

The Wallace Street Journal

By David Bond, Editor

The Silver Valley Mining Journal

The New Agnico-Eagle; Passion Plays

Val d'Or, Quebec – Regular readers of this rant know that northwestern Quebec-based *Metanor Resources* (MTO.V) is one of our favourite stories, if for no other reason than that we can claim some sense of ownership to it. Not in the sense of MTO's shares – albeit we wish we had a boat-load of the same – but that Metanor was a test of our aging nostrils. Two years ago, thereabouts, we blasted north out of Val d'Or with Metanor's crew to visit their now-flagship Bachelor Lake mine and mill near the tiny burg of Desmaraisville a couple of hundred clicks north of Val d'Or – a tad off the beaten path, but at least on paved, moose-lined Highway 113.

We liked what we saw, and took a flier on Metanor because it exceeded our horse-race-betting criteria: the pony (the mine and its infrastructure) was solid as to past production and future potential; the track (the mining-friendly Abitibi district) was superb; and the jockey (management) rung our bell with their passion and their expertise.

At the time, however, Metanor held an earn-in half-interest at Bachelor Lake; a monstrous but untapped gold outcrop literally beneath Val d'Or called Dubuisson; and were casting about for money and additional properties and JV agreements, having launched the company with a mere \$35,000 in the bank – all of Roy's savings. The mill, albeit about as turn-key as any mothballed concentrator can be, hadn't turned in two decades and the hoist's double-drum had a crack in it.

Nevertheless, Metanor set our nostrils quivering. There was just something about

Serge Roy and Jesse Morin that seemed to impart a sense of inevitability to their wild-ass dreams of becoming the next Agnico-Eagle. After all, Serge Roy's father had snatched the Dubuisson deposit literally from beneath Falconbridge's nose, much to Falconbridge's fury, and to stalk the catwalks and stairways of that beautiful mill at Lac Bachelor while Jesse Morin, with all the knowledge a guy who'd dealt mining and mill parts most of his life could muster, pointed to specific changes he would make to boost the concentrator's throughput and recovery rates, to hear of Roy's and Morin's plots and schemes to consolidate a huge gold operation where the nearest other mill was 200 miles away, well . . . the \$2 window was open.

Fast-forward 24 months. This was in a prominent mining publication just last week:

·Val d'Or, Quebec – Canadian gold miner Metanor Resources will commence gold production from properties it owns in northwestern Quebec near Lac Bachelor at the end this month. Earlier in September, the company bought out partner interests at the Lac Bachelor and Barry gold properties following an overhaul of Metanor's 1,000 tonne/day mill in Desmaraisville. Initial mill output from the Q4 test batch will be a limited 3k-5k oz, but production next year should accelerate to 45k oz in 2008, ramping up to 65k oz in 2009, said Metanor CEO Roy said. The mill is configured to produce dore bars of approximately 90% gold, with a small component of silver.

·This week, Metanor purchased from Halo Resources Ltd. Halo's remaining interest in the Lac Bachelor mine and the Bachelor Lake joint venture for US\$800k, and also acquired from Murgor Resources Murgor's 7% NSR claim to the Barry open-pit gold property for US\$1-mil and 1-mil Metanor shares.

·'With these agreements we now own 100% of our properties and the production therefrom,' Roy said. 'We now have access to a 1-mil oz gold resource that will ensure production from Metanor for a good long time.'

·The Barry property is located in the Urban-Barry belt, approximately 65 km south-east of the Bachelor Lake Mine where Metanor is presently working to rehabilitate the surface installations, including the mill and the tailings. The Barry I Property consists of 14 claims covering 224 hectares from which only six claims were

included in the Dec. 12, 2006 agreement with Murgor. The Barry I property is further surrounded by the Barry United Property comprising 192 mining claims covering an area of 3,052 hectares.

Metanor has continued the refurbishing work on internal components of the Bachelor mill. Meanwhile, a stripping program is under way on the property and covers what Roy terms 'a highly prospective sector' to the east of the mine and the O'Brien Pluton. 'A few holes drilled in this area in the past returned interesting gold intersections -- 41.14 g/tonne Au over 1.0 meters and 3.43 g/tonne Au over 1.92 meters in hole 87-56, 4.87 g/tonne Au over 3.29 meters in hole 82-38 and 13.71 g/t Au over 1.35 meters in hole 86-37). An exploration team assisted by an excavator was recently mobilized to expose mineralized zones which represent the eastern extensions of the Bachelor Mine's Main and B zones. In addition to improving knowledge of the sector, this work should make it possible to better position the next drill targets in this area,' Roy said.

Initial production will come from the permitted Barry pit, with a Canadian N.I. 43-101 estimate of 35,500 oz/Au indicated and 67,000 oz/Au of inferred resources, grading 4.1 and 4.68 oz/tonne respectively, with a stripping ratio of 1:1.

Development of Metanor's underground Lac Bachelor mine, a former producer with 131,000 oz/Au to its credit, will be financed by production from the Barry pit, Roy said. The Lac Bachelor mine was de-watered last year and plans for include extending underground drifts out to recently acquired neighboring properties.

Metanor Resources is a home-grown company, founded 5 years ago by Roy, a construction contractor, and mining equipment supplier Jesse Morin. Roy vended his father's claim to the Dubuisson veins beneath Val-d'Or into the company while Morin set out to raise capital. Nearly one-half of the company's 60 million shares are held by residents of the historic Val d'Or mining town of 30,000 people, Roy said."

A dream come true. And there's more. First of all, there's no further share dilution or bank financing in Metanor's future. From now on, they're a pay-as-you go operation with Class A properties on their books, including the 130-hectare Wahnapeitei

property near Sudbury, Ontario, a mere 5 clicks from Falconbridge's Nickel Rim South deposit, rich in gold, cobalt and nickel; Metanor's recently-staked 4,827-hectare Opinaca gold claim in the James Bay district 30 km south-southwest of Virginia Gold's and Goldcorp's giant Eleonore gold property; and the aforementioned Dubuisson, where preliminary drilling infers another 432,000 oz/Au.

And these guys haven't even started to look deep, in districts where Agnico-Eagle is finding and producing gold ore from 10,000 feet underground, Goldcorp is doing very nicely, and Falconbridge's successor is rockin' and rollin'. Metanor's distinction of being a home-grown company may soon be lost; the big dogs we know in Toronto are snooping around for MTO's shares and not finding many, but they are buying off the open market when they can.

Canada is not the "Peoples' Republic" most Americans envision when they think of the far north, especially as concerns mining. But it is different. Quebec grants huge tax incentives to mining enterprises that put miners to work: the province takes the long view that folks working and paying income and sales taxes is a better scenario than taxing or suing a mining company to death, consigning a not-insignificant segment of the population to despair or the underground drug economy. The Quebec government does not command that miners who've fallen upon hard times tear down their infrastructure; instead, tax incentives are offered to mothball mills and mines in anticipation of their re-opening. The additional complication there, however, is having to deal with the Indians – or, as they are described north of the 49th parallel, First Nations. Essentially, the Indian tribes own surface rights to mining claims.

The governing body around Lac Bachelor and the Barry deposit is the local Cree Indian band. Frankie Blacksmith is the local Cree chief, whose twinkling response to a raunchy, self-deprecating joke is just slightly quicker than Jesse Morin's. During our last "fact-finding" visit to Val d'Or and Metanor's properties in July, we spent two days killing pike, chain-smoking Dumauriers and drinking beer with Chief Blacksmith. When Frankie isn't busy with tribal duties, or fishing with Yank tourists, he is bucking up firewood for the elder widows of his far-flung nation from timber culled off Metanor land. And that is the quid pro quo; help my people and I will help yours. A good portion of MTO's crew at Bachelor will be of Chief Blacksmith's

choosing, and the old Cree widows will stay warm.

If this rant sounds a tad holistic, that's because it is. Metanor works on every level because it has passion, quality and drive. If you missed Agnico-Eagle the last time they were 70 cents, don't miss this one.

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