

Metanor finds the sweet spot

SITE VISIT



BY ANTHONY
VACCARO

VAL-D'OR, QUEBEC — Make a wrong turn while driving along the streets of one of Canada's great mining towns, and you may feel like you've gone through a portal into the past.

Just off the bustling main drag of Val-d'Or, an enclave emerges with log homes that once housed workers at the historic Lamaque gold mine. Homes are kept tidy by the modern families living in them, beneath the shadow of Lamaque's still-impressive headframe.

Driving out of town the history lesson continues, as the sister mine to Lamaque, the massive Sigma open pit, unfurls across the horizon.

Leaving a town with so much history is a fitting departure point for a site visit to **Metanor Resources'** (MTO-V) Bachelor Lake gold mine, whose own rich history plays a part in its present configuration.

The first shaft was sunk into the ground at Bachelor 40 years ago, and since then the project has seen multiple openings, closings and in a far more tragic vein, the death of three miners who drowned in an underground flood in 2009.

With commercial production around the corner, however, Metanor is set to emerge from a past of starts and stops into



PHOTO BY ANTHONY VACCARO

The headframe and surface facilities at Metanor Resources' Bachelor Lake gold mine, 225 km northeast of Val-d'Or, Que.

a future that could see it as a key player in a lesser-known region, which is a two-hour drive northeast of Val-d'Or.

"We're humming along underneath the radar," Metanor vice-president and director Ron Perry says. "We never gave up. We just kept on going, and now we're getting ready to cross the chasm."

Now that the mine is fully staffed and fully permitted, Metanor expects to reach a steady state at its mill in mid-February. If it succeeds, Perry says the achievement would push the company into cash flow-positive territory by the middle of that month.

Getting to this point, however, wouldn't have happened if management at Metanor didn't make a radical break from the historic view of how Bachelor should be mined.

This most recent incarnation of the mine is leaner and more modest, as man-

agement steers clear of past mistakes that were encountered when previous owners tried going big.

"You have to adjust the approach to the size of the mine," Metanor's chief geologist Alain Blais says. "You don't try to make the mine fit the size of your dreams."

When Sturgeon River Mines sank the first shaft in the 1970s and its subsidiary Bachelor Lake Gold Mines deepened the shaft down to level 12 in the 1980s, the idea was to get as much ore out of the ground as possible. Unfortunately not enough of it was mineralized, and the operation didn't last long.

Bachelor Lake Gold Mines pulled 869,432 tonnes out of the ground with a head grade of 4.66 grams per tonne for 130,341 oz. gold before shuttering in 1989 — just a few years after it opened.

The main problem with the original mine was dilution. Also, mining was

THE NORTHERN MINER

THE GLOBAL
MINING
NEWSPAPER

www.northernminer.com

JANUARY 21-27, 2013 • VOL. 98, NO. 49 • SINCE 1915



PHOTO BY ANTHONY VACCARO

Metanor Resources' vice-president of operations Pascal Hamelin looks at detonation equipment underground at the Bachelor Lake gold mine in Quebec.

being done by a contractor who was paid by the tonne, killing any motivation to follow the mineralized zones closely.

"There was only one geologist at the site, the rest were contractors," Perry says. "We've seen with our own eyes the mine widths they were using. It was out of order with the deposit. It was twice as wide as it should have been and dilution was over 100% in many places."

"It's a geologist's mine," Blais adds. "The geologist is the compass and he tells the miners where to go."

The mill has a 1,200-tonne-per-day capacity, but Metanor would mill 800 tonnes per day.

Blais says that "the key is to find the right pace to mining — at the planned rate, the exploration team will have four years to find more ore."

The long-term goal is to get Bachelor going, generate cash and extend the mine's life to between 7 and 10 years at

a steady pace, asserting both the asset and the company as a force to be reckoned with in the region.

Metanor has been executing this plan, but not without encountering some obstacles.

In November the mine produced 1,715 oz. gold, which beat the previous month's total of 1,251 oz. gold. Since the end of July Bachelor has been responsible for 6,157 oz. gold, and while the total was short of the company's expectations, its delays in permitting and lack of labour have since been resolved.

Metanor received its mining permits at the end of July last year and recently finished building a 625-metre escape passageway to the surface. The second passageway clears the last regulatory hurdle and allows it to move to the next phase: production in the stopes.

Richmont Mines (RIC-T, RIC-X) helped the company's labour situation

when it closed its nearby Francoeur gold mine.

"We've hired a dozen miners from Francoeur, so now we are fully staffed and can catch up on those delays," Perry says. "If we get to 500 to 600 tonnes per day in the first quarter we'll be doing good, but we needed the faces to get there. The mill is not the bottleneck, the mill guys are saying 'bring us the ore,' and now the underground guys are saying 'we will bury you with it!'"

Well-known but under-explored

Metanor controls 106 sq. km of ground in the Abitibi greenstone belt, 225 km northeast of Val-d'Or.

And while the rocks around Val-d'Or have been well explored over the year, the rocks here have not.

"This is like the Cadillac fault 100 years ago in the sense that there is little geological understanding," Blais says. "We've barely scratched the surface here."

So why hasn't it been explored more?

Part of the reason is that Val-d'Or's mineral wealth has kept miners busy. Another is that, historically, claims in the Bachelor Lake region could be kept without any work on the broader area, leaving much of the land unexplored.

And while this may be true of the broader region, at Bachelor Lake, Metanor has a good sense of what is going on.

The key feature on the property is a large intrusion known as the O'Brien pluton — a granitic intrusion that sources the gold mineralization in the surrounding rock.

The Bachelor Lake gold deposit can be classified as an orogenic lode gold deposit, or an intrusion-related gold deposit. The gold distribution appears to be controlled by structural and lithological features, with mineralization related to brittle deformational features, dilational zones and brittle-

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ductile shear zones.

In layman's terms, the O'Brien intrusion has come up through acidic volcanics, where there were weak, pre-existing fractures. Later stages of the process concentrated the gold as the heat and pressure pushed liquid away from the intrusion and through the fissures, with the intruding pluton fueling all of this geological activity.

The process repeated until the fissures near the pluton became over-saturated. At that point the hydraulic fluids pushed out further and precipitated away from the pluton. The process would repeat, increasing the concentration of gold and forming the deposit.

The deposit is made up of three veins: Main, Vein B and Vein A, which cuts both Main and B. Vein A is not entirely mineralized like the other two. Instead, mineralization occurs where it touches the Main and B veins. Metanor is currently focusing its excavation drills on Vein B.

Measured and indicated resources at the deposit stand at 841,591 tonnes grading 7.79 grams gold for 210,857 oz. gold, and inferred resources are 426,148 tonnes grading 6.52 grams for 89,386 oz. gold.

Perry expects a resource update by mid-2014, and with stellar results from last year's drill program, there could be a good increase.

Some highlight results from the Main and B veins last year include 4 metres grading 26.36 grams gold, 5.6 metres grading 17.24 grams gold and 6.4 metres grading 17.18 grams gold.

Metanor first arrived at Bachelor in 2005. The plan was to explore the area

while milling ore from its Barry open-pit operation, which lies closer to Val-d'Or.

While the mill turned at Barry for roughly two years, declining grades and \$22-per-tonne trucking costs led to the shuttering of the pit.

"We were increasing capacity to balance the declining grades, but eventually you hit an inflection point, and it just isn't economic any more," Perry explains.

Still, he says, Barry remains in the company's field of vision.

The site has indicated resources of 7.7 million tonnes grading 1.25 grams gold for 309,500 oz. gold, and inferred resources stand at 10.4 million tonnes grading 1.41 grams gold for 471,950 oz. gold.

But the original plan has been reversed. Instead of cash flow from Barry funding exploration at Bachelor Lake, cash flow from Bachelor Lake will fund the development of Barry.

"We need to drill off another 200,000 oz. at Barry. That would take us over 1 million oz., and we could look at doing a financing, and maybe put a concentrator or a small mill at the site," he says.

As for development and exploration at Bachelor given that the funds from Barry didn't materialize as expected, Metanor showed its resilience and resourcefulness in handling the situation.

The company struck a deal with gold-streaming **Sandstorm Gold** (SSL-T, SAND-X), which gave Metanor US\$20 million in cash in exchange for 20% of the mine's lifetime production at Bachelor Lake at US\$500 per oz. gold.

This helped fund both mine develop-

ment and exploration.

And while Metanor is focused on achieving commercial production, it isn't neglecting its exploration program.

After aggressively drilling the mineralized area in mid-2012, the exploration to-do list going forward includes extending mineralization at depth at the existing mine and furthering exploration of the Hewfran claims west of Bachelor Lake, where there are already indicated resources of 110,100 tonnes grading 6.47 grams, and inferred resources of 206,900 tonnes grading 5.66 grams gold for 60,556 oz. gold. Recent drill results from Hewfran include highlights of 7.9 metres grading 10.3 grams gold and 10 metres grading 6.92 grams gold.

After that, the plan is to drill test surface showings north and south of Bachelor.

And then there is the O'Brien granite, which could host a low-grade, high-tonnage deposit in the future. Past drill results on the pluton have returned 2 grams over 2 metres, which makes Perry think there could be block-caving potential.

Perry becomes noticeably enthusiastic when he talks about the prospect — it's a feeling that Blais and all the workers at the mine seem to share. Part of the enthusiasm could be motivation from the efforts of the underground mining team, whose results are posted along with corresponding financial rewards on a wall in the miners' locker room.

Another part could come from a team realizing that it is stepping out of a mine's checkered past, and into a hopeful future.