

Metanor Resources (MTO.V)

One Attractive 'Bachelor'

Weekly TA Chart



Daily TA Chart



Click [HERE](#) for Roy Martens' comments and explanations concerning the above technical analysis charts.

Share Data as of May 10, 2006:

- Symbol: MTO.V or MEAOF.PK
- Outstanding Share Count: 20.3 million
- Fully Diluted Share Count: 31.8 million

There are currently about 9 million warrants which are exercisable at Cdn\$0.85/share. All of them expire in December of 2006, which means they are all currently out-of-the-money with Metanor trading at close to Cdn\$0.58/share.

- Fully Diluted Market Capitalization @ \$0.52/share: **\$16.5M**

Remember that this capitalization accounts for the warrants as if they are already free trading, but they are not. **If these warrants were exercised, this would raise nearly Cdn\$8 million for Metanor**, a significantly large chunk of the estimated Cdn\$30 million* needed to bring the Bachelor Lake property back into production.

***In reality, only a total of about Cdn\$18 million will be needed**, because of Quebec's 51% tax credit incentive. For instance, if Metanor raises Cdn\$10 million through an equity financing, and spends that on underground exploration/development while the company is still considered an explorer, it will receive a tax credit of about Cdn\$5 million back from the government. This tax credit in the amount of Cdn\$5 million can then be spent on further exploratory activities, and Metanor will receive another tax credit of about Cdn\$2.5 million as long as they are still classified as an explorer, and so on and so forth. **Quebec is the only Canadian province to offer this 51% tax credit.**

- Cash: ~ Cdn\$1.7M
- Debt: \$0
- Ownership:
 - ~20% held by management (that's good incentive)
 - ~25% held by institutions
- Website: <http://www.metanor.ca>

Background

Between 2001 and 2003, Metanor explored their first property, the Dubuisson property in Quebec, and proved up nearly 460,000 ounces of NI 43-101 compliant gold resources. Shortly afterwards in December of 2003, Metanor completed its IPO and became a publicly traded company on the TSX Venture Exchange.

Private Placement and IPO History:

- 2001-2002: Private placements raised \$1.2M at **Cdn\$0.70/share**
- 2003: IPO Public placement raised \$3.45M at **Cdn\$1.00/share**
- 2004-2005: Private placements raised \$4.3M at **Cdn\$0.60/share**

The significance of the above is that interested investors today can still get in at prices below those offered only to sophisticated investors several years in the past.

Don't expect this firesale to last long though. For one thing, **David Bond** (editor of www.silverminers.com) also wrote a nice report on Metanor Resources shortly after visiting the property about one month ago (See: [Mad About Metanor](#)).

Potential

Metanor's main focus is the Bachelor Lake property, which is expected to begin a **pre-production bulk sampling program in Q3 2007**, and then official production around Q2 2008. The important thing to keep in mind is that the bulk sampling program will be milling the gold ore at a rate of about 500 tpd, no different than when Metanor Resources becomes a formal producer in early 2008.

Rate of Production: ~50,000 oz/year initially (using the current 500 tpd mill), and then soon afterwards ramping up to a 650 tpd milling operation. This upgrade is only expected to cost about \$350,000, and would result in the production of roughly 65,000 oz/year.

Looking forward, the ultimate goal for the Bachelor Lake project is to reach a production rate of 100,000 oz/year, after

the mill undergoes a more costly expansion to the 1000 tpd level sometime around 2009/2010.

Total Operating Cost: ~\$325/oz.

Potential Earnings using \$600/oz gold:

- \$13.75M @ **50,000 oz/yr**,
- \$17.88M @ **65,000 oz/yr**
- \$27.50M @ **100,000 oz/yr**

Assuming a fully diluted share count post financing of 40M shares, the low-end 50,000 oz/yr model would yield profit of roughly \$0.34/share. **If Metanor can prove up additional resources that would allow for a 10 yr. mine life, we could have a \$3.40+/share stock in 18-24 months using a P/E of 10** (a ratio which is quite low for a gold producer) . By 2009-2010, if the 100,000 oz/yr production model is realized without any further dilution, Metanor's stock could justifiably trade as high as **\$6.87/share**, again using \$600/oz gold and a P/E of 10. But please keep in mind that these valuations would only account for the potential at the Bachelor Lake property, which is just one of the four prospective properties owned by Metanor.

The icing on the cake is that Metanor will still be considered an exploration company while they sink their shaft down an additional 600ft. in 2007, **which means they will receive \$0.51 in tax credits for each \$1 spent**. From this new shaft, Metanor will then construct drifts downwards and outwards in an effort to expand resources to the 1-2 million ounce range over the next 12-16 months. In the process of digging out the shaft, about 100,000 tonnes of ore is expected to be stockpiled and then eventually processed in the mill beginning in Q3 2007. It is assumed that this 100,000 tonne bulk sample program **will yield an average gold grade of 8.5 g/t at a recovery rate of 95%. This would produce roughly 26,000 ounces Au over a period of about 6 to 7 months, all while Metanor is still considered an exploration company and earning \$0.51 in tax credits for each \$1 spent!**

Furthermore, all of the revenue generated during this period of bulk sampling will be tax free!! This means that Metanor will net about 13,000 ounces in 'free gold'. That's \$7.8M of added value at \$600/oz gold. During this bulk sampling program, Metanor will apply for all the necessary production permits, and if received, there shouldn't be any delay as Metanor shifts overnight from explorer to producer status in early 2008. Again, please understand that even though Metanor will technically be classified as an explorer during the bulk sampling program, they will, in essence, be a gold producer.

In addition, Metanor will also receive tax credits for wages paid to employees, a 'tax for training'. This, combined with the above, is ample proof that Quebec (the Val-d'Or region in particular) is a very mining friendly place. I, for one, have never encountered a company which has been granted more favorable terms than these.

More detailed information on all the four properties owned by Metanor, including Bachelor Lake, follows below.

The Bachelor Lack Property

The Bachelor Lake Property hosts the former Bachelor Lake Gold Mine which produced over 131,000 oz of gold during the 1980's.



The Bachelor Lake Property is located in Quebec, 225km northeast of Val-d'Or. The surface and underground infrastructure needed to begin production are on site and in good state. The township is connected to provincial power grid and telecommunication systems, and there exists a large population of experienced miners and related tradesmen within a 240 km radius of the mine.

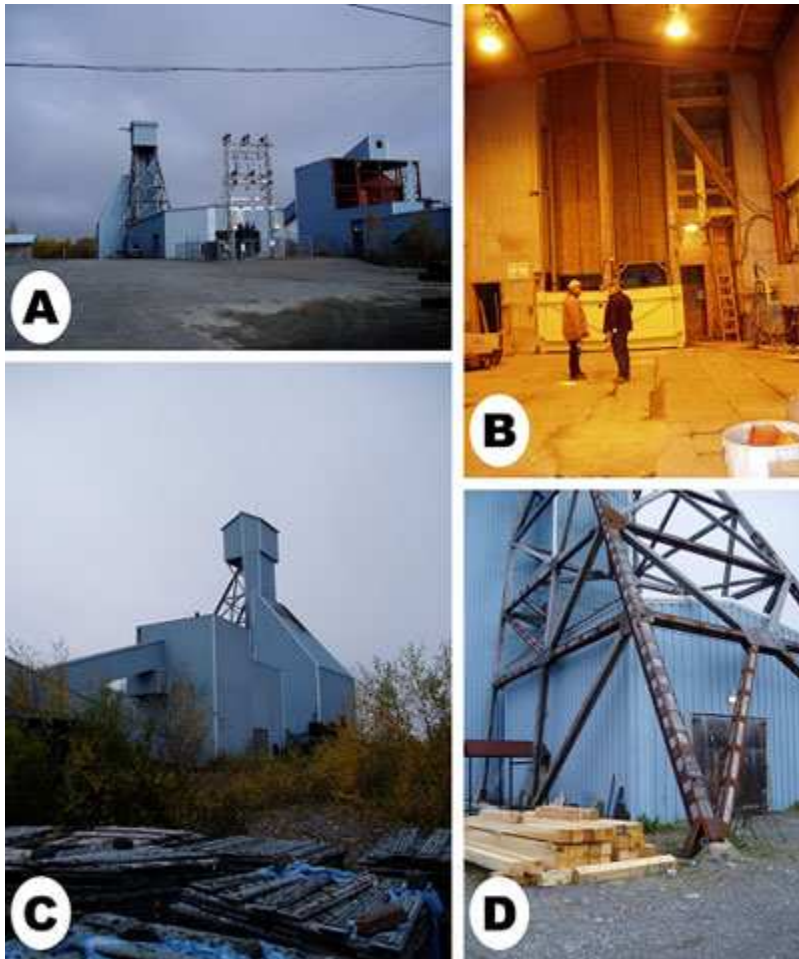
There are NO land claim issues or ownership disputes.

There are NO environmental issues.

In a report dated February 27th, **1989**, Leslie Engineering Ltd. documented and carried out a detailed appraisal of the Bachelor mine facilities and equipment on a fully installed basis. At that time, an appraised value of **Cdn\$18,251,000** was estimated. The infrastructures, namely a 500t per day mill, consist of the following:

- Office, warehouse and shop complex
- Head frame, bins, hoist and air compressor complex and substation;
- Underground mine complex;
- Gold processing mill;
- Tailings disposal area.

Currently, the access infrastructure to the mineralized zones are evaluated at Cdn\$11 million, and the cost of building the 500 t/d mill Cdn\$27.8 million. Therefore, the total value of all the infrastructure now totals at least **Cdn\$38.8 million (US\$34.3 million)**, which is more than **DOUBLE** the current fully diluted market capitalization, and more than **TRIPLE** the undiluted capitalization!



The mill complex (shown above), already built on site, could be rehabilitated for about Cdn\$3.5 million. Not only that, but once the mill is operational, Metanor will be in the catbird seat, for the simple reason that there are about 15 small potential gold operations surrounding the Bachelor Lake property with aggregate gold resources of about 1.5M ounces. **Since Metanor will have the only working mill in the area**, it will have the option to either process this outside ore for a nice fee (>Cdn\$10/tonne), or to begin acquiring these smaller operations as the cash flow starts coming in from Bachelor Lake.

Access to the gold deposit within the Bachelor Lake mine is provided through a fully operational and dewatered 12 level, 563 m deep shaft. **Measured Resources are already accessible from the actual underground infrastructure**, and Indicated Resources are located just below the footprint of the existing underground development.

The Bachelor property also has significant potential for discovering additional gold resources located in the immediate environment of the existing surface and underground mine infrastructures. As such, Metanor intends to proceed with an advanced underground 12-16 month exploration program designed to increase resources following the acquisition of Halo's 50% interest in the property in September 2006. Meanwhile, a feasibility study will be carried out, followed by mill rehabilitation and production start-up by early 2008.

During 2005, the entire Bachelor Lake gold mine was dewatered, and underground accesses and surface infrastructures were also rehabilitated and secured.

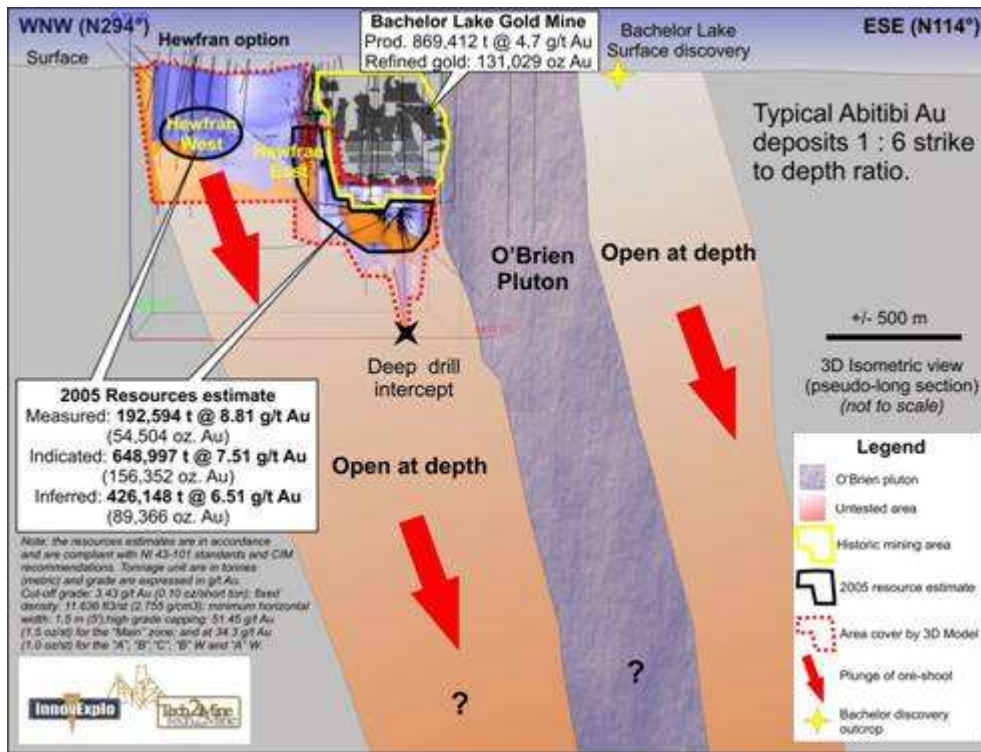
Throughout 2005, Metanor acquired several properties adjacent to the Bachelor Lake property, including the Hewfran property (683 hectares), wherein previous exploratory work **estimated a gold resource of 100,900 ounces in 1989** (not NI 43-101 compliant).

In November of 2005, a new NI 43-101 compliant resource estimate was calculated for the Bachelor Lake and Hewfran properties based on over 13,000 meters of diamond drilling completed during 2005. The undiluted and in-situ resource estimate is shown in the table below. These numbers aren't particularly large, but (1) **there is ample room for expansion as detailed below***, and (2) **the gold is of a reasonably high-grade.**

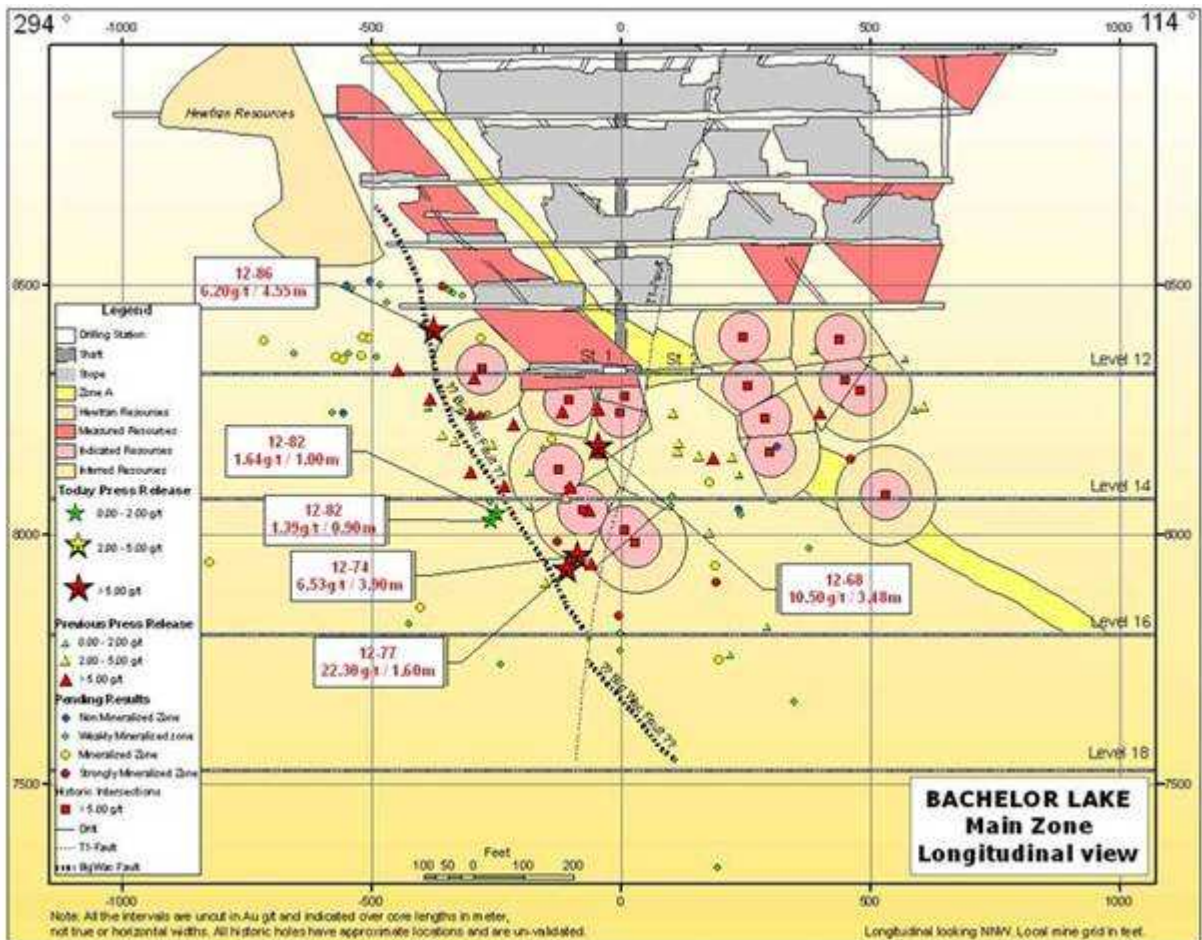
* The 2005 drilling program confirmed that there is the potential to expand the resource base into a **2 million ounce gold deposit** after drilling of the untested areas.

Bachelor/Hewfran	Tonnes	Au (g/t)	Au (oz/t)
Measured	192,594	8.8	54,504
Indicated	648,997	7.49	156,352
Measured + Indicated	841,591	7.79	210,857
Inferred	426,148	6.52	89,366

*The database used for the above resource estimate included **15,192 assay results from 394 diamond drill hole records.**



Zoom In ...

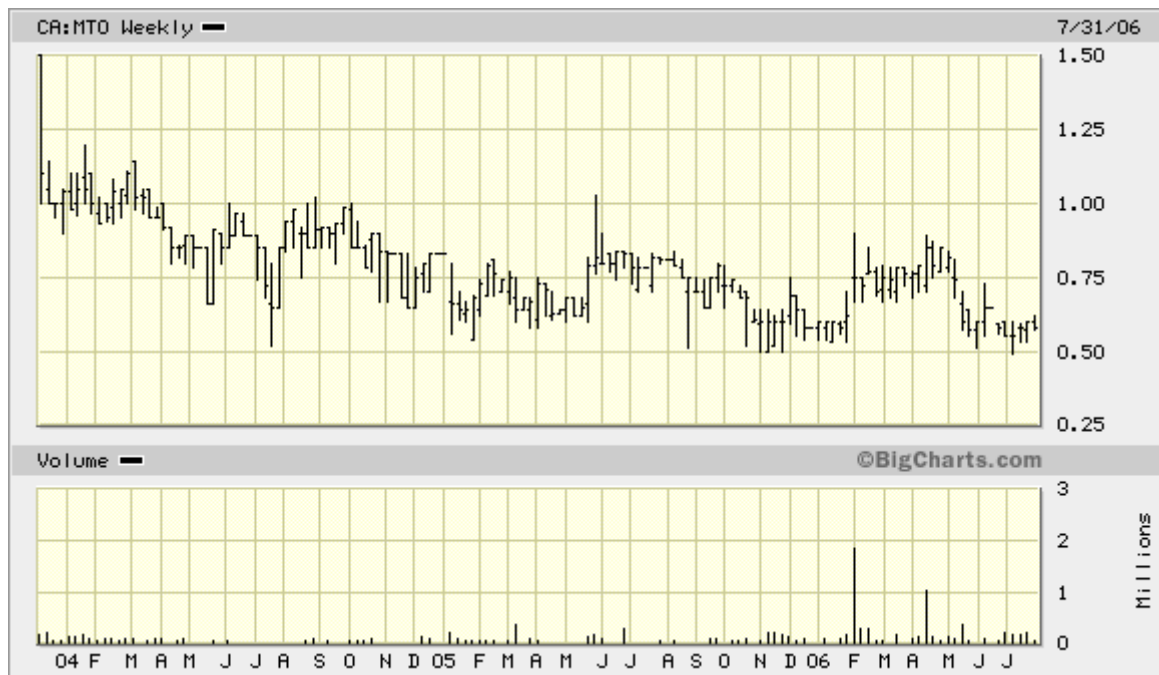


To more easily view the above pictures in detail, please follow this [LINK](#)

Hewfran will be the primary target of surface exploration in 2007, where it is expected that Metanor can significantly increase their resource base. It is hoped that this will create a steady stream of news during a period of time largely spent making all the necessary repairs/changes/improvements to the Bachelor Lake facilities and underground workings before it is production ready in 2008.

The News That Has Gone Totally Unnoticed

Metanor recently announced (May 2006) their agreement to acquire **full 100% ownership in the Bachelor Lake property from Halo at a cost of C\$3.5M and 750,000 shares**. The transaction should be completed within 3 months. But despite this excellent news, **Metanor is still hovering around all-time lows**, having lost about 50% of its value since its inception on the TSX exchange in December of 2003.



www.bigcharts.com

I don't know of many precious metals stocks whose charts look so depressing considering that the price of gold has risen over 50% during this same period, but I do expect Metanor to have its day in the sun soon.

Though Metanor is currently focusing nearly 100% of its efforts on the Bachelor Lake property, it also has 3 other exciting properties which will allow for continual expansion well into the future. Of the 3, Wahnapiitei (located in Sudbury), is the most likely target of any near-term exploration due to its close proximity to Falconbridge's Nickel Rim deposit (more below).

Wahnapiitei Property (Sudbury)

This Property is composed of two mining leases covering an area of 130 hectares.

During the Fall of 2003, 18 grab samples (chips) were taken along the main mineralized zone, returning the following value ranges.

- Four returned values under 3.0 g/t.

- Eight returned values between 3.0 g/t Au and 8.83 g/t Au
- **Six (33%) returned values ranging from 24.72 g/t Au to 76.10 g/t Au.**

Eight of these samples were selected to be assayed for multi-elements. All of them returned significant values in Nickel and Cobalt reaching up to **0.58% Ni and 0.59% Co**.

During 2004, diamond drilling carried out on the property further demonstrated that this area is prospective to high grade gold, along with significant amounts of cobalt and nickel. These results corroborated nicely with the drilling carried out in 1988 as is shown in the tables below.

Diamond Drill Hole	Thickness	Gold Grade	
		1988	2004
#	Meters	g/t Au	g/t Au
SH-88-05	5.9	11.6	14.3
SH-88-09	4.3	7.4	10
SH-88-15	4.6	18.2	14.1

Detailed...

Diamond Drill Hole	Thickness	Au	Co	Ni
#	Meters	g/t	%	%
SH-88-05	3.2	19.7	0.108	.069
SH-88-09	1.1	7.7	.175	.141
SH-88-15	1.7	8.0	.361	.238

These mineralized zones are located less than 5 km north-east of the Nickel Rim South deposit, where Falconbridge Limited is actually investing over \$368 million in underground development of its deposit, which totals 13.2 million tonnes grading 1.7% nickel, 3.5 % copper, 0.04 % cobalt, 0.8 g/t gold, 1.9 g/t platinum and 2.2 g/t palladium. The geologists at Falconbridge apparently already agree that mineralization from their property extends into Metanor's.

As a result, an exploration program is currently being prepared to define the extent and continuity of all gold and cobalt bearing zones. The field work will be starting in the next few weeks to establish targets to perform 3,000 meters of diamond drilling in the following months. Afterwards, if the drilling results continue to validate significant gold mineralization on the property, it is perhaps most reasonable to assume that Metanor will wait for Falconbridge to approach them with an offer while they focus their attention on Bachelor Lake.

Dubuisson (Val-d'Or, Quebec)

The Dubuisson Property consists of mining claims covering 432 hectares within the city limits of Val-d'Or, Québec, where 9,000 m of exploratory drilling has confirmed a measured + indicated + inferred resource of **over 450,000 oz. gold**.

There are NO known environmental or land claim issues pending with the Dubuisson gold property.

The Dubuisson property is situated in a scarcely populated region of Val-d'Or, one which is classified as a commercial and industrial area. Since the city/region of Val-d'Or is already one of the major mining centers in the Province of Québec, **it is not anticipated that their will be any restraints in conducting mining activities on the property.**

The city of Val-d'Or is a comprehensive mining centre capable of providing personnel, contractors, equipment and

supplies to a number of operations in the area. **Power is available from a provincial power line which crosses the entire length of the Dubuisson Property.** The property can be reached via highway and a 0.5km newly built gravel road that leads directly to the property. **A railroad line also crosses through the entire length of the property.**

NI 43-101 Compliant Resource Estimates (2003)				
Zone	Category	Metric Tonnes	Au (g/t)	Ounces Au
	Measured	90,468	3.96	11,905
	Indicated	75,608	5.85	14,245
Totals	Measured + Indicated	166,076	4.82	26,150
	Inferred	3,245,222	4.15	432,995

According to the available geological data, it appears that the Dubuisson Property displays similar geological characteristics to that of the nearby Sigma Mine, **which has produced approximately 4.3 million ounces of gold to date.**

In about 18 - 24 months, after cash flow starts coming in from Bachelor Lake, Metanor expects to conduct a major exploration program on the Dubuisson property.

Opinaca Property (Northern Quebec)

Metanor recently (March 2006) acquired a 4,827 hectare property, which is highly prospective for gold discovery. It is located in the Opinaca area (James Bay territory), in Northern Québec.

This new property lies about 30 km south-southwest of the Éléonore gold property (Virginia Gold Mines), whose Roberto deposit yielded the following drill results: intersections of up to **18.85 g/t Au over 16 m** and **12.37 g/t Au over 23 m**. In fact, Goldcorp and Virginia Gold Mines announced on December 5, 2005 that they had entered into an agreement for the acquisition of Éléonore by Goldcorp. The news release stated that “**of the 212 drill holes completed to date on the entire property, over 70% have reported assays greater than 10 grams of gold per tonne**, and the principal Roberto deposit remains open in both strike and depth. Goldcorp plans to continue aggressive exploration and development on Éléonore, with resource and scoping studies to be initiated early in 2006.”

Goldcorp recently issued 19.6 million common shares to shareholders of Virginia Gold Mines in order to acquire the Eleonore gold project, the sum of which was valued at approximately **\$669 million** at the time of the transaction.

Furthermore, in this same area, Beaufield Consolidated Resources mentioned in its 2005 annual report that it had located **a neighbouring property about 15 km south-southwest of the Roberto deposit**, which returned gold values ranging from **6.02 g/t Au to 12.03 g/t Au over a strike length of 75 m**.

Hmm...remember that Metanor's property lies only about 15km further to the southwest?

Conclusion

Metanor seems like a no-brainer to me compared to its peers. For instance, despite its similarities to other gold exploration and/or near-term production companies such as Exeter Resources, Crescent Gold, Patricia Mines, and Minera Andes...Metanor still trades at a steep discount of 79%, 72%, 27%, and 91% respectively. Metanor has basically lay dormant for over 2 years while most other mining companies have seen triple digit rises in their stock price. Now that Metanor has emerged from its shell, the share price has some serious catching up to do.

Contact: david@silverinscripture.com

I publish a Free Silver Stock Investment Newsletter for which you are invited to join by simply visiting

www.silverinscripture.com and filling in your email address on the sign-up form. You can also send me an email to me, david@silverinscripture.com, with the subject line, "*sign me up for the free newsletter*". You may also want to consider subscribing to my monthly subscription service. By becoming a member of my website you will have the ability to track my portfolio holdings and trading activity on a daily basis. In addition, you will receive advance notice/drafts of my research reports (like this one, for instance) along with monthly commentary on the resource markets. For those who are interested, please visit: <http://www.silverinscripture.com/subscribe.php>

Disclaimer

Information contained on the Silver In Scripture web site and published in both *View My Portfolio* and the *Silver Stock Investment Newsletter* is obtained from sources believed to be reliable, but its accuracy cannot be guaranteed. The information contained from these sources is not intended to constitute individual investment advice and is not designed to meet your personal financial situation. The opinions expressed therein are those of the publisher and are subject to change without notice. The information therein may become outdated and there is no obligation to update any such information. David Zurbuchen, entities in which he has an interest, employees, officers, family, and associates may from time to time have positions in the securities or commodities covered in these publications or web site. PLEASE SEEK THE ADVICE OF PROFESSIONALS, AS APPROPRIATE, REGARDING THE EVALUATION OF ANY SPECIFIC SECURITY, REPORT, OPINION, ADVICE, OR OTHER CONTENT. We do not in any way warrant or guarantee the success of any action you take in reliance on the statements of the designated subsidiary.