

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 578km². 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.

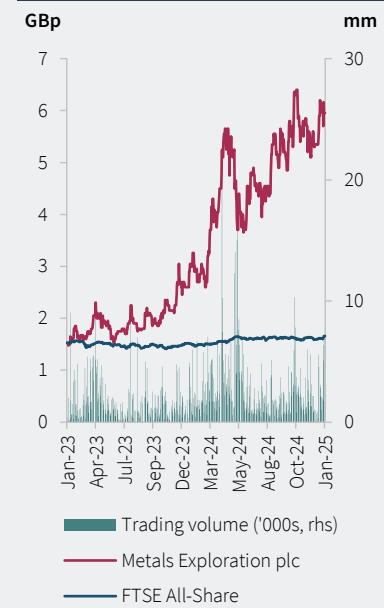
Valuation: GBp13/share, 116% upside

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



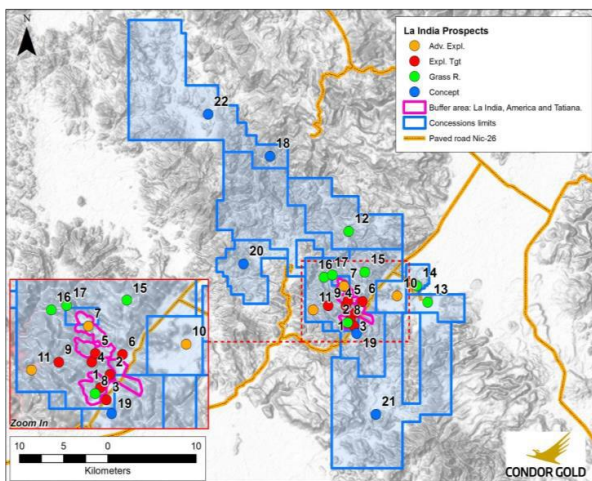
Source: Company reports

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



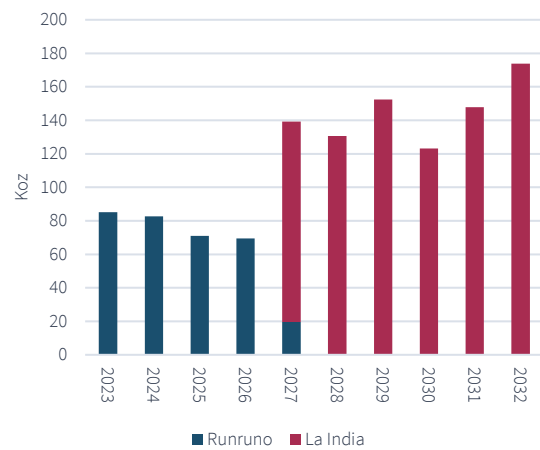
Source: Company reports

Exploration potential across the 578km² licence area



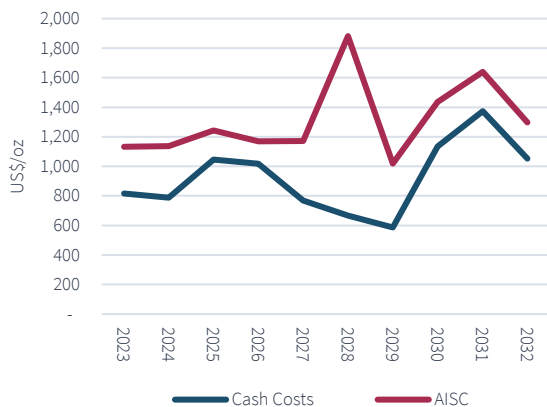
Source: Company reports

Base case production and AISC



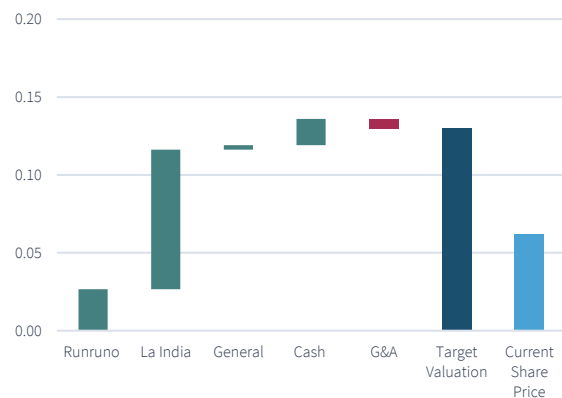
Source: Company reports

MTL cash costs and AISC



Source: H&Pe

MTL SOTP valuation suggests 116% upside



Source: H&Pe

MTL Financial Summary

		Share price		US\$ 0.08		
		Valuation	£ 0.13	110%		
metals exploration						
P&L		2023A	2024E	2025E	2026E	2027E
Net Revenue	US\$m	165.62	190.66	183.83	172.74	305.00
Costs	US\$m	-69.60	-68.47	-74.25	-70.62	-107.05
Gross profit	US\$m	96.02	122.19	109.58	102.11	197.94
Depreciation	US\$m	-51.49	-52.22	-37.78	-37.60	-41.87
Exp and other costs	US\$m	0.00	-2.20	0.00	0.00	0.00
Impairment	US\$m	0.00	0.00	0.00	0.00	0.00
G&A	US\$m	-8.09	-9.60	-8.00	-8.00	-8.00
Operating profit	US\$m	36.44	58.18	63.81	56.51	148.07
Fin income	US\$m	0.00	0.12	0.82	1.11	1.15
Fin costs	US\$m	-7.31	-0.70	0.00	0.00	0.00
Other	US\$m	90.12	46.99	0.00	0.00	0.00
PBT	US\$m	119.25	104.59	64.62	57.62	149.22
Tax	US\$m	-0.31	-6.40	-15.91	-14.18	-46.01
NPAT	US\$m	118.94	98.18	48.71	43.44	103.21
Minorities	US\$m	0.00	0.00	0.00	0.00	0.00
OSI shareholders	US\$m	115.46	97.43	48.71	43.44	103.21
Shares O/S	m	2,112.52	1,728.22	2,556.22	2,556.22	2,556.22
EPS	US\$	0.06	0.06	0.02	0.02	0.04
DPS	US\$	0.00	0.00	0.00	0.00	0.00
EBITDA	US\$m	87.94	112.59	101.58	94.11	189.94
Balance Sheet		2023A	2024E	2025E	2026E	2027E
Non Current Assets						
Intangible Assets	US\$m	0	0	0	0	0
Tangible Assets	US\$m	141	145	158	199	193
Other	US\$m	17	47	47	47	47
	US\$m	157	192	205	245	240
Current Assets						
Inventories	US\$m	19	18	18	17	17
Receivables	US\$m	5	0	0	0	0
Other	US\$m	0	8	8	7	7
Cash	US\$m	0	32	54	58	162
	US\$m	24	58	79	81	175
Total assets	US\$m	181	250	284	327	416
Non Current Liabilities						
Borrowings	US\$m	0	0	0	0	0
Other	US\$m	7	8	8	8	8
	US\$m	7	8	8	8	8
Current Liabilities						
Payables	US\$m	16	16	19	18	18
Borrowings	US\$m	24	0	0	0	0
Other	US\$m	0	3	3	3	3
	US\$m	40	19	21	20	20
Total Liabilities	US\$m	48	26	29	28	28
Liabilities						
Share capital	US\$m	0	0	0	0	0
Share premium	US\$m	0	0	0	0	0
Retained income	US\$m	128	219	250	293	382
Other	US\$m	6	5	5	5	5
Att to parent	US\$m	134	224	255	299	388
Non controlling	US\$m	0	0	0	0	0
Total Equity	US\$m	134	224	255	299	388
Total Equity and Liabilities	US\$m	181	250	284	327	416
Cashflow		2023A	2024E	2025E	2026E	2027E
Net OCF	US\$m	74.3	100.3	89.4	80.5	143.9
Investing CF						
PPE acquisition	US\$m	-10.3	-6.6	-51.2	-77.8	-36.6
Other	US\$m	0.0	-34.8	0.8	1.1	-13.2
	US\$m	-10.3	-41.4	-50.4	-76.7	-49.8
Financing CF						
Equity issuance	US\$m	0.0	0.0	0.0	0.0	0.0
Debt raised	US\$m	0.0	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	94.1
Forex	US\$m	0.0	0.0	0.0	0.0	0.0
Net CF	US\$m	-0.8	31.7	21.7	3.9	94.1

Source: Company, H&P

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