tonne	13.0%	9.7%	50.1%
ECX Emissions 2009	€22.48 /tonne	10.0%	3.6%	43.6%

This document has been approved under section 21(1) of the FMSA 2000 by Ambrian Partners Limited ("Ambrian") for communication only to eligible counterparties and professional clients as those terms are defined by the rules of the Financial Services Authority. Its contents are not directed at retail clients as Ambrian does not provide investment advisory services to retail clients.

Ambrian regards this document as non-objective promotional material. It does not constitute a personal recommendation and does not constitute an offer or a solicitation to buy or sell any security. Neither Ambrian nor any of its directors, officers, employees or agents shall have any liability, howsoever arising, for any error or incompleteness of fact or opinion in it or lack of care in its preparation or publication; provided that this shall not exclude liability to the extent that this is impermissible under the law relating to financial services. All statements and opinions are made as of the date on the face of this document and are not held out as applicable thereafter. This document is intended for distribution only in those jurisdictions where Ambrian is permitted to distribute its research. In particular, it is not intended for distribution in and is not directed as persons in the United States.

On the date of this document, Ambrian, Ambrian's holding company, persons connected with it and their respective directors may have a long or short position in any of the investments mentioned in this document.

Ambrian is a member of the London Stock Exchange and is regulated and authorised by the Financial Services Authority. Ambrian is registered in England and Wales no. 4236075. Its registered office is Old Change House, 128 Queen Victoria Street, London EC4V 4BJ. Ambrian is a wholly owned subsidiary of Ambrian Capital plc.

+44 (0)20 7634 4738
anthony.nathan@ambrian.com

David Pettman
+44 (0)20 7634 4737
david.pettman@ambrian.com

Mike Read
+44 (0)20 7634 4739
mike.read@ambrian.com

Trading
Lee Hunter
+44 (0)20 7634 4753
lee.hunter@ambrian.com

Darren Knight
+44 (0)20 7634 4752
darren.knight@ambrian.com

David Mackay
+44 (0)20 7634 4751
david.mackay@ambrian.com

Nick Screech
+44 (0)20 7634 4741
nick.screech@ambrian.com

Chris Stallard
+44 (0)20 7634 4740
chris.stallard@ambrian.com

Operations
Mike Dack
+44 (0)20 7634 4734
mike.dack@ambrian.com

Alison Pride
+44 (0)20 7634 4733
alison.pride@ambrian.com