

Smaller Companies Daily Update

Tuesday 14th August 2007

Featured Companies

Stock	Sector	Analyst	Recommendation
Metals Exploration Plc	Mining	Paul Compton	Buy

Upcoming Results and Meetings

Investor Meetings and Results

Company	Results	Investor Meetings
Accsys Technologies		28 Aug
Somero	6 Sept	6 Sept (pm) 7 Sept (CS have M-Z & Scotland) 13 Sept, 14 Sept (Scotland)
Playtech	4 Sept	14 & 15 Aug; 4 Sept (pm) 5 Sept (interim results)
Healthcare Locums		16 & 17 Aug
Robotic Technology Systems	26 Sept	26 Sept
Emblaze	10 Sept	10 Sept
Mavinwood	12 Sept	12, 13 & 17 Sept
NewMedia Spark		10 - 11 Sept
Stem Cell Sciences	12 Sept	12 - 13 Sept

Bid and Offer List

Bid	Offer
Global SP & Wrts	ACP Mezzaine
Medicsight	Infinity Bio
Playtech	Concateno
Ambrian	ACP Capital
	Albemarle & Bond
	Marwyn 2
	O12
	Mavinwood
	IFR
	Quatro
	Spring Group
	Northwest Biotherapeutics
	Dart Group

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Metals Exploration plc

UK | Mining | MTL.L | MTL

14 August 2007

Opportunistic nickel investment

■ Event

Metals Exploration have announced the acquisition of exclusive rights to explore and mine the Waigeo Island nickel laterite projects in Indonesia, currently held by a local Indonesian company Batan Pelei Mining, for an initial consideration of US\$100k with revenue linked royalties in the event of economic operation. The company will review the nickel laterite resources identified historically and study the economic viability of a direct shipment of ore (DSO) operation.

■ Analysis

We believe this is a favourable acquisition for the company given the low cost of entry and substantial upside should the project prove successful. The project brings the prospect of near term cashflows for the company and gives exposure to the fundamentally strong nickel market.

■ Market Dynamics

DSO operations have been in existence for over 50 years and involve the mining of nickel ores usually in Indonesia, New Caledonia, Philippines, etc. for shipment to processing plants in Japan, China or Australia. The nickel supply shortage over the past year or two coupled with the recent spike in nickel prices has resulted in a substantial increase in DSO volumes, notably into China. This material in particular has been converted into a low quality 'Pig Nickel' – a low grade ferronickel product – which is sold on to stainless steel producers.

■ Opportunity

The opportunity for Metals Exploration will be to verify the resources and consider the economics of developing a DSO operation. DSO operations by definition require limited construction and can be brought into production in a relatively short period of time (<12 months). The company's aim is to conclude the exploration, permitting and development phases of the project within the next 12 to 18 months during which time nickel supply is expected to remain constrained and prices well supported.

We await the outcome of the resource review and feasibility study on the project, however we view the acquisition as value enhancing and an opportunistic play on the nickel price, although it will remain secondary to the company's flagship Runruno gold project. Considering the contained value of nickel in the ground, comparable operations and the risks associated with the project, we value the Waigeo acquisition initially at £3M or 4p per share

We restate our buy recommendation and raise our price target to 48p.

Recommendation **BUY**

Price **43p**
Target **48p**

Market Cap: £38m
EV: £45m

Shares issued: 89m
Daily ave. volume: <1m

Stock Performance



Performance	1m	3m	12m
Absolute %	-3	21	19
Relative* %	5	28	9

Source: Datastream *Rel to FTSE AIM

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Collins Stewart Europe Limited is stockbroker to Metals Exploration plc and makes a market in the Company's shares. This document is non-impartial investment research.

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Research Recommendations issued by Collins Stewart Europe Limited in Q2 2007

Recommendations	Buys	Sells	Hold/Neutral
Percentage of Total	55%	19%	26%
Percentage of which in Corporate Client stocks	16%	0%	2%

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