# Metals Exploration

# Incremental beat at Runruno, targeting La India production by 2027

Metals Exploration ("MTL") has now completed the acquisition of Condor Gold and set out a strategy for the development of the La India project in Nicaragua. Fixed consideration for the acquisition was GB£67.5 (GBp33/share) split between 9.9p/share in cash and 4.05 MTL shares for each condor share held. Additional consideration of up to GB£22.6m will be paid as MTL hits development and exploration milestones. Development of La India should dovetail with the depletion of MTL's Runruno mine in the Philippines in 2027. La India has a M&I resource of 1.14Moz with a further 1.26Moz of inferred material that should sustain average production of 145koz over at least 12 years, with upside potential from the surrounding exploration leases. Our updated valuation for MTL, including Runruno, La India, and the explorations prospects in northern Luzon and Nicaragua is GBp13/share. The main catalysts should be meeting guidance at Runruno, hitting development milestones at La India, and initial exploration at the Abra projects. Runruno's 2024 production beat revised guidance, with 2025 production guidance above our previous estimates.

### La India should be fast tracked with first production in 2027

The La India project is located in a historic mining district of western Nicaragua with tenements covering 578km<sup>2</sup>. It is fully permitted and construction-ready with access to grid power and paved roads which should lower cost and expedite development, although management has flagged that there is work to do on the power connection and final tailings facility location. MTL has identified a second hand plant that could be acquired to bring the capacity to process 1.4Mt/year with average production of 145koz over a 12.4 year mine life at an AISC of US\$1,176/oz. MTL has guided for initial capex US\$122m, which we believe can be funded from cashflows and the company's cash resources. Our NAV for La India is US\$595m using a long term gold price of US\$2,100/oz and an 8% discount rate. We apply a 0.5x NAV multiple to the project while design and engineering is completed. We note that this is only the base case for the La India project area with further potential to extend the open pit and underground mine with other targets across the broader lease area. MTL believes the concessions could host up to 12Moz of gold. MTL has also acquired the Estrella and Rio Luna projects in Nicaragua which also have exploration potential.

# 2024 production of 83.8koz, expect 71koz in 2025

MTL's Runruno mine in Luzon has performed strongly during 2024 with Q4 production of 18.9koz and gold sales of 19.1koz, taking production for the year to 83.8koz of at an AISC of US\$1,135/oz. This was in line with our expectation and an incremental beat versus guidance for the year, which had been revised upwards, at 82koz at an AISC of US\$1,125/oz-US\$1,275/oz. Production is guided to be 70koz-75koz at an AISC of US\$1,225/oz-US\$1,325/oz in 2025. This is ahead of our previous expectation of 65koz and we now expect production of 71koz at an AISC of US\$1,243/oz. MTL has several highly prospective gold and copper exploration projects in northern Luzon – the Abra tenements – where initial drilling should commence over the coming months following the granting of drilling permits in Q4. The main initial targets will be the Manikbel and Domenglay. Our NAV for Runruno is US\$88m with a notional value of US\$10m for the Abra tenements and the earlier stage prospects in Nicaragua.

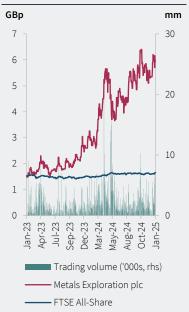
# Valuation: GBp13/share, 116% upside

Our DCF-based SOTP valuation is GBp 13/sh, offering 116% upside from the current share price. We have updated our model to include the acquisition of Condor Gold and have assumed first production in 2027 in line with guidance.

GICS Sector	Materials
Ticker	AIM: MTL
Market cap 17-Jan-25 (£m)	154
Share price 17-Jan-25 (GBp)	6
Target Valuation (GBp)	13

# 116%

Upside from current share price to our GBp 13/sh target valuation



Source: S&P Capital IQ

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# Key Charts

MTL has acquired three projects in Nicaragua, La India is development ready

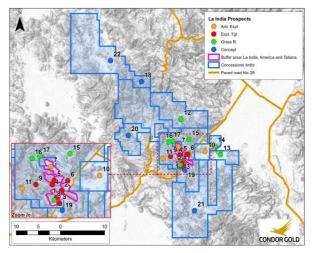


Initial development will be based on a series of open pits with subsequent underground development



Source: Company reports

#### Exploration potential across the 578km2 licence area



Source: Company reports

### MTL cash costs and AISC



Source: H&Pe

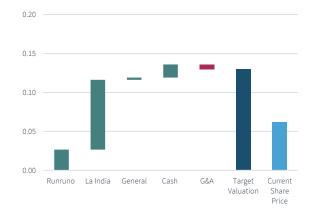
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#### Base case production and AISC



Source: Company reports

#### MTL SOTP valuation suggests 116% upside



Source: H&Pe

# Hannam&Partners

# **MTL Financial Summary**

Ner Revnue         USSm         96.62         90.66         93.83         72.74         305.0           Gross profit         USSm         96.62         92.9         90.56         70.22         77.62         77.62         77.62         77.62         77.62         77.60         41.64           Epa and toher costs         USSm         0.00         9.00         0.00<	metals	metals 🖉 .		Share price £ 0.06		US\$ 0.08		
Ner Revnue         USSm         96.62         90.66         93.83         72.74         305.0           Gross profit         USSm         96.62         92.9         90.56         70.22         77.62         77.62         77.62         77.62         77.62         77.60         41.64           Epa and toher costs         USSm         0.00         9.00         0.00<	exploratio	n	Valuation	£ 0.13		110%		
Ner Revenue         USSm         965.62         90.66         982.83         92.74         905.62           Gross profit         USSm         966.02         22.9         905.68         902.11         97.9           Depreciation         USSm         0.00         2.22.9         905.68         902.11         97.9           Operating for M         USSm         0.00         9.00         0.00         0.00         0.00           GA         USSm         0.60         9.80         -8.00         -8.00         -8.00         -8.00         -8.00         -8.00         -8.00         -9.00         0.00	P&L		2023A			2026E	2027E	
Costs         US\$m         +69.60         +68.47         -74.25         -70.82         -97.02           Depreciation         US\$m         -5149         +52.22         -37.78         -37.60         +418           Eparat other costs         US\$m         0.00         2.20         900         0.00         0.00           GAA         US\$m         0.00         0.00         0.00         0.00         0.00           GAA         US\$m         36.44         68.81         65.81         46.83         0.00         0.00         0.00           Other         US\$m         7.31         0.70         0.00         0.00         0.00         0.00           PET         US\$m         7.31         4.70         0.00 <t< th=""><th>Net Revenue</th><th>US\$m</th><th>165.62</th><th>190.66</th><th>183.83</th><th></th><th>305.00</th></t<>	Net Revenue	US\$m	165.62	190.66	183.83		305.00	
Depreciation         US\$m         -5149         -5222         -37.78         -37.80         -418           Exp and other costs         US\$m         0.00         0.00         0.00         0.00         0.00           GA         US\$m         -0.00         0.00         0.00         0.00         0.00           GA         US\$m         -0.00         0.00         0.00         0.00         0.00           Operating profit         US\$m         -0.31         -0.70         0.00         0.00         0.00           Other         US\$m         19.25         04.59         64.62         67.82         14.84           Other         US\$m         -0.31         4.60         -6.91         -4.18         -46.61           NPAT         US\$m         0.00         0.0         0.00         0.00							-107.05	
Depreciation         US\$m         -5149         -5222         -37.78         -37.80         -418           Eparan other costs         US\$m         0.00         0.00         0.00         0.00         0.00           GA         US\$m         -80.00         -80.00         -80.00         -80.00         -80.00         -80.00         -90.00         0.00           GA         US\$m         -7.31         -0.70         0.0         0.00         0.00	Gross profit			122.19	109.58	102.11	197.94	
mjaliment         US\$m         0.00         0.00         0.00         0.00         0.00           GA         US\$m         86.44         58.78         63.81         56.51         140.0           Finicome         US\$m         0.00         0.20         20.82         111         111           Finicome         US\$m         90.72         46.69         0.000         0.00         0.00           PAT         US\$m         19.25         10.459         64.62         57.62         44.25           NPAT         US\$m         115.46         97.43         48.71         43.44         103.2           Shares O/S         m         2.172.52         1728.22         2.556.22         2.556.22         2.556.2           Shares O/S         m         2.172.52         1728.22         2.556.22         2.556.2           Shares O/S         m         2.172.52         1728.22         2.556.22         2.556.22           Shares O/S         m         2.172.52         1728.22         2.556.22         2.556.22           Shares O/S         m         2.172.53         172.59         171.58         94.11         93.93           Shares O/S         m         7.72         2	Depreciation			-52.22		-37.60	-41.87	
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Operatingprofit         USSm         36.44         68.88         66.381         56.51         14.00           Fin conta         USSm         -7.31         -0.70         0.000         0.00         0.00           Dher         USSm         -7.31         -0.70         0.000         0.00         0.00           PBT         USSm         19.25         04.59         64.62         57.72         14.26           NPAT         USSm         175.46         97.43         48.71         43.44         703.3           Salarobolders         USSm         0.00         0.00         0.00         0.00         0.00         0.00           Sharebolders         USSm         0.06         0.06         0.02         0.02         0.02           Sharebolders         USS         0.06         0.00         0.00         0.00         0.00           DPS         USS         0.06         0.00         0.00         0.00         0.00           DPS         USSm         87.94         172.59         191.18         89         98           DPS         USSm         77         82         205         245         24           DANC Current Assets         USSm	Impairment	US\$m	0.00	0.00	0.00	0.00	0.00	
Fin nome         USSm         0.00         0.72         0.82         111         111           Fin costs         USSm         77.31         0.70         0.00         0.00         0.00           Dher         USSm         190.25         044.69         0.00         0.00         0.00           PPAT         USSm         192.52         044.69         64.62         57.62         144.44         0.33           NPAT         USSm         0.03         6.40         -6.51         -7.4.8         -4.64           NPAT         USSm         0.00         0.00         0.00         0.00         0.00           DSI shareholders         USSm         175.46         97.43         48.71         43.44         103.2           Shares O/S         m         2.172.52         1728.22         2.556.22	G&A	US\$m	-8.09	-9.60	-8.00	-8.00	-8.00	
Fin costs         USSm         7-31         0.70         0.00         0.00         0.00           Driver         USSm         190.25         04.59         64.62         57.62         142.02           Tax         USSm         193.31         64.04         75.71         43.44         103.2           NPA T         USSm         118.94         98.18         48.71         43.44         103.2           Shares O/S         m         2.172.52         1728.22         2.556.22         2.526.2         2.557.5         2.557.5	Operating profit	US\$m	36.44	58.18	63.81	56.51	148.07	
Driver         USS m         90.2         46.99         0.00         0.00         0.00         P0.00           PRT         USS m         19.25         04.59         64.62         57.62         44.24           NPA T         USS m         0.03         6.40         -6.591         -14.8         44.64           NPA T         USS m         0.00	Fin income	US\$m	0.00	0.12	0.82	1.11	1.15	
PAT         USS m         19:25         01:49         64:62         57.82         44:92           NPAT         USS m         18:34         98:18         48:71         43:44         9032           Mondities         USS m         115:46         97.43         48:371         43:44         9032           Shares O/S         m         2,12:52         17:28:22         2,556:22         2,562:2         2,556:22         2,562:2         2,562:2         2,562:2         2,562:2         2,562:2         2,562:2         2,562:2         2,562:3         2,574:5         3,51:5	Fin costs	US\$m	-7.31	-0.70	0.00	0.00	0.00	
Tax         USS m         -0.31         6.40         -6.51         -1.4.8         4.46.0           NPA T         USS m         118.94         98.18         48.27         43.44         103.23           Montities         USS m         115.46         97.43         48.71         43.44         103.23           Shares O/S         m         2.172.52         1728.22         2.556.22         2.556.22         2.556.22         2.556.25         2.556.22         2.556.25         2.556.22         2.556.25         2.00.0         0.00         0.	Other	US\$m	90.12	46.99	0.00	0.00	0.00	
NPAT         US\$m         18.94         98.8         48.71         43.44         0032           Minorities         US\$m         175.46         97.43         48.71         43.44         10332           Shareo Lols         m         2,172.52         1,728.22         2,556.22         2,557         2,507         2,557         2,557         2,557         2,557         2,557         2,557         2,557         2,557         2,557         2,557         2,557         5,575	РВТ	US\$m	119.25	104.59	64.62	57.62	149.22	
Number         Lab.         Lab. <thlab.< th="">         Lab.         Lab.         <t< td=""><td>Тах</td><td>US\$m</td><td>-0.31</td><td>-6.40</td><td>-15.91</td><td>-14.18</td><td>-46.0</td></t<></thlab.<>	Тах	US\$m	-0.31	-6.40	-15.91	-14.18	-46.0	
OSI shareholders         US\$m         15.46         97.43         48.71         43.44         0022           Shares O/S         m         2,12.52         1,728.22         2,556.22         2,556.22         2,556.22         2,556.22         2,556.22         2,556.22         2,556.22         2,556.22         2,556.22         2,556.22         2,556.22         2,556.22         2,556.22         2,556.22         2,556.22         2,000         0,0	NPAT	US\$m	118.94	98.18	48.71	43.44	103.2	
Shares O/S         m         2,12.52         1728.22         2,556.22         2,557         2,557         2,557         2,557         2,557         2,557         2,557         2,557         2,556.22         2,556.22         2,556.22         2,556.22         2,557         2,557         2,557         2,557         2,557         2,557         2,557         2,557         2,557         2,557         2,557         2,557         2,557         2,557							0.00	
EPS         US\$         0.06         0.06         0.02         0	OSI shareholders	US\$m	115.46	97.43	48.71	43.44	103.2	
DPS         USS         0.00         0	Shares O/S	m	2,112.52	1,728.22	2,556.22	2,556.22	2,556.22	
EBITDA         USSm         87.94         112.59         10158         94.11         19893           Balance Sheet         2023A         2024E         2025E         2026E         2027I           Non Current Assets         UISSm         0         0         0         0         0           Tangible Assets         UISSm         17         47         47         47         4           Current Assets         UISSm         167         17         47         47         4           Receivables         UISSm         18         17         11         18         15         0         0         0         16           Carrent Assets         UISSm         18         17         17         18         8         17         17           Receivables         UISSm         24         55         79         81         17           Total assets         UISSm         24         58         79         81         27         44           Non Current Liabilities         UISSm         7         8         8         8         16           Other         UISSm         18         26         29         28         2         22			0.06	0.06	0.02		0.04	
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US\$m         24         58         79         81         77           Total assets         US\$m         181         250         284         327         44           Non Current Liabilities         Borrowings         US\$m         0         0         0         0           Other         US\$m         7         8         8         8         8         8           Current Liabilities         Payables         US\$m         7         8 <td>Other</td> <td>US\$m</td> <td>0</td> <td>8</td> <td>8</td> <td>7</td> <td>7</td>	Other	US\$m	0	8	8	7	7	
Total assets         US\$m         181         250         284         327         41           Non Current Liabilities         Borrowings         US\$m         0         0         0         0         0           Other         US\$m         7         8         8         8         6           Current Liabilities         Payables         US\$m         7         8         8         8           Current Liabilities         US\$m         16         16         19         18         1           Borrowings         US\$m         24         0         0         0         0           Other         US\$m         0         3 <td>Cash</td> <td>US\$m</td> <td>0</td> <td>32</td> <td>54</td> <td>58</td> <td>152</td>	Cash	US\$m	0	32	54	58	152	
Non Current Liabilities         US\$m         0         0         0         0           Other         US\$m         7         8         8         8         7           Current Liabilities         Payables         US\$m         7         8         8         8         7           Payables         US\$m         16         16         19         18         11           Borrowings         US\$m         24         0         0         0         7           Other         US\$m         0         3         3         3         3         3           Other         US\$m         40         18         21         20         2         2           Iabilities         US\$m         48         26         29         28         2         2           Liabilities         US\$m         0		US\$m	24	58	79	81	175	
Borrowings US\$m 0 0 0 0 0 0 Other US\$m 7 8 8 8 8 Current Liabilities Payables US\$m 7 8 8 8 Borrowings US\$m 7 8 8 8 Borrowings US\$m 24 0 0 0 0 Other US\$m 0 3 3 3 3 US\$m 40 18 21 20 2 Total Liabilities Share capital US\$m 0 0 0 0 0 Share premium US\$m 0 0 0 0 0 Share premium US\$m 128 219 250 293 38 Other US\$m 128 219 250 293 38 Other US\$m 134 224 255 299 38 Non controlling US\$m 0 0 0 0 0 Total Equity 134 224 255 299 38 Non controlling US\$m 181 250 284 327 411 Cashflow 2023A 2024E 2025E 2026E 2027/ Net OCF US\$m 74.3 100.3 89.4 80.5 143. Investing CF PPE acquisition US\$m 0.0 0.3 389.4 80.5 143. Investing CF PPE acquisition US\$m 0.0 0.0 0.0 0.0 CF US\$m -64.8 -27.2 -77.3 0.0 Other US\$m 0.0 0.0 0.0 0.0 CF US\$m -0.8 317 217 3.9 94 Forex US\$m 0.0 0.0 0.0 0.0 CF US\$m -0.8 317 217 3.9 94 Forex US\$m 0.0 0.0 0.0 0.0 CF US\$m -0.8 317 217 3.9 94 Forex US\$m 0.0 0.0 0.0 CF	Total assets	US\$m	181	250	284	327	416	
Other         USSm         7         8         8         8           Current Liabilities         Payables         USSm         16         16         19         18         11           Borrowings         USSm         24         0         0         0         0           Other         USSm         24         0         0         0         0         0           Other         USSm         40         18         21         20         2         2           Total Liabilities         USSm         40         18         21         20         2           Liabilities         USSm         0         0         0         0         0         0           Share premium         USSm         128         29         250         293         38           Other         USSm         134         224         255         299         38           Non controlling         USSm         134         224         255         299         38           Total Equity and Liabilities         USSm         74.3         100.3         89.4         80.5         143.4           DCF         USSm         0.0         -76.6	Non Current Liabilities							
US\$m         7         8         8         8           Current Liabilities         Payables         US\$m         16         16         19         18         1           Borrowings         US\$m         24         0         0         0         0           Other         US\$m         0         3         3         3         3         3           US\$m         40         18         21         20         2         2           Total Liabilities         US\$m         48         26         29         28         2           Liabilities         Share capital         US\$m         0         0         0         0         0         0         7         8         8         8         18         20         29         28         2         2         16         16         19         18         20         29         28         2         2         2         2         2         2         25         293         38         0         16         16         17         3         18         224         255         299         38         10         13         10         10         10         10							C	
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Borrowings         US\$m         24         0         0         0           Other         US\$m         0         3         3         3         3           US\$m         40         18         21         20         2           Total Liabilities         US\$m         48         26         29         28         2           Liabilities         Share capital         US\$m         0         0         0         0         3         3           Share premium         US\$m         0         0         0         0         0         3         3           Other         US\$m         128         219         250         293         38           Other         US\$m         128         219         250         299         38           Other         US\$m         134         224         255         299         38           Non controlling         US\$m         134         224         255         299         38           Total Equity and Liabilities         US\$m         74.3         100.3         89.4         80.5         143.           Investing CF         P         2024E         2025E         2026E <td></td> <td>115\$m</td> <td>16</td> <td>16</td> <td>10</td> <td>18</td> <td>18</td>		115\$m	16	16	10	18	18	
Other         US\$m         0         3         3         3         3           US\$m         40         18         21         20         2           Total Liabilities         US\$m         48         26         29         28         2           Liabilities         Share capital         US\$m         0         0         0         0         0           Share openium         US\$m         0         0         0         0         0         0           Retained income         US\$m         128         219         250         293         38           Other         US\$m         6         5         5         5         5           Att to parent         US\$m         134         224         255         299         38           Non controlling         US\$m         134         224         255         299         38           Total Equity and Liabilities         US\$m         181         250         284         327         41           Cashflow         2023A         2024E         2025E         2026E         2027           Net OCF         US\$m         74.3         100.3         89.4         80.5							(	
US\$m         40         18         21         20         2           Total Liabilities         US\$m         48         26         29         28         2           Liabilities         Share capital         US\$m         0         0         0         0         0           Share capital         US\$m         0							3	
Total Liabilities         US\$m         48         26         29         28         2           Liabilities         Share capital         US\$m         0 <td< td=""><td>Other</td><td></td><td></td><td></td><td></td><td></td><td></td></td<>	Other							
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Share capital         US\$m         0         0         0         0         0           Share premium         US\$m         0 <t< td=""><td>Total Liabilities</td><td>US\$m</td><td>48</td><td>26</td><td>29</td><td>28</td><td>28</td></t<>	Total Liabilities	US\$m	48	26	29	28	28	
Share premium         US\$m         0         0         0         0         0           Retained income         US\$m         128         219         250         293         38           Other         US\$m         6         5         5         5         5           Att to parent         US\$m         134         224         255         299         38           Non controlling         US\$m         0         0         0         0         0         0         7           Total Equity         134         224         255         299         38           Total Equity and Liabilities         US\$m         181         250         284         327         41           Cashflow         2023A         2024E         2025E         2026E         2027           Net OCF         US\$m         74.3         100.3         89.4         80.5         143.           Investing CF         PPE acquisition         US\$m         -10.3         -66         -512         -77.8         -36.           Other         US\$m         0.0         0.0         0.0         0.0         0.0         0.0         0.0         0.0         0.0         0.0 <td>Liabilities</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	Liabilities							
Retained income         US\$m         128         219         250         293         38           Other         US\$m         6         5         7         5         7         5         7         5         7         5         7         7         7         10         0         0         0         0         7         7         7         14         7         14         15         14         15         14         15         14         15         14         14         14         15         14							C	
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Non controlling Total Equity         US\$m         0         0         0         0         0         0           Total Equity         134         224         255         299         38           Total Equity and Liabilities         US\$m         181         250         284         327         41           Cashflow         2023A         2024E         2025E         2026E         2027E           Net OCF         US\$m         74.3         100.3         89.4         80.5         143.           Investing CF         PPE acquisition         US\$m         -10.3         -6.6         -512         -77.8         -36.           Other         US\$m         -10.3         -414         -50.4         -76.7         -49.           Financing CF         Equity issuance         US\$m         0.0	Att to parent	119¢ m	12.4	224	255	200	200	
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Cashflow         2023A         2024E         2025E         2026E         2027           Net OCF         US\$m         74.3         100.3         89.4         80.5         143.           Investing CF         PPE acquisition         US\$m         -10.3         -6.6         -512         -77.8         -36.           Other         US\$m         0.0         -34.8         0.8         1.1         -13.           US\$m         -10.3         -41.4         -50.4         -76.7         -49.           Financing CF         Equity issuance         US\$m         0.0         0.0         0.0         0.0           Debt riased         US\$m         -64.8         -27.2         0.0         0.0         0.0           Other         US\$m         -64.8         -27.2         -17.3         0.0         0.0           CF         US\$m         -64.8         -27.2         -17.3         0.0         0.0           CF         US\$m         -0.8         317         217         3.9         94           Forex         US\$m         0.0         0.0         0.0         0.0         0.0	Total Equity and Liabilities	US\$m	181	250	284	327	416	
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Equity issuance         US\$m         0.0	Financing CF							
Debt riased         US\$m         0.0 <t< td=""><td></td><td>1100</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td></td></t<>		1100	0.0	0.0	0.0	0.0		
Debt repaid         US\$m         -64.8         -27.2         0.0         0.0         0.0           Other         US\$m         0.0         0.0         -17.3         0.0         0.0           US\$m         -64.8         -27.2         -17.3         0.0         0.0           CF         US\$m         -0.8         31.7         21.7         3.9         94           Forex         US\$m         0.0         0.0         0.0         0.0         0.0								
Other         US\$m         0.0         0.0         -17.3         0.0         0.           US\$m         -64.8         -27.2         -17.3         0.0         0.           CF         US\$m         -0.8         317         217         3.9         94           Forex         US\$m         0.0         0.0         0.0         0.0         0.0								
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Source: Company, H&Pe

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