

Metals Exploration plc

UK | Mining | MTL.L | MTL

2 November 2007

Full conversion with *moly* upside

Updated resource statement following completion of Phase 1 in-fill drilling

■ Resource update - over 400 000oz upgraded to indicated category

The company announced an updated resource statement for the Runruno project classifying 409 000oz of gold (Au) and 11Mlbs of molybdenum (Mo) in the indicated category (5.5Mt at 2.3 g/t Au and 890ppm Mo). Total indicated and inferred resources remain at 2.0Moz Au, however the 40Mlbs of contained Mo reflects a 6Mlbs increase over the December 2006 statement and is a function of a 50% increase in the indicated Mo grade (28.0Mt at 2.3g/t gold and 640ppm Mo).

■ Analysis – results confirm full conversion of inferred to indicated

The in-fill drilling programme targeted 20% of the resource area and has successfully upgraded the entire portion from the inferred to the indicated category. We view this as an important step as it confirms the company's geological interpretation and understanding of the deposit and the high rate of conversion gives confidence that the remaining portion of the resource can be similarly upgraded. The company is currently valued at around US\$35/oz, however as the resources are upgraded into the measured and indicated category, we would expect the company to re-rate to an EV / resource oz of between US\$50 to 70/oz based on peer group comparatives.

■ Moly grade uplift results in an additional 6Mlbs of resource

The in-fill drilling results reflect a substantial increase in the Mo grade from 580ppm on an inferred basis to 890ppm on an indicated basis, yielding an additional 6Mlbs of contained Mo. We await further drilling to confirm that the higher grades extend across the entire resource base, however the results are significant: 1) the grades are approaching those of primary / stand alone Mo producers, ignoring the contained gold 2) the in-situ value of 40Mlbs at a LT Mo price of US\$15/lb is US\$600M, which could increase further. It is noteworthy that the Mo and Au grades coincide at Runruno, thus a future operation will be able to extract both simultaneously, rather than one in preference over the other.

■ Next steps for the company

The updated resource statement concludes the first phase at the project. The company will now focus on: 1) advancing the metallurgical testwork to maximise Au and Mo recoveries 2) drill some of the potentially high grade vertical structures within the existing resource 3) prepare preliminary scoping studies to test the project's economics. In addition, the company will continue to advance the Waigeo nickel project towards production.

Using on LT metal prices (US\$600/oz Au & US\$15/lb Mo), Metals Exploration currently trades at 4% of the US\$1.8Bn in-situ metal value attributable to the Runruno project. **Based on the results we have raised our TP to 63p and recommend the company as a BUY.**

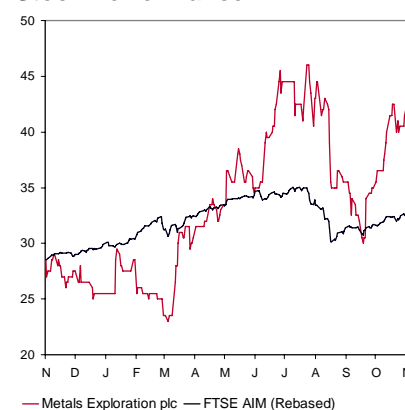
Recommendation **BUY**

Price **43p**
Target **63p**

Market Cap: £39m
EV: £35m

Shares issued: 92m
Daily ave. volume: <1m

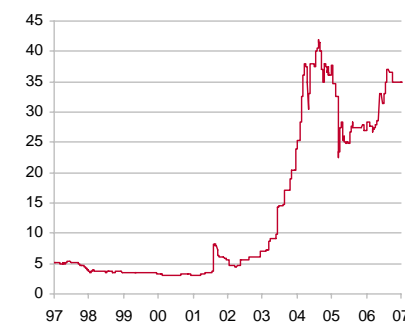
Stock Performance



Performance	1m	3m	12m
Absolute %	20	-1	49
Relative* %	17	2	31

Source: Datastream *Rel to FTSE AIM

Molybdenum prices (US\$/lb)



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Disclosure. Prices of securities mentioned are as at close of business on 1 November 2007/07 unless indicated otherwise.

Research Recommendations issued by Collins Stewart Europe Limited in Q3 2007

Recommendations	Buys	Sells	Hold/Neutral
Percentage of Total	51%	23%	26%
Percentage of which in Corporate Client stocks	22%	1%	11%

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