Exposure to Precious Metals

Fredrick William, BA Ec.

Metanor Resources Inc. (TSX-V: MTO)

Ramping-up toward 60,000oz Gold/annum run rate target

Metanor Resources Inc. (TSX-V: MTO) (OTC: MEAOF) (Frankfurt: M3R) is steadily increasing Gold production at its newly refurbished 1200TPD capacity Bachelor Mine & Mill, in Quebec. Kitco’s Alex Létourneau correctly observed last week “Metanor Gold Production Rises Month-On-Month At Bachelor” when Metanor released news it had produced 2,236 oz of Gold in January 2013, compared to 1,718 oz in December, bringing the total production since July 2012 to 10,111 oz.

The 30% rise in Gold production is part of an ongoing ramp-up toward Metanor’s targeted 5000 oz Gold per month (60,000 oz per annum) run rate which is expected to be accomplished this 2013 utilizing 2/3 capacity.

We anticipate shares of Metanor Resources to rise as the reality of the accomplishments underway are appreciated by the market. In the last month Metanor was identified in an analyst report with upside market valuation by investment dealer Secutor Capital Management. The analyst initiated coverage with significant upside re-rating based on several factors. A full PDF copy of the analyst’s report is available here.

Figure 1. Metanor’s refurbished Bachelor Gold Mill

Bachelor Gold Mine is a past producer from the 1980s having produced 130,341 oz gold in the few years before closing in 1989. Now refurbished, redeveloped, and reopened under expert geological supervision, Metanor is processing high-grade underground ore sourced from the ground below the mill again. A ramp up in production is now underway toward 5,000 oz per month run rate at 800TPD, after that a push to utilize full 1200+TPD capacity may be made with nominal (relative to the reward) capital investment. Metanor’s infrastructure is valued (estimated replacement value) at ~CDN$200M, three times greater than its current market cap.

Metanor is leveraged to the price of gold, able to sell 80% of its Bachelor Mine sourced gold at spot prices with the balance sold to Sandstorm as per gold participation agreement. Fully permitted, fully capitalized, and sufficiently staffed with professional mining personnel able to handle the ramp-up, MTO presents investors with an exceptional opportunity as the first new gold miner in Quebec’s Plan Nord. Operational highlights of this new low cost gold producer include;
- Low geopolitical risk.
- Low hydro-electric costs, not affected by oil prices.
- Grades upwards of 26 g/t gold with an average grade of 7.38 g/t gold (fully diluted using long hole).
- Targeting 60,000 oz per year production at 800TPD, >96% recoveries.
- Identified zones should lead to resource growth and extension of mine life closer to 10+ years; Industrial Alliance analyst calculated (non 43-101) 700,000 oz achievable based on deep hole intercepts and extrapolation of data.

The intrinsic value of Metanor’s known resources (~1.6M oz gold in all categories on all its properties) and infrastructure are several times the company’s current market capitalization. With MTO now entering steady-state gold production and cash flow positive status, this should result in improved market awareness and appreciation for the Company; the reality of the infrastructure and resource value, cash flow growth, and clear ability to add ounces should translate to share price appreciation.

Barry Gold Deposit: Metanor’s other project of significance is its 100% owned Barry gold project located ~65 km from the Bachelor mill. The Barry property resource estimate now sits at 309,500 oz Gold of Indicated Resources (7,701,000 t at 1.25 g/t Au) and 471,950 oz gold of Inferred Resources (10,411,000 t at 1.41 g/t Au) and is wide open for large resource growth expansion. The current 1km strike at Barry is potentially 13km; there are in excess of 150 anomalies outside the pit area. The Barry deposit is a 10M+ ounce target; the independent international professional geological firm SGS Geostat has identified Metanor’s Barry deposit as comparable in potential to rival other multi-million ounce deposits such as Osisko’s Malartic gold deposit & Detour Gold’s Detour deposit. ###

Click HERE for additional insight on Metanor Resources Inc.

NY Spot Feb 13, 2013: Gold: $1,642.48/oz Silver: $30.76/oz