



## MINING RESEARCH

### Metals Exploration plc FTAA on its way

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Metals Ex is one step closer to obtaining a Financial and Technical Assistance Agreement (FTAA). This will allow the company 100% ownership of its Runruno gold-molybdenum project and the necessary permitting to take it through to production. The FTAA application has been strongly endorsed by the Secretary of the Department of the Environment and Natural Resources. The Secretary believes that the Philippine President will now act quickly towards granting Runruno's FTAA, in order to move the project into operation as quickly as possible.

Metals Ex's application for an FTAA, in respect of the company's Runruno gold-molybdenum project, has been endorsed by Secretary Lito Atienza of the Department of the Environment and Natural Resources (DENR) in the Philippines. This is a significant step towards Metals Ex being awarded the FTAA. The Secretary of the DENR believes that the President "will act on this very fast to allow the company to immediately operate".

The FTAA is effectively a partnership with the Philippine government which allows 100% foreign ownership and control of mining projects and is reserved for projects with a financial commitment in excess of US\$50m. A granted FTAA application provides a 25 year lease which is renewable for the same number of years. The FTAA also includes a number of incentives including 100% repatriation of investment in dollars and freedom from expropriation.

The Philippine Islands, in particular Luzon, where the Runruno project is located, benefit from good political stability and a pro-mining government. The FTAA promotes responsible mineral development and utilisation in order to enhance sustainable economic growth in the country.

The Philippine government introduced the FTAA in its current form as constitutional policy in 2004. This signalled a policy shift from tolerance to promotion of exploration and development of mineral projects in the Philippines. Since that time, only a handful of FTAA's have been approved. These include OceanaGold's Didipio gold project in Nueva Viscaya, Sagittarius Mines' Tampakan copper-gold project in South Cotabato and Agusan Petroleum and Mineral Corp's gold and base metals project in Mindoro.

The granting of an FTAA is a long process but we believe that Metals Ex has the process well in hand. In addition, the project has received the personal attention of President Gloria Arroyo. This is largely because Metals Ex has cemented a good relationship with the Philippine government through its hard work in maintaining community and social projects. The company has established the Runruno Foundation, also in partnership with the Philippine government, to provide the local community with infrastructure and tools to improve their quality of life. The programmes include education, health care, employment and social infrastructure. Ten per cent of all exploration expenditure is directed towards community projects and this contributes to the expenditure requirements of the FTAA approval.

Foreign investment into the Philippines was significantly reduced last year. The global financial crisis and the resultant reduction in metals prices has hit the Philippines hard, causing exploration and development companies to severely reduce spending and staff requirements. As such, several projects have been placed on care and maintenance.

We believe that this places Metals Ex in a strong position. The company is fully funded to take its Runruno gold-molybdenum project through to bankable feasibility following this year's £11.7 million combined debt and equity funding. The DENR recognises that getting the Runruno project up and running will provide a significant boost to the economy at a time when it needs it most. For this reason, we believe the government will expedite the grant of Runruno's FTAA to allow Metals Ex to move the project into production.

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#### SALES & TRADING CONTACTS

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#### COMPANY DESCRIPTION

Exploration and development company focused in the Philippines. Flagship project is the Runruno gold-moly deposit.

#### INVESTMENT DATA

Ticker	MTL
Listing	AIM
No. of shares	165.1m
Market cap.	£16.3m

#### SHAREHOLDERS Holding (%)

Solomon Capital	29.90
Williams de Broe	12.17
Allianz Cornhill Insurance	7.27
Baker Steel Capital	4.52
Aerion Fund Management	3.26

#### 12M SHARE PRICE PERFORMANCE



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