

Metals Exploration

Asia Pac | Mining | Small Cap

10 November 2006

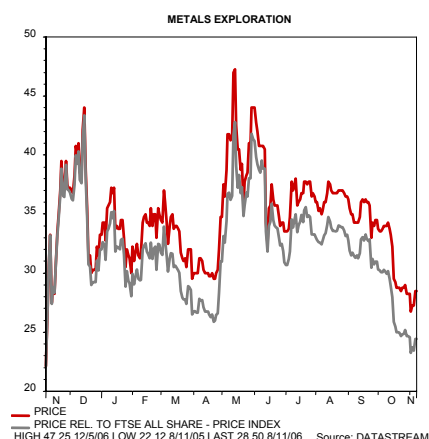
Fuelled up and ready to go

Initiating Coverage

- Metals Exploration is focused on exploration for gold and molybdenum at the company's Runruno project, which is located in the northern area of the main island of the Philippines, Luzon, 200km to the north of Manila. It currently holds a 40% interest in the project and will increase this to 70% through the completion of a bankable feasibility study and on to 85% by exercising a US\$6m cash option. Ultimately it will seek to increase its holding to 100%.
- The exploration that has been carried out to date has delineated an inferred resource of 23Mt at a grade of 2.3 g/t Au and 0.07% Mo; this contains 1.7Moz of gold and 34Mlb of molybdenum. Following the recent £5m fund raising Metals Ex is now pressing ahead with an aggressive drilling programme at Runruno with the objective of delineating 2.5Moz of gold and 50Mlb of molybdenum by July 2007. It will then complete a feasibility study at the project, evaluating its potential to support an open pit mine producing 200koz/y of gold and 3.2Mlb/y of molybdenum.
- The Runruno deposit is hosted within a volcanic dome complex and the principal mineralised structure is a shallow dipping fault zone consisting of potassic altered, sericitized and brecciated alkaline intrusives and volcanic tuffs, which have been variably pyritized and silicified. The dome covers an area 4km in diameter, of which only 20% has been explored. The scale of resource at Runruno could ultimately prove to be several times the size of that which has been delineated to date. Should this prove to be the case then the company would clearly become an acquisition target for one of the major gold mining companies.
- The Philippines has always been recognised as a country with substantial mineral resources, however, this potential has never been fulfilled. This may be attributed to the country's historic hostility to mining and its political and security risks. The government is now actively pro-mining and, more significantly, the 1995 Mining Act that grants overseas companies the right to hold a 100% interest in larger (>US\$50m capex) mines, has been ratified as constitutional by the Supreme Court. The Philippines is classified by Control Risks as a high political risk and a medium security risk.
- Metals Ex is currently an explorer, however, it already has a defined and growing resource base, which has considerable scope to be several times its current size, and a clear strategy for taking the Runruno project through to production. On the basis that the company is targeting the completion of resource delineation and metallurgical testing to support a 200koz/y operation by July 2007 we set a target price of 43.5p/share.

Recommendation:	BUY
Target	43.5p
Price:	28.5p
Market cap:	£21.63m
Shares in issue	75.9m
Average Volume	420k
52 Week Hi-Lo	47.25-15.50
RIC	MTL.L
Next News	Resource Update Nov
Website	metalseploration.com

	1m	3m	12m
Absolute	-16.2%	-20.8%	9.6%
Relative FTALLSH	-18.8%	-26.1%	-6.1%



Collins Stewart Europe Ltd is stockbroker to Metals Exploration and makes a market in the company's shares.

This document is non-impartial investment research.

Please see disclaimer for further information.

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Investment Thesis

Metals Ex is focused on the exploration and development of the Runruno gold-molybdenum project in the Philippines

Metals Ex is focused on the exploration and development of the Runruno gold-molybdenum project located on the island of Luzon in the Philippines. The company currently owns a 40% interest in the project, which it can increase to 70% through the completion of a BFS and 85% through the payment of US\$6m. Ultimately it will try to increase its holding to 100%.

To date a resource of 23Mt at a grade of 2.3g/t Au and 0.07% Mo has been delineated

Drilling commenced at Runruno in late 2005 and the company has delineated an inferred resource of 23Mt at a grade of 2.3g/t gold and 0.07% molybdenum, which contains 1.7Moz of gold and 34Mlb of molybdenum. Metals Ex recently raised £5m at 25p/share, these funds will be used to extend the resource to 2.5Moz of gold, upgrade the resource classification to the measured and indicated categories and to initiate a BFS to evaluate whether Runruno can support a 200koz/y operation.

Runruno is hosted within an altered volcanic flow dome. Exploration will focus on resource definition although the company will invest in some scout drilling

The Runruno deposit is hosted within a 4km diameter volcanic flow dome with mineralisation occurring along fault zones within altered shallow dipping lenses of volcanic tuff and andesite. Only approximately a fifth of the total area has been explored to date. Although Metals Ex will be focussed on generating sufficient resources to support initial production it will also carry out some scout drilling in other areas to demonstrate the potential scale of the deposit.

Although the Philippines has a high political and security risk profile it has been improving under President Arroyo and has a more pro-mining legal and regulatory framework

The Philippines has historically been regarded as a country with great mineral wealth but a political system that is too corrupt and unstable to allow for the development of a mining industry. In recent years the country has also been affected by Muslim and communist insurgents. The current government lead by President Arroyo has taken a more positive stance towards the industry and to the participation of foreign companies. The 1995 Mining Act, which allowed a foreign company to hold a 100% interest in projects, was finally confirmed to be constitutional in late 2004. The Philippines remains a relatively high political risk, however, this does appear to be improving. The security problems in the country are largely restricted to Manila and the southern portion of the Island of Mindanao and are not therefore a major factor for the company.

Metals Ex has a clear strategy of moving Runruno towards 200koz/y production whilst completing scout drilling to demonstrate the scale of the deposit

Metals Ex has a very clear strategy for adding value through the completion of the feasibility study for a 200koz/y mine, whilst carrying out limited scout drilling elsewhere within the permit area. This creates both a defined route to production and cashflow whilst demonstrating the potential scale of the project through further exploration, accordingly, we set target price of 43.5p.

Valuation

Our core valuation for Metals Ex is based on the NPV of Runruno assuming that it can sustain production of 200koz/y of gold...

We value Metals Ex on the basis of the NPV of the Runruno project and assume that the company completes the feasibility and permitting work by the middle of 2008 and then commences construction before the end of that year with first production in 2009 and full production in 2010. The key assumptions underlying the valuation are:

- The company raises US\$28.5m (£15m) of equity and US\$76m (£40m) of debt to fund construction of a 200koz/y open pit gold mine.
- Resource of 2.5Moz of gold, 50Mlb of molybdenum delineated. No further exploration success.
- Gold recovery of 92%, molybdenum recovery of 70%.
- Cash operating costs of US\$250/oz.
- Gold price fades back to a long-term level of US\$450/oz over a five-year period.
- Long-term molybdenum price of US\$6.50/lb.
- Metals Ex acquires a 100% interest in Runruno.
- Runruno has a 5-year tax holiday after which the company pays tax, including the 'Additional Government Share' payable under an FTAA, at a rate of 50%.

Figure 1: Metals Exploration NPV

Disc Rate	NPV	NPV/share
4%	£178.27	£1.43
6%	£150.45	£1.20
8%	£127.85	£1.02
10%	£109.36	£0.87
12%	£94.13	£0.75
15%	£75.99	£0.61

CS Estimates

...which indicates an NPV₁₀ of £109m, 87p, and a target price of 43.5p, 55% above the current price, this attributes no value to the exploration potential of the ground surrounding the deposit

On the basis of the Runruno project alone Metals Ex has an NPV₁₀ of £109m. Metals Ex is moving straight from resource definition to a bankable feasibility study, which should be completed by early 2008 by which time it should be trading at 50% of the project's NPV. This would suggest a target price of 43.5p, 55% above the current level. This valuation however attributes no value to the exploration potential of the four fifths of the Runruno project that has not yet been explored

Metals Ex's peer group are currently trading on US\$70/oz Au, this would suggest a value of £62m, 81p/share, 49p/share once the additional equity required to develop the mine is taken into account

Metals Ex may also be compared to other gold exploration and development companies that are listed on AIM. This suggests that the market is currently attributing a value of US\$70/oz to those companies with advanced exploration and development projects. Metals Ex is currently trading at US\$25/oz, excluding any credit for the molybdenum at the project. The application of the average valuation for the peer group to Metals Ex would suggest a value of £62m, 81p/share. This would fall to 49p/share once the additional equity dilution that will be required to fund the development of the mine is taken into account. This fully diluted figure would rise to 74p if the company does manage to delineate a resource of 2.5Moz of gold.

Figure 2: Gold Explorers and Developers

Company	Resource oz	Mkt Cap £m	Mkt Cap/Resource oz US\$
Allied Gold	5,760,000	45	15
Archipelago	1,750,000	52	56
Ballarat	1,400,000	138	187
Centamin	6,790,000	153	43
Cluff Gold	980,000	27	53
Hambledon	3,500,000	46	25
Leyshon	1,200,000	29	46
Moto Goldmines	11,000,000	178	31
Ormonde Mining	486,000	25	99
Shanta Gold	741,000	58	148
Average			70
Metals Ex	1,700,000	22	25

Datastream, Company Websites

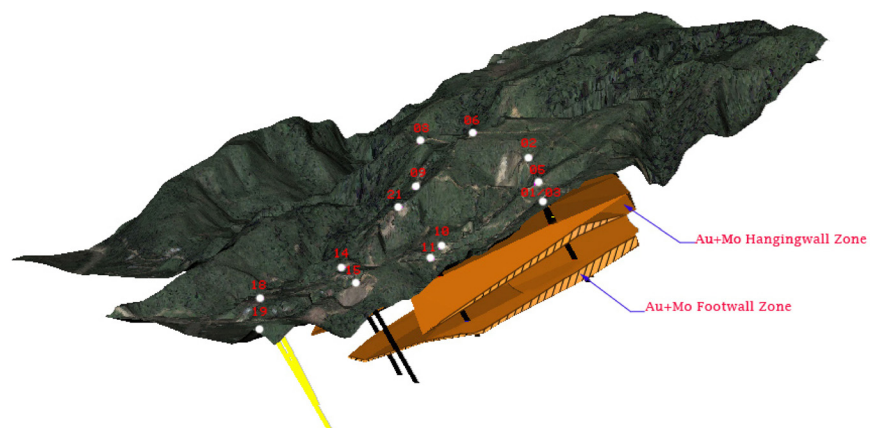
Asset Summary

Runruno

The Runruno project is located in northern Luzon, 200km to the north of Manila

The Runruno deposit is located in the northern part of the island of Luzon 200km from Manila. The project area is sparsely populated and there are 230 family groups living within its boundaries; the majority of these people are engaged in either subsistence agriculture or artisanal mining. The nearest major population centre is Bayombong City, which is approximately 20km from the project and has a population of approximately 50,000 people. Runruno has been sporadically explored since the 1960s, however, Metals Ex did not begin drilling until late 2005.

Figure 3: Runruno Geology



Metals Exploration

Over the next ten months the company plans to delineate at least 2.5Moz of gold, sufficient to sustain a 200koz/y mine

The work programme over the next ten months will focus on increasing the resource at the mine to 2.5Moz of gold and 50Mlb of molybdenum, the minimum that would probably be required to support the development of a 200koz/y open pit mine. It will also advance the metallurgical, social and environmental studies and initiate the other elements of the feasibility study, which should be completed by mid 2008.

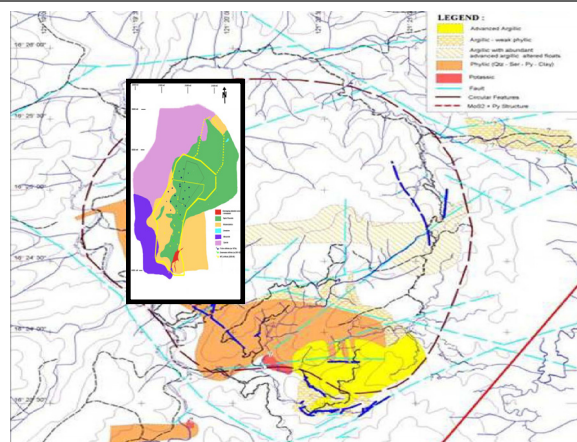
Runruno occurs within a 4km diameter volcanic flow dome

Only 20% of the entire structure has been explored, the deposit could be several times larger than the 1.7Moz that has been delineated so far

The Runruno deposit occurs within a 4km diameter volcanic flow dome complex with mineralization located within a series of structurally defined parallel mineralised zones hosted within altered alkaline volcanics and volcanoclastics.

To date around twenty percent of the entire domal structure has been explored and the deposit remains open both laterally and at depth. It is possible that mineralization extends around the majority of the structure and that Runruno could ultimately prove to host a gold resource several times the size of that which has been identified up to this point. Should this prove to be the case then the company would become an acquisition target for one of the world's major gold mining companies.

Figure 4: Runruno possible mineralised structure and area explored to date



Metals Exploration

Metals Ex's technical team are permanently based in the Philippines and are actively engaged with the local community

All of the senior members of the Metals Ex technical team are based in the Philippines on a full time basis and the company has focussed on developing good relations with the communities in and adjacent to the project area and other significant stakeholders, such as the Catholic Church, which will be key to the development and permitting process.

Other Assets

Masapelid

Masapelid is a high-grade near surface quartz-gold-polymetallic deposit

Masapelid is located 750km to the southeast of Manila on a small sparsely populated island adjacent to northern coast of the island of Mindanao. The principal rock types at the project are andesites, basalts and some tuffaceous material that is unconformably overlain by limestones. Mineralisation is hosted in high grade near surface quartz-gold-silver veins that have been intermittently mined over the past 70 years. Early stage work is currently being carried out by Medusa Exploration that can earn up to 84% by spending US\$1m on exploration.

Puray

Puray is a high-grade disseminated copper, zinc, silver and gold deposit

The Puray VMS deposit is located 30km to the northeast of Manila and is currently subject to an exploration permit application by Metex Mineral Resources. Should this be granted then Metals Ex will acquire a 100% interest in the project. Puray is a high-grade and disseminated copper, zinc, silver and gold deposit that was mined in the 1970s.

The Philippines

Figure 5: The Philippines



The Philippines is an archipelago of 7,107 islands with a population of 84m

The Philippines is a democracy but it has had a troubled recent history with failed coups and, in Mindanao, Muslim and Communist insurgencies

The Mining Act was passed in 1995 but was only verified as constitutional in 2004

The Philippines is an archipelago of 7,107 islands located between the Philippine Sea and the South China Sea in South East Asia. The country covers an area of 300,000 km² and has a population of over 84 million, half of who live on the largest island, Luzon. The terrain is a mixture of mountains and coastal lowlands, and contains a variety of natural resources including petroleum, coal, timber, nickel, chrome, silver and gold.

The Philippine economy has grown at around 5% over recent years and is dominated by the agriculture and services sectors, remittances from the substantial number of overseas workers are also significant. The country is a democracy that has been led by President Macapagal-Arroyo since the 2001, however, it has suffered from a number of coup attempts and there are ongoing issues relating to Muslim and Communist insurgents in the south of the country. The government has consistently run a budget deficit and public debt stands at the very high level of 72% of GDP.

The Mining Act was initially passed in 1995 but was only finally confirmed to be constitutional in 2004. It was designed to provide the basis for the reinvigoration of the country's mining industry. The Act allowed for foreign controlled companies to own up to 100% of mining operations, streamlined the permitting and approval process and put in place a more competitive system of taxation. This is already yielding results and a number of major companies, including Xstrata, Sumitomo, AngloGold and BHP Billiton are actively involved in the country.

The attitude of the Church and Opposition groups remains at best ambivalent and often actively hostile

Despite the improvements in the Philippines taxation and permitting regime for mining companies attitudes to the industry within the country are far from universally positive and several opposition politicians and the Catholic Church remain at best ambivalent and often hostile. Metals Ex is very conscious of this and has a number of social and community programmes already in place.

Three types of licence are available, an exploration permit, MPSA and FTAA

Under the new system three types of licence are available; an Exploration Permit (EP), a Minerals Production and Sharing Agreement (MPSA) and a Financial or Technical Assistance Agreement (FTAA).

Exploration permits are granted for two years and may be renewed for up to eight. An MPSA is granted for 25 years but require a company to be 60% Filipino owned

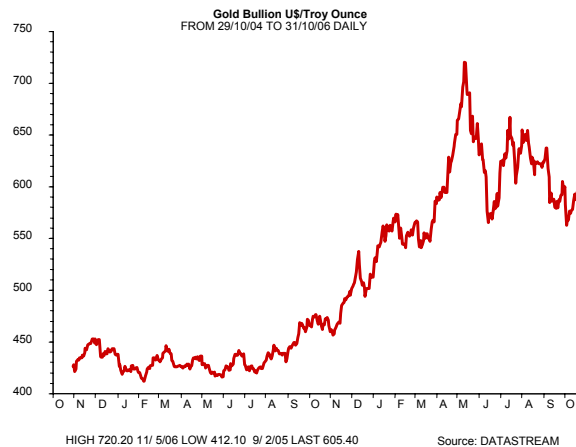
An Exploration Permit is granted for a two-year period and may then be renewed for up to eight years; Runruno is currently operated under an EP. An MPSA is issued to a contractor by the government and grants the right to carry out mining operations, it does not however grant ownership of a deposit that remains with the government. An MPSA is granted for a 25-year period and requires a company to be at least 60% owned by Philippine interests.

Runruno should qualify for a FTAA, which is available to projects with a capex of >US\$50m and allows for 100% foreign ownership

Should Runruno be taken through to the development stage then Metals Ex would probably apply for an FTAA. This licence is available to a project that has a capital expenditure requirement of at least US\$50m and allows a foreign owned company to hold up to 100% of the project. Under an FTAA a company is granted tax relief for up to five years or until the project's costs have been recovered, whichever is the shorter period. After this a company pays both regular tax and an 'Additional Share', which leads to an effective tax rate of 50% post year five.

Gold

Figure 6: Gold US\$/oz



Datastream

Over the past three years gold has decoupled from the US\$ and appreciated against all major currencies

Over the past three years the gold price has risen steadily as it has been freed from the shackles of heavy forward selling by the miners and sales from central banks. More recently gold has decoupled from the US\$ and has appreciated in relation to all of the major currencies. This has been driven by investor demand for a secure store of value during a period of high inflation that is being driven by high energy prices, which are in turn caused by growing energy demand from the BRIC economies, limited new sources of supply and an increase global political instability, especially in the oil rich nations of the Middle East.

Mine supply has been relatively stable over the past decade although a significant proportion of new supply will be from less stable economies

Gold mine supply has been relatively stable over the past six years although it is slightly lower than it was at the beginning of the decade. In addition, there are many older mines, especially in South Africa, that are operating at low grades and with high costs, which would probably be sub-economic if the price were to fall back again. New mine supply has been constrained by a lack of exploration success during the past decade, especially in the major developed gold mining nations – the USA, Australia and Canada. The majority of new gold production has come from transitional or emerging economies, such as Russia or Peru. This is significant as gold equities; especially those listed on AIM that often operate in regions of high political risk, are becoming distinct from gold itself, which is a hedge against risk.

We believe that gold will trade at US\$550-US\$650 over the next year, fading back to US\$450/oz over the longer term...

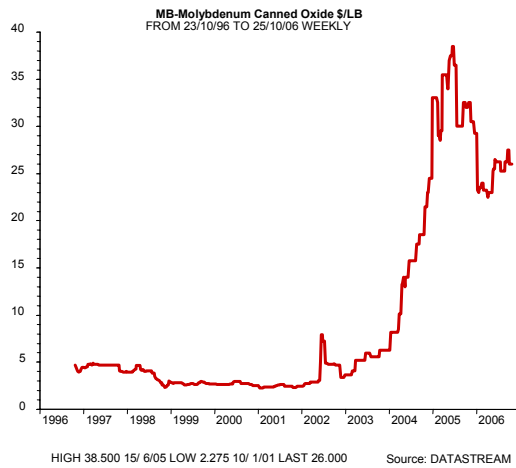
We believe that the gold price is likely to continue to trade between US\$550/oz and US\$650/oz over the next twelve months and will then decline to a long term price around US\$450/oz over a five year period. There is however the potential for there to be short-term price spikes outside of this range.

...as if the prices move above this level for a prolonged period then an increase in hedging, central bank selling and reduced physical demand are likely to depress prices

Should there be a substantial decline in the US\$ then there is the possibility that the price could move higher, however, the recent 30% slump in jewellery demand indicates that consumption of the metal is highly sensitive to upward price movements. Whilst it is possible that China and other emerging economies may increase their central bank gold reserves the signatories of the Central Bank Gold Agreement will continue to sell in accordance with the terms of the agreement and the net affect of this is therefore likely to be neutral. A further constraint on gold being sustained at higher levels is likely re-emergence of producer hedging as a significant factor, especially amongst smaller and mid tier companies that are reliant of project debt to develop projects.

Molybdenum

Figure 7: Molybdenum Oxide US\$/lb



Datastream

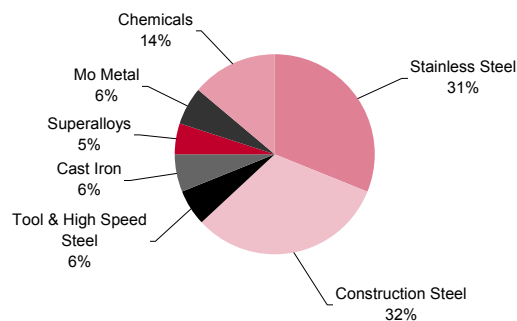
Molybdenum is typically mined as a by-product of copper and gold mining

Molybdenum is a Group 6 transition metal that is typically mined as a by-product mineral within gold and copper orebodies and the principal countries where the metal is mined are the USA, China, Chile, Mongolia and Canada.

It is principally used in the steel industry as an alloying agent that increases strength and creep resistance

The metal is principally used in base and stainless steels but is also used in alloy steels, super alloys and nickel base alloys. In base alloys molybdenum improves the steel's strength and creep resistance at high temperatures and in vacuum and reducing environments, which makes it suitable for aerospace and defence applications. It is also used in stainless steels to improve their corrosion resistance, high temperature strength and creep resistance. Molybdenum is used in the chemicals business for catalysts, colours, pigments and lubricants

Figure 8: Molybdenum Consumption by End Use



International Molybdenum Association

The molybdenum price has surged, driven by the growth of steel production in China

Molybdenum has fallen back to US\$26/lb from a high of US\$42/lb, despite an increase in supply it should continue to trade well above the historical average of US\$4/lb

The price of molybdenum has risen dramatically in recent years driven by demand from the BRIC economies. As the majority of supply is drawn from mines where the principal metal is not molybdenum it has been relatively difficult to increase supply, although companies such as Rio Tinto and Antofagasta have rescheduled the mine plans at a number of their operations to exploit higher grade molybdenum ore.

The lack of new mine supply at a time of high demand caused the price of molybdenum to surge from US\$4/lb to more than US\$40/lb. This is the price for molybdenum oxide that is used in metallurgical applications that account for 75% of aggregate demand. It has now fallen back to US\$26/lb, however, the continued strength of demand for steel is likely to maintain the price at very high levels over the medium term. Over the longer term we believe that the molybdenum price will fall back to around US\$6.50/lb as additional capacity is brought into production whilst there will be a slowing in the growth of demand for steel.

Directors & Senior Management

Steven Smith, *Chairman and Chief Financial Officer*, is a Chartered Accountant by training and has experience as a director of public companies and in corporate management, finance and taxation in the UK.

Jonathan Beardsworth, *Chief Executive Officer*, has 12 years experience in investment banking during which he focused solely on the mining and metals sector with Standard Bank, and formerly with Warrior International. Prior to joining Metals Exploration he was head of the London office of Standard Bank's Mining and Metals team with additional responsibility for Moscow and Shanghai.

Gary Powell, *Technical Director*, is a trained geologist with 3 years experience in mineral exploration, development & mining in Australia, Southeast Asia and Central Asia. Mining operation experience in Australia and corporate directorship experience in Australia, Philippines and UK.

Peter Draper, *Chief Operating Officer*, has operated his privately-owned drilling company since 1983 in Australia and Southeast Asia. He is based in the Philippines and has board level corporate experience in Australia and Philippines.

Financials

The recent £5m placing will be sufficient to complete the next phase of drilling and complete much of the feasibility study

Metals Ex's financials reflect the company's status as an explorer without any cashflows from operations. The recent £5m fund raising should be sufficient for the company to complete the next phase of the drilling programme and much of the work required to complete the feasibility study for a 200koz/y mine. It would also allow it to carry out some limited scout drilling on the areas within the concession that have not yet been explored.

Further funds will probably need to return to the market for funds prior to beginning construction at Runruno

We believe that it is likely that Metals Ex will need to return to the market prior to construction of a mine at Runruno to raise some further equity, however, if it has been successful then this should be at a materially higher level than the current share price.

The capex to construct a 200koz/y mine is likely to be around US\$100m

The company will also need to raise additional funds to bring the mine into production. The capital cost of a 200koz/y operation should be approximately US\$100m, although a significant portion of this could be funded through a project debt facility. We have assumed that the company raises £15m of equity and £40m of debt, which would be repaid over a period of four years. It is also possible that Metals Ex will look at alternative financial structures, such as either debt or project level equity dilution connected to a life of mine offtake agreement for the molybdenum produced by the operation.

Figure 9: Metals Exploration, P&L

P&L		2005	2006E	2007E	2008E	2009E	2010E
Gold Production	oz	-	-	-	-	101,568	203,136
Moly Production	t	-	-	-	-	735	1,470
Gold Sales	£m	0.00	0.00	0.00	0.00	26.73	51.32
Moly Sales	£m	0.00	0.00	0.00	0.00	11.94	20.46
Total revenues	£m	0.00	0.00	0.00	0.00	38.66	71.78
Operating Costs	£m	0.00	0.00	0.00	0.00	13.36	26.73
Royalty	£m	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	£m	0.00	0.00	0.20	0.38	0.64	5.84
Amortisation	£m	0.00	0.00	0.00	0.00	0.51	0.46
Exploration Expenditure	£m	0.00	0.00	0.00	0.00	0.00	0.00
G&A	£m	0.19	0.35	0.50	0.75	1.00	1.00
EBIT	£m	-0.19	-0.35	-0.70	-1.13	22.15	36.75
Interest income	£m	0.01	0.05	0.12	0.02	0.41	0.40
Interest paid	£m	0.00	0.00	0.00	0.00	2.60	1.95
Other income/expense	£m	0.00	0.00	0.00	0.00	0.00	0.00
Net interest	£m	0.01	0.05	0.12	0.02	-2.19	-1.55
Pre tax profit	£m	-0.18	-0.30	-0.58	-1.11	19.96	35.20
Tax	£m	0.00	0.00	0.00	0.00	0.00	0.00
Abnormals	£m	0.00	0.00	0.00	0.00	0.00	0.00
NPAT	£m	-0.18	-0.30	-0.58	-1.11	19.96	35.20
Dividend	£m	0.00	0.00	0.00	0.00	0.00	0.00
Retained income	£m	-0.18	-0.30	-0.58	-1.11	19.96	35.20
EPS	£	-0.01	0.00	-0.01	-0.01	0.16	0.28
Dividend	£	0.00	0.00	0.00	0.00	0.00	0.00
Shares OS	m	32	76	101	125	125	125

Metals Exploration, CS Estimates

Figure 10: Metals Exploration, Balance Sheet

Balance Sheet		2005	2006E	2007E	2008E	2009E	2010E
Fixed Assets							
Property Plant Equipment	£m	0.00	2.00	3.80	6.42	58.41	53.88
Mineral Interests	£m	1.59	2.59	4.09	5.59	5.08	4.62
Deferred Tax	£m	0.00	0.00	0.00	0.00	0.00	0.00
Other Assets	£m	0.00	0.00	0.00	0.00	0.00	0.00
Receivables	£m	0.00	0.00	0.00	0.00	0.00	0.00
Other Financial Assets	£m	0.00	0.00	0.00	0.00	0.00	0.00
	£m	1.59	4.59	7.89	12.01	63.49	58.50
Current Assets							
Cash	£m	1.18	2.88	0.49	10.27	10.01	33.03
Receivables	£m	0.01	0.01	0.01	0.00	6.44	11.96
Other Financial Assets	£m	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	£m	0.00	0.00	0.00	0.00	3.22	5.98
Tax Assets	£m	0.00	0.00	0.00	0.00	0.00	0.00
Other Assets	£m	0.00	0.00	0.00	0.00	0.00	0.00
	£m	1.19	2.89	0.50	10.27	19.67	50.97
Current Liabilities							
Payables	£m	0.19	0.19	0.19	0.19	1.11	2.23
Short-term debt	£m	0.00	0.00	0.00	0.00	0.00	0.00
Tax liabilities	£m	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	£m	0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	£m	0.00	0.00	0.00	0.00	0.00	0.00
	£m	0.19	0.19	0.19	0.19	1.11	2.23
Net Current Assets	£m	1.00	2.69	0.31	10.08	18.56	48.75
Total Assets less Current Liabs	£m	2.58	7.28	8.20	22.09	82.05	107.25
Long-term							
Long-term debt	£m	0.00	0.00	0.00	0.00	40.00	30.00
Deferred Tax	£m	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	£m	0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	£m	0.00	0.00	0.00	0.00	0.00	0.00
	£m	0.00	0.00	0.00	0.00	40.00	30.00
Net Assets	£m	2.58	7.28	8.20	22.09	42.05	77.25
Equity Capital							
Share Premium ac	£m	0.47	0.47	0.47	0.47	0.47	0.47
Share Premium ac	£m	1.69	6.69	8.19	23.19	23.19	23.19
Shares to be issued	£m	0.29	0.29	0.29	0.29	0.29	0.29
P&L ac	£m	-0.18	-0.48	-1.06	-2.18	17.79	52.99
Minorities	£m	0.31	0.31	0.31	0.31	0.31	0.31
Equity Interests	£m	2.58	7.28	8.20	22.09	42.05	77.25

Metals Exploration, CS Estimates

Figure 11: Metals Exploration, Cashflow

Cashflow		2005	2006	2007	2008	2009	2010
Operating profit	£m	-0.19	-0.35	-0.70	-1.13	22.15	36.75
Depreciation	£m	0.00	0.00	0.20	0.38	0.64	5.84
Amortisation	£m	0.00	0.00	0.00	0.00	0.51	0.46
Gain on disposals	£m	0.00	0.00	0.00	0.00	0.00	0.00
Provisions and other	£m	0.00	0.00	0.00	0.00	0.00	0.00
	£m	-0.19	-0.35	-0.50	-0.75	23.30	43.05
Change in debtors	£m	-0.01	0.00	0.00	0.01	-6.44	-5.52
Change in stocks	£m	0.00	0.00	0.00	0.00	-3.22	-2.76
Change in creditors	£m	0.16	0.00	0.00	0.00	0.92	1.11
Other	£m	0.00	0.00	0.00	0.00	0.00	0.00
	£m	0.15	0.00	0.00	0.01	-8.75	-7.17
Operating Cashflow	£m	-0.04	-0.35	-0.50	-0.74	14.56	35.89
Net Interest	£m	0.01	0.05	0.12	0.02	-2.19	-1.55
Tax	£m	0.00	0.00	0.00	0.00	0.00	0.00
	£m	0.01	0.05	0.12	0.02	-2.19	-1.55
		-0.02	-0.30	-0.38	-0.72	12.37	34.34
Maintenance capex	£m	0.00	0.00	0.00	0.00	0.00	-1.32
Expansion capex	£m	0.00	0.00	0.00	0.00	0.00	0.00
Pre prod dev expenditure	£m	0.00	-1.00	-1.50	-1.50	0.00	0.00
Assets Purchased	£m	-0.91	-2.00	-2.00	-3.00	-52.63	0.00
Asset Sales	£m	0.00	0.00	0.00	0.00	0.00	0.00
Investing CF	£m	-0.91	-3.00	-3.50	-4.50	-52.63	-1.32
	£m	-0.94	-3.30	-3.88	-5.22	-40.27	33.02
Shares issued	£m	2.12	5.00	1.50	15.00	0.00	0.00
+ Loans	£m	0.00	0.00	0.00	0.00	40.00	0.00
+ Other	£m	0.00	0.00	0.00	0.00	0.00	0.00
- Loan Repayment	£m	0.00	0.00	0.00	0.00	0.00	-10.00
- Dividends	£m	0.00	0.00	0.00	0.00	0.00	0.00
Financing CF	£m	2.12	5.00	1.50	15.00	40.00	-10.00
Cashflow	£m	1.18	1.70	-2.38	9.78	-0.27	23.02
Cash at start of year	£m	0.00	1.18	2.88	0.49	10.27	10.01
Cash at end of year	£m	1.18	2.88	0.49	10.27	10.01	33.03

Metals Exploration, CS Estimates

Research Recommendations issued by Collins Stewart Europe Limited in Q2 2006

Recommendations	Buys	Sells	Hold/Neutral
Percentage of Total	59%	21%	20%
Percentage of which in Corporate Client stocks	31%	1%	14%

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