3 July 2008

MinMet

Year End	Revenue ($m)	PBT* ($m)	EPS* (c)	DPS (c)	PE (x)	Yield (%)
12/06	0.0	(5.8)	(7.2)	0.0	N/A	N/A
12/07	0.0	7.6	6.7	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items

Investment summary: Refocusing

MinMet is in the process of making big changes, refocusing itself as an oil and gas company and looking to raise funds for its most valuable asset in the Tucumcari gas basin. Until the dust settles on these changes and, most importantly, shareholder discontent is resolved, we believe MinMet's shares will continue to discount much of the underlying value we see in its asset base.

Big changes

MinMet is making big changes in terms of strategic focus, corporate structure, shareholder list, advisers, listing etc. These changes are still ongoing and the company is now looking for ways to fund development of its stake in its Tucumcari asset (TUCX). This report is based on a snapshot of the group as set out in its 2007 Annual Report and Accounts, before any such deal has taken place.

Waiting for the dust to settle

Until the dust settles on the new profile of the company it is difficult to make precise financial forecasts. However, recent work by independent consultants commissioned by management provides a starting point for valuation. Given the right conditions we believe there is an opportunity for management to deliver significant value provided they win a clear mandate from shareholders.

The prize: TUCX

Although some smaller assets require further analysis, MinMet's prize is its TUCX asset located in New Mexico, US. After looking at a range of scenarios we estimate its Net Asset Value (NAV) at between $29–285m (gross) using contingent resources and deliverability forecasts from Gaffney, Cline and Associates.

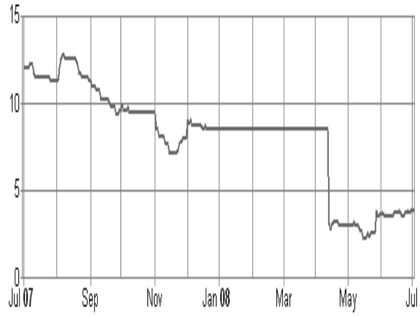
Valuation: Disconnected

Using our TUCX base case valuation of $122.5m, the value of its intangible assets, other investments and cash we value MinMet's net assets at $64m. However, given uncertainty over shareholder dissent and funding options we apply a 50% discount in calculating our equity value at around $32m or 17p/share. With its shares trading at just 3.75p, the market appears to be applying an 80% discount. This is a measure of the work management has to do to restore confidence but, as news comes from the company on how it can extract value in TUCX, we would expect this discount to unwind.

MinMet is a research client of Edison Investment Research Limited

Price	3.75p
Market Cap	£3.5m

Share price graph



Share details

Code	MNT
Listing	AIM
Sector	Mining
Shares in issue	92.21m

Price

	High	Low
52 week	12.5p	2.3p

Balance Sheet as at 31 December 2007

Debt/Equity (%)	N/A
NAV per share (p)	37.8
Net debt (£m)	N/A

Business

MinMet and its subsidiaries are involved in the development of oil and gas exploration and production projects and also hold mining and mineral interests.

Valuation

	2007	2008e	2009e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Revenues by geography

UK	Europe	US	Other
0%	0%	0%	0%

Analyst

Simon Hawkins 020 3077 5726

shawkins@edisoninvestmentresearch.co.uk

Investment summary: Refocusing on oil and gas

Company description: Key asset an undeveloped gas reservoir

MinMet is an independent natural resources company in the process of refocusing on opportunities in oil and gas, initially in the US, while looking for opportunistic divestment of its mineral assets at favourable prices. Its main asset base is Tucumcari, a major undeveloped natural gas reservoir over which the company has operational control.

MinMet is in the middle of a period of extraordinary change including:

- New management
- A new corporate structure
- A new asset portfolio
- Key changes in administration (listing, advisers, shareholder profile)

Given that the company's refocusing strategy is not yet complete, we expect further changes in its operating base to take place. Furthermore, until current shareholder discontent is resolved, there remains some uncertainty over whether management will have the opportunity to complete this.

Sensitivities: Three key company specific issues

As well as the usual risks such as oil price, exploration and commercial risk, we see a number of company specific issues which we highlight here:

- Shareholder dissent – how to resolve this, what this means for the profile of the company
- Creating a stable operating environment – key to management delivering value is whether/how quickly they are able to divest non-core assets and focus on a core set of stable assets. Included in this is optimising their share of TUCX.
- Win shareholder support for its new strategy – until the management have a clear mandate from shareholders it is difficult to see the company realising the full value of its asset base.

Valuation: $122.5m base case for TUCX

We have carried out a number of valuation sensitivities on the company's main asset, TUCX which results in a gross value between $29.5–$285.4m. Using our TUCX base case valuation of $122.5m, the value of its intangible assets, other interests and cash we value MinMet's net assets at $64m. However, given uncertainty over shareholder dissent and funding options we apply a 50% discount in calculating our equity value at around $32m or 17p/share. With its shares trading at just 3.75p, the market appears to be applying an 80% discount. This is a measure of the work management has to do to restore confidence but as news comes from the company on how it can extract value in TUCX we would expect this discount to unwind.

Financials

Given the uncertainties, we have excluded financial forecasts from this report. We estimate MinMet has $4.9m of cash and liquid securities, but potential changes to its asset base and future structure makes forecasting very difficult. If the company is able to go forward with the development of TUCX this will require funding which, in turn, will require shareholder issues to be resolved.

Company description: Refocusing on oil and gas

Following the appointment of its new Executive Chairman, Peter Maddocks, in October 2007 the Board was strengthened by the appointment of two senior oil and gas executives. The new Board introduced a strategy focusing on development of oil and gas opportunities, enhancing MinMet's growth potential and focusing on the acquisition and development of selected oil and gas assets, initially in North America.

Recent history

New management has achieved several key milestones since the arrival of the new Executive Chairman, Peter Maddocks, in October 2007, including:

- Regaining 25% stake in TUCX.
- Cancellation of the Gold Oil Joint Venture Agreement having reassessed the risks involved in acquiring oil and gas projects in Cuba and Latin America.
- Secured a carried interest in Alaska.
- Developed a business plan and initial organisation for TUCX.
- Protected refundable deposits, loans and guarantees, which have been used in securing new positions and acquiring new assets.

Opposing shareholders requisitioned an Extraordinary General Meeting looking for detailed explanations relating to the above transactions. Subsequently the actions of these shareholders have hindered management's ability to progress TUCX and diverted attention from operational matters at a critical time. However, despite this opposition, MinMet's board is committed to creating value for the Company.

Key management

The appointment of the new Chief Executive resulted in the strengthening of the board and senior management and the introduction of further oil and gas competencies.

Key board members and management today include:

- Peter Maddocks, Executive Chairman – chartered accountant with over 25 years experience in finance, planning and control roles in the retail, corporate and private banking sectors and an active and experienced UK and US board member.
- Jon King, CEO – 25 years experience in the oil and gas industry having formerly worked as a Senior Vice President with Bredero Price Group, a leading pipeline company with relationships with international oil companies.
- Denis Barrett, FD and Company Secretary – chartered accountant having spent most of his career with Shell on a wide range of international assignments including M&A, financial control and management of large-scale oil and gas operations.
- Peter Gardener, Non-Executive Director – various senior executive positions over the past 10 years as Chief Executive and General Manager with key skills in executing and

implementing defined strategies and building global operations in a number of industry sectors.

- Jim Heald, CEO Tucumcari Exploration – 35 years worldwide experience in the oil and gas and mining industries working for major contractors including Bechtel Inc and Fluor International in a range of capacities including project management and senior executive duties.

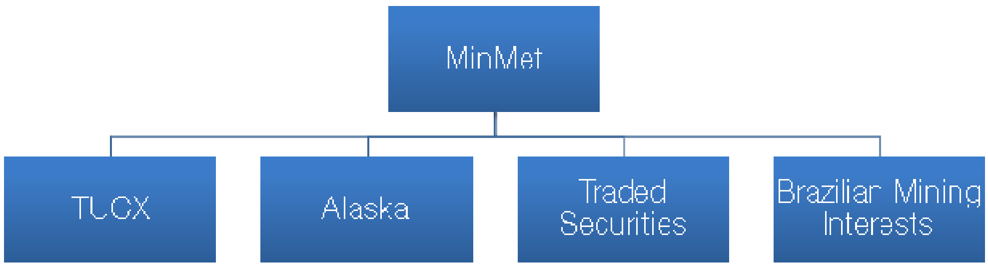
Strategy

MinMet's new board has the following strategic priorities:

- To gain shareholder support.
- Immediate growth plans are focused on a phased development of gas assets in New Mexico owned by TUCX, aiming to provide a strong asset base to ultimately fund future growth.
- To increase the value of the company through successful evaluation, acquisition and development of oil and gas assets.
- To identify suitable investment opportunities balancing resources, risk and return, primarily looking at promoting asset development rather than more speculative exploration.
- To maximise the value of its interest in Alaska.

This report assumes a corporate structure as set out in its 2007 Annual Report and Accounts, summarised in the following diagram.

Exhibit 1: MinMet - summary corporate structure



Source: Edison Investment Research, MinMet

Key assets: Tucumcari and Alaska

Tucumcari Gas Basin

The Tucumcari gas basin has estimated natural gas reserves of around 3tn cubic feet, which makes it a key province for oil and gas companies in the US. MinMet holds 28.75% of Tucumcari Exploration LLC (TUCX), which has interest in two leases (the Walker and Randals leases). The licences cover approximately 16,800 acres and are located in New Mexico. The company has worked out short- and medium-term development plans with the management of TUCX:

- Short-term – to convert contingent resources to proven reserves by testing its existing 7,000 foot well and drill a new 11,000 foot well. Funding requirements are between $5–10m.
- Medium-term – to capture early gas flow from existing well and drill new wells to 11,000 feet, complete pipelines and market spare capacity to third parties. The funding from this would require further access to equity markets.

Various options for developing TUCX have been identified by management but at present no option has been finalised.

Alaska

Alaska is an oil and gas exploration project located in the Cook Inlet (the “Alaska Project”). The project has been ring-fenced and is planned to be spun out as a separate listed vehicle in order to maximise the value of MinMet’s interest without taking on the full exploration risk. MinMet shareholders stand to benefit from any increase in value of the Alaska Project through the group’s carried interest in a newly listed entity.

Traded investments and other assets

The company has several trade investments and other assets including:

- 4.6m shares in Gold Quest Mining
- 5.0m shares in Horizonte Minerals
- 3.0m shares in Gold Ore Resources
- A residual royalty interest in Bjorkdal
- Various interests in Brazil which are yet to be fully evaluated by new management

Valuation

Objective resource, production and capital assumptions for TUCX have been estimated in an independent evaluation produced by Gaffney, Cline and Associates (GCA) in Q108. We have used this as a basis for valuing the opportunity available to shareholders of MinMet should they decide to give management the mandate to develop it.

Methodology

Our valuation is based on discounted cash flow analysis of the potential value associated with the contingent resource estimates and forecasted capital investment data stated in the GCA letter.

All numbers unless otherwise stated are net to MinMet, assuming the company's 100% interest, but do not include capex associated with a potential acquisition cost. We have in each case calculated a value in $US which takes into consideration the impact of local royalties as well as state and federal taxes. All prices and costs are escalated at our standard inflation rate of 2.5% per annum.

Exhibit 2: Contingent resources table

	Low Case (Bcf)	Mid case (Bcf)	High case (Bcf)
Gross	18	62	146

Source: MinMet and GCA

Key assumptions are listed below, the numbers in italics indicate Edison assumptions, and all other assumptions are as taken from GCA.

Exhibit 3: Key assumptions

	BCF	$	Other
Production			
Low case contingent resources	18		
Base case contingent resources	62		
High case contingent resources	146		
Costs			
Development strategy			
Average capex per well		As per GCA and company best estimates we have assumed a $2.1m cost for each well.	
Average OPEX per well		$23k(per month) for the first well and $4.3k (per month) in additional costs for future wells.	
Abandonment liability		No abandonment liability is assumed	
Pricing			
Henry Hub assumption		*$10/mmbtu*	
Premium or discount applied to headline benchmark		*10% discount to Henry Hub assumed in pricing.*	
Brent Crude assumption		*$75/bbl*	
Third party deductions			
Royalty rate(weighted average)			Assumed 17.75% royalty rate, weighted on the basis of contingent resources. 18.75% rate in Randals lease and 12.5% in Walker lease.
State and Federal taxes			Gas severance and ad valorem taxes combined add up to 7.65%, while Federal taxes of 30% are applied post capex, opex, royalty and state taxes.

Source: GCA, MinMet and Edison Investment Research

Valuation sensitivities

We have run a number of sensitivities on the economics of the project, focusing on the key risks:

- Range in contingent resources.
- Well performance and well deliverability –This compares the potential production resource achievable from each individual well. By reducing the output from each well both production rates and revenues fall, while additional wells and consequently capital is required to exploit resources. The net effect is a material reduction in IRR from the base case scenario and a subsequent fall in absolute NPV. As is the case with most E&P projects, the results indicate that the project is sensitive to changes to production – the

key source of revenue. It is important to note that the project is NPV positive in the low well deliverability case.

- Cost escalation – This sensitivity compares the impact that increasing costs, specifically operating capital (opex) and exploration and development capital (capex) will have on project economics. The results suggest that the project is less sensitive to cost escalation, with robust economics at high discount rates.

Our base case valuation of TUCX is $122.5m and assumes 100% ownership (without an acquisition cost), the mid case contingent resources and well deliverability forecasts (three completions) from GCA and applies an industry standard discount rate of 10% per year on a post-tax basis. Based on the data from GCA, our valuation indicates that the project is economically robust and provides material upside opportunities. The ranges of potential valuations are detailed in Exhibit 4:

Exhibit 4: Summary valuation of TUCX

Note: All numbers are in $US, gross (assuming no acquisition costs), post tax, discounted and inflated to January 2008.

		Value in $m (Gross)		
		Reserve Range*		
		Low	**Medium**	**High**
	6	43.3	174.6	285.4
	8	39.7	145.7	219.8
Discount Rate %	**10**	36.4	122.5	172.7
	12	33.4	103.8	138.2
	15	29.5	82.2	102.0

Source: Edison Investment Research

The low case contingent resources scenario, while providing low returns, is cash flow positive at various discount rates. There is a scenario, however, where the low case reserve is matched with low well productivity rates (single completion). This case, while characterised as conservative, is a potential outcome and would result in an NPV 10% value of $3.1m and marginal project economics. However, this is somewhat offset by the potential for an upside reserve case that includes better well deliverability rates (four completions) than that found in the base case. This case, when combined with the upside resource scenario, would yield considerable value resulting in an NPV 10% of $259m.

Valuation of MinMet

Although MinMet is in the process of securing finance for TUCX, there remains some uncertainty over the timing and nature of such a deal. In valuing MinMet we take this into account by applying a funding/deal discount to our calculated value of the parts, including our base case NAV for TUCX and the value of its intangible assets as signed off by its auditors. This is set out in the following table:

Exhibit 5: Valuation of MinMet

Asset	Description	$m	p/sh
TUCX	28.75% holding	35.2	19.1
Intangible assets	Per audited accounts	21.3	11.6
Other assets:			
Brazilian intangible assets	Miscellaneous stakes	0.6	0.3
Bjorkdal	Value of royalty	1.0	0.5
Traded securities:			
Gold Quest Mining Corp		1.9	1.0
Horizonte Minerals		1.4	0.7
Gold Ore Resources		2.1	1.1
Net (debt)/cash	Current estimate	0.5	0.3
Net Asset Value		64.0	34.7
Deal/funding discount	50%	(32.0)	(17.4)
Estimated Equity Value		32.0	17.4
Current price			3.75

Source: Edison Investment Research

Using our TUCX base case valuation of $122.5m, the value of its intangible assets, other interests and cash we value MinMet's net assets at $64m. However, given uncertainty over shareholder dissent and funding options we apply a 50% discount in calculating our equity value at around $32m or 17p/share. With its shares trading at just 3.75p, the market appears to be applying an 80% discount. This is a measure of the work management has to do to restore confidence but as news comes from the company on how it can extract value in TUCX we would expect this discount to unwind.

Sensitivities

We see a number of sensitivities for MinMet, some of which are company specific with others sector specific.

- Shareholder dissent – how to resolve this, what this means for the profile of the company.
- Creating a stable operating environment – key to management delivering value is whether/how quickly they are able to divest non-core assets and focus on a core set of stable assets. Included in this is optimising their share of TUCX.
- Win shareholder support for its new strategy – until the management have a clear mandate from shareholders it is difficult to see the company realising the full value of its asset base.
- Hydrocarbon prices – at historical highs and this is material in skewing the risk/reward balance for the company. It is important that project economics are robust at lower oil prices as well as in times of higher prices.

- **Commercial risk –** given high oil prices many areas of the industry are overheated – especially in oil field services. Shortages of rigs and skills could potentially limit execution.
- **Exploration risk –** part of the attraction of TUCX is that there is believed to be significant exploration upside potential in the gas basin. Exploration comes with its own risks, which need to be understood and managed effectively.

Financials

The company is looking at several funding options for its development of TUCX. Given these uncertainties we have excluded financial forecasts from this report. We estimate MinMet currently has $4.9m cash and liquid securities.

Key messages from its 2007 full year accounts include:

- Cash holdings at the end of the year were $3.6m
- 2007 was the first year of profitability
- Cash generation of $2.8m

We have included summary 2006 and 2007 financial statements in Exhibit 6.

Exhibit 6: Financials

US$'000 Year end 31 December	2006 IFRS	2007 IFRS
PROFIT & LOSS		
Revenue	5	11
Cost of Sales	0	0
Gross Profit	5	11
EBITDA	(5,115)	8,363
Operating Profit (before GW and except.)	(5,750)	7,557
Intangible Amortisation	0	0
Exceptionals	0	0
Other	759	(1,636)
Operating Profit	(4,991)	5,921
Net Interest	0	0
Profit Before Tax (norm)	(5,750)	7,557
Profit Before Tax (FRS 3)	(4,991)	5,921
Tax	0	0
Profit After Tax (norm)	(4,991)	5,921
Profit After Tax (FRS 3)	(4,991)	5,921
Average Number of Shares Outstanding (m)	69.4	88.3
EPS - normalised (c)	(7.2)	6.7
EPS - FRS 3 (c)	(7.2)	6.7
Dividend per share (c)	0.0	0.0
Gross Margin (%)	100.0	100.0
EBITDA Margin (%)	N/A	N/A
Operating Margin (before GW and except.) (%)	N/A	N/A
BALANCE SHEET		
Fixed Assets	13,231	21,315
Intangible Assets	3,506	21,305
Tangible Assets	9,725	10
Investments	0	0
Current Assets	20,234	12,636
Stocks	1,017	0
Debtors	1,456	12
Cash	3,068	3,626
Investments	14,693	8,998
Current Liabilities	(6,281)	(552)
Creditors	(6,281)	(552)
Short term borrowings	0	0
Long Term Liabilities	(1,895)	0
Long term borrowings	0	0
Other long term liabilities	(1,895)	0
Net Assets	25,289	33,399
CASH FLOW		
Operating Cash Flow	3,264	2,839
Net Interest	107	200
Tax	0	0
Capex	(4,658)	(18,861)
Acquisitions/disposals	(4,252)	15,577
Financing	3,453	803
Dividends	0	0
Net Cash Flow	(2,086)	558
Opening net debt/(cash)	(5,154)	(3,068)
HP finance leases initiated	0	0
Other	0	0
Closing net debt/(cash)	(3,068)	(3,626)

Source: Company accounts

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
N/A	N/A	N/A	Litigation/regulatory	●
			Pensions	○
			Currency	◖
			Stock overhang	●
			Interest rates	○
			Oil/commodity prices	◖

Growth metrics	%	Profitability metrics	%	Balance sheet metrics		Company details	
EPS CAGR 04-08e	N/A	ROCE 08e	N/A	Gearing 08e	N/A	Address:	
EPS CAGR 06-08e	N/A	Avg ROCE 04-08e	N/A	Interest cover 08e	N/A	18 Fitzwilliam Place Dublin 2, Ireland	
EBITDA CAGR 04-08e	N/A	ROE 08e	N/A	CA/CL 08e	N/A		
EBITDA CAGR 04-08e	N/A	Gross margin 08e	N/A	Stock turn 08e	N/A	Ph:	+353 1 661 3309
Sales CAGR 04-08e	N/A	Operating margin 08e	N/A	Debtor days 08e	N/A	Fax:	+353 1 661 3119
Sales CAGR 06-08e	N/A	Grmgn / Opmgn 08e	N/A	Creditor days 08e	N/A	www.minmet.ie	

Principal shareholders	%
Kevin Anderson	16.1
Intl Gold Exploration AB	5.0

Forthcoming announcements/catalysts	Date *
AGM	3 July 2008
*Note: * = estimated*	

Management team
CEO: Jon King
Jon has 25 years experience in the oil and gas industry having formerly worked as a Senior Vice President with Bredero Price Group, a leading pipeline company with relationships with international oil companies.
CFO: Denis Barrett
Denis is a chartered accountant having spent most of his career with Shell on a wide range of international assignments including M&A, financial control and management of large-scale oil and gas operations.
Executive Chairman: Peter Maddocks
Peter is a chartered accountant with over 25 years' experience in finance, planning and control roles in the retail, corporate and private banking sectors and an active and experienced UK and US board member.