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Metals Exploration Confident in Runruno Project

by [Stephen Clayson](#)

Metals Exploration shortly expects to release the results of a scoping study on its Runruno gold-molybdenum deposit in the north of the Philippines, before, it hopes, proceeding immediately to full feasibility. The company currently controls 85 per cent of Runruno, but has an option to buy out the other 15 per cent should it wish to do so. By the time production is in the offing, MetalsEx hopes to have converted its ownership of the project from an EP (Exploration Permit) into what is known as an FTAA (Financial Technical Assistance Agreement), which allows for 100 per cent foreign control of a producing mine. In the Philippines, this would otherwise be restricted. The catch is that few FTAA's have yet been issued. However MetalsEx's neighbour, Oceana Gold, has one for its Didipio gold-copper project so it certainly can be done. And MetalsEx claims to be putting in the right sort of effort on the community relations front, so that will help.



Runruno is quite an unusual deposit. The major comparison that can be made is with the famous Cripple Creek deposit in Colorado. Luckily for MetalsEx, Cripple Creek is a pretty flattering comparison to have on hand, since it can boast historic production of around 23 million ounces of gold.

Getting down to the nitty-gritty, a concept study, the results of which were announced in April, envisaged a mining operation at Runruno producing 190,000-210,000 ounces of gold per annum, with perhaps an additional 1.8-2.1 million pounds per annum of molybdenum. Including a molybdenum recovery circuit, capital costs were estimated at US\$160-210 million. Without, they were estimated at US\$150-200 million. Cash costs would be US\$350-400 an ounce Au assuming no revenue from molybdenum, and US\$190-320 an ounce Au assuming molybdenum credits of US\$15 a pound. Mining will be by open pit, and the company believes it has identified ample space for its tailings.

The total resource at Runruno is some 2 million ounces of gold and 34.4 million pounds of molybdenum using a cut off grade of 0.3 grams per tonne gold, or 31.2 million tonnes at 2 grams per tonne gold and 0.05% molybdenum. The measured resource currently stands at 270,000 ounces of gold and 7.8 million pounds of molybdenum, with 756,000 ounces of gold and 17.2 million pounds of molybdenum in the measured and indicated categories. The Runruno deposit is still open to the north, but MetalsEx's priority is moving towards production rather than aggressively pushing the boundaries of the deposit.



So those are the parameters of the project currently. The results of the scoping study should be available shortly, and assuming positive results, this could allow MetalsEx to make a start on full feasibility well before the end of the year. Executive Director of MetalsEx Gary Powell says the scoping study verges on being a prefeasibility study, but either way full feasibility still entails significantly more work. The company does not have enough in its coffers to complete a full feasibility study on Runruno, and will have to raise some more money when possible, although with its share price currently around 8p, roughly a quarter of what it was less than a year ago, this may be a somewhat painful experience. Fortunately, the last placing was carried out in May, raising just over £4 million at 20p, which gives the company some breathing space.

BIOX has been selected as the preferred recovery option, to be augmented by gravity recovery giving a total gold recovery of 88-92 per cent. There is no certainty yet on the amount of molybdenum that can be recovered, although a target of 50 per cent (implying 2 million lbs annual molybdenum production) was mentioned in the last update released by MetalsEx. On the basis of all this, it must be acknowledged that there is some processing risk to the project. But Goldfields Mining Services as well as Ausenco are advising, and hopefully their combined nous will pre-empt any serious processing bugs, which can be company breaking if they come to light only when a mine is built and supposed to be paying back its capital.

The location of the Runruno project in the Philippines is fairly advantageous. The province of Nueva Viscaya is not known for instability and is also fairly well provided for from an infrastructure standpoint, particularly as it is close to the Magat hydroelectric dam. The latter means that MetalsEx expects to be able to plug the Runruno project into reasonably dependable grid power.

MetalsEx is still quite a liquid stock by the standards of AIM small caps, and that is a good thing for all holders. That said - it hasn't escaped the savage mark downs that have hit almost the entire junior mining sector since the beginning of the year. It didn't help that the stock was arguably overbought when it was changing hands at over 40p in November 2007.

MetalsEx also has a portfolio of other projects in the Philippines, plus one in Indonesia, but Runruno is definitely the main event, as well it should be. The market will be eagerly awaiting the results of the Runruno scoping study, due shortly, and if the positive expectations conveyed by Gary Powell are realised, there should be little difficulty in raising the money to go to full feasibility, although it may not be at the sort of price the company would like. But that's markets for you.