

6th March 2008

## Metals Exploration – Runruno Resource Update – Reiterate buy stance at 27.5p

Metals Exploration, the AIM listed exploration and development company with assets in the Pacific Rim region, recently released an updated JORC-compliant resource statement for its 100% owned Runruno gold/molybdenum deposit in the Philippines.

The main highlights of the report, which is based on all drilling activity to the end of December 2007, are the 90% increase in the number of ounces in the Indicated category from 409,000 oz to 705,000 oz gold, the increase of the gold grade from 2.27 g/t to 2.41 g/t, a small decrease in the molybdenum grade from 0.064% to 0.062%, the increase of the total contained gold by approximately 50,000 oz and the decrease of total contained molybdenum by around 3Mlb.

### Key Data

EPIC	MTL
Share Price	27.5p
Spread	27p – 28p
Total no of shares	91.4 million
Market Cap	£25.1 million
Net Cash	£2.5 million
12 Month Range	22.25p – 46p
Market	AIM
Website	<a href="http://www.metalsexploration.com">www.metalsexploration.com</a>
Sector	Resources
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As a result of Metals Exploration full technical review, the Runruno gold/moly deposit has now an estimated JORC-compliant Indicated & Inferred mineral resource of 27.061 Mt @ 2.41 g/t Au and 0.062% Mo, containing 2.095M oz gold and 36.69Mlb molybdenum. Improved drill density and more accurate geological company by FCF Minerals Corporation, the operator and wholly-owned subsidiary of Metals Exploration in the Philippines, has resulted in an increase of total number of ounces in the Indicated category (37% of the total resource from 20% previously). The improvement of the gold grade and the small reduction in the moly grade were due to a tighter definition of the orebody, which also resulted in a small reduction in the tonnage (27.0Mt from 28.0Mt).

The latest resource update at Runruno is the result of extensive drilling activity over 153 drill holes for a total of 22,000 metres completed by the 2007 year end. The 2008 ongoing drilling programme consists of infill

drilling with the stated objective of further defining the continuity, extent and enhancing the estimated certainty of the resource. This is in conjunction with the recently announced launch of a scoping study at Runruno, which will look into all the technical and economic aspects of the Runruno project. Managed by the recently appointed project director, Ian Holzeberger, the scoping study will involve additional drilling to test the resource variability and will provide the basis for determining the extent of infill drilling required to take the project to feasibility study phase and upgrade the resources up to reserve status.

The scoping study, which is expected to provide an interim progress report around Easter time and to be concluded in the summer, will provide the basis for a full Bankable Feasibility study at Runruno. The outline for the project is a completion of a BFS study by the end of 2009, the commissioning and construction of a mine by the end of 2010, with the Runruno gold/moly project going into production during 2011.

The scoping study is part of the company's ongoing focus on a coherent plan of developing the mine, which includes continued resource definition and upgrade, metallurgical testwork, economic modeling, infrastructure, environmental baseline and impact studies and an FTTA application. In conjunction with the evaluation work, exploration drilling within the alkaline volcanic complex at Runruno continues, while the company is also advancing its EP applications at Sulong & Dupax. The other three Philippine projects, namely Puray, Worldwide and Capaz are also progressing to Field Base investigation stage, while at the Indonesian nickel Waigeo Island project, the company is exploring the feasibility of shipping nickel ore from the island to suitable destinations.

The latest resource update further emphasizes the upside potential on the Runruno asset. We continue to value the Runruno gold/moly project at £87.4 million or 95.6p per share. Metals Exploration's shares trade at 27.5p, which in our opinion is far too low, given the focused approach the company is currently undertaking to further develop the Runruno gold/moly project into a commercial mine in time. Hence at 27.5p, we continue to recommend Metals Exploration as a **buy**.



**Forecast Table**

Year to 30th September	Sales (£million)	Pre-Tax Profits (£million)	Earnings Per Share (p)	Price Earnings Ratio
2005A	0.0	(0.18)	(0.67)	-
2006A	0.0	(1.16)	(2.20)	-
2007E	0.0	(1.51)	(1.67)	-
2008E	0.0	(1.75)	(1.91)	-

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***This Research Note Cannot be Regarded as Impartial as GE&CR has been commissioned to produce it by Metals Exploration\****

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