

Sector

Mining

Metals Exploration 13.375p Speculative Buy plc

Date of previous note

15th October 2008

Previous recommendation

Speculative Buy

Announcement date

7th May 2009

Analyst

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Report date

8th May 2009

Metals Ex is making steady progress towards delivery of the Bankable Feasibility Study (BFS) on its 100% owned Runruno gold and molybdenum (moly) project in the Philippines. The Scoping Study indicates the potential for a low cost open pit operation following relatively modest capital costs.

In a recent report (dated 20th April 2009) Edison Investment Research Ltd calculate average AIM market valuations of US\$1.05 per ounce (oz) for Compliant Inferred gold resources, \$12.05/oz for Indicated and \$187.73/oz for Measured. Ignoring moly credits, Metals Ex has outlined 270,000 JORC Compliant Measured Resource ounces, 487,000 Indicated and 1.248 million Inferred oz. Hence assuming £3m of pre-placing cash, Metals Ex could be valued at £38.9m or 22p per share.

Furthermore drilling at Runruno has been able to convert Inferred and Indicated Resources into Measured with almost a 100% success rate, thus suggesting that the all important high value Measured Resources could be much larger than currently estimated.

Year end September	Turnover £m	Admin Expenses £m	Interest £m	Loss before and after tax £m	EPS (p)	PE times
2007A	-	(2.1)	(0.1)	(2.2)	NM	NM
2008A	-	(3.3)	(0.2)	(3.4)	NM	NM
2009E	-	(4.5)	(0.2)	(4.7)	NM	NM

Source data: Company reports and Hoodless Brennan estimates. Where necessary £1=US\$1.50. In 2009 the accounting reference date changes to end December. The company will probably restate historic earnings at the interim stage.

Key Data

AIM TickerMTL
Broker... Hanson Westhouse
Website
www.metalsexploration.com

Year High/Low ..41.32p/6.5p
No. of Shares165.32m
Mkt. Cap.....£22.1m
Fully diluted No of shares
184.04m
Results Quarter to end
December 2008- May 2009

NMS30,000
Bid/Offer 13p-13.75p (5.8%)
Screen Size30,000
No of Market Makers.....6

- Scoping study indicates the potential to produce 185,000ozpa gold and 1.7Million pounds of moly, at a cost, net of moly credits, of US\$285/oz of gold for a capital cost of US\$208.4m.
- The company has recently applied to convert its Exploration Permit into a Financial and Technical Assistance Agreement (FTAA), an important process in order to get approval to mine.
- Due to the collapse in moly prices, the time line to first production has moved on a year, as a full BFS is completed. The company was previously looking to forward sell moly to finance the mine development. This remains a funding option but depends on higher moly prices
- Coupled with the January 2009 fund raising, the recent fund raising secures finance to complete the BFS. The BFS should be delivered by end January 2010 following 65,000m of resource evaluation drilling. 32,000m has been drilled to date.

Strengths	Weaknesses
<ul style="list-style-type: none"> ➢ Have discovered 2Moz of gold resources at Runruno in a small area of the 4km diameter geological complex. A planned step out drill program may expand resource. ➢ Fully funded BFS underway. Initial moly and gold recovery metallurgical tests are encouraging. ➢ Strong Management team. 	<ul style="list-style-type: none"> ➢ Production not forecast to commence until 2011. The capital cost of the potential mine has yet to be arranged. ➢ The stockmarket is keener on gold production than unfinanced projects at the BFS stage. ➢ Political situation in the Philippines might deteriorate.

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Profit and Loss

Year to September £m	2007A	2008A	2009E
Turnover	-	-	-
Admin expenses	(2.1)	(3.3)	(4.5)
Interest	(0.1)	(0.2)	(0.2)
Loss before and after tax	(2.2)	(3.4)	(4.7)

Balance Sheet

Year to September £m	2007A	2008A	2009E
Exploration assets	5.7	9.0	15.5
Tangible assets	0.2	1.0	1.1
Goodwill	1.4	1.0	1.0
Quoted investment	0.3	0.2	0.2
Receivables	0.5	0.5	0.6
Cash	3.9	2.0	3.5
Total assets	12.1	13.6	21.9
Payables	(0.5)	(0.4)	(0.5)
Long term debt	(2.0)	(2.0)	(2.0)
Total liabilities	(2.5)	(2.4)	(2.5)
Net assets	9.6	11.2	19.4

Source data: Company reports and Hoodless Brennan estimates. In 2009 the accounting reference date changes to end December. The company will probably restate historic earnings at the interim stage. Where necessary £1=US1.50.

Cash Flow

Year to September £m	2007A	2008A	2009E
Net cash used in operating activities	(1.7)	(3.2)	(5.5)
Forex movement	0.0	0.4	0.0
Quoted investment	(0.5)	0.0	0.0
Exploration	(1.7)	(2.2)	(8.5)
Fixed assets	(0.1)	(0.9)	(0.2)
15% of Runruno	(3.8)	0.0	0.0
Long term debt	2.0	0.0	0.0
Share issues	9.4	3.8	15.7
Cash movement	3.6	(2.4)	1.5

Key Events

Date	Event
7 th May 2009	104.347m new shares at 11.5p
12 th January 2009	52.8m new shares @7p. In addition a 364 day debt facility amounting to £8m was arranged.
3 rd November 2009	Scoping Study/Pre-feasibility Study update.
13 th October 2008	Runruno resource upgrade
16 th May 2008	20.2m new shares @20p

Financial Calendar

Date	Event
December	Year End
September 2009	Interims
May 2010	Finals

Major Shareholders

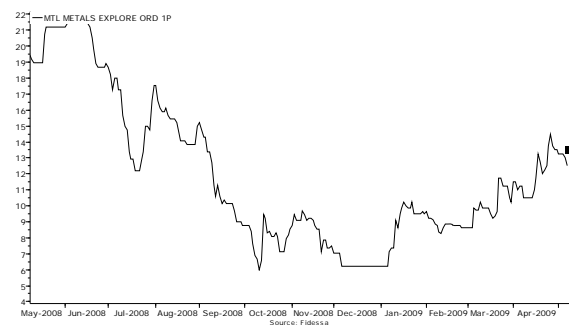
Shareholder	%
Solomon Capital	29.9
Allianz SE	7.27
Other Directors/Officers	2.19

Note: Before recent placing

Board of Directors

Name	Position held
Ian Holzberger	Executive Chairman
Jonathan Beardsworth	Chief Executive
Gary Powell	Executive Director
Tim Wheeler	Finance Director
Jonathan Pearson	Non-Executive Director
Tim Dean	Non-Executive Director

Share Price Chart



Activities: The company is exploring the Runruno gold project in the Philippines.

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Relevant disclosures: NA

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