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Fundamentally Metanor Resources TSX-V: MTO Appears Exceptionally Undervalued

“Now, with four months under its belt after dawning status as an official commercial gold producer, Metanor Resources Inc. (TSX-V: MTO) is poised for significant upside revaluation as proof of performance has mitigated production risk -- to date MTO.V has poured over 20,000oz of gold, is running at 700TPD 24/7 with recoveries of ~96%, and has near term plans to increase capacity up to 1200TPD at nominal capital expenditure. Fundamentally MTO appears exceptionally undervalued -- has virtually no long term debt, enjoys high margins with spot gold over CDN\$1,150/oz (low cash costs ~CDN\$475/oz), is domiciled in a stable jurisdiction, has a growing resource base, and is currently trading at a mere fraction of its 100% owned ~\$140M infrastructure...”

Source: Market Equities Research

Greg Thompson
Precious Metals Review

Metanor Resources Inc. (TSX-V: MTO) is an unhedged gold producer in mining friendly Quebec. Metanor at its 100% owned 1,200 (upgradeable capacity) TPD mill in Desmaraisville (Val d'Or) is now a full fledged commercial producer as of October 1, 2008. Production in 2008/09 should conservatively come in at 25K - 35K oz gold and ramp up from there to 55K - 65k oz in 2009/10. Ore extract is coming from their 100% open pit operation on their Barry gold deposit (located approximately 65 km southeast of the mill).

Forward Looking: Metanor Resources plans to complete refurbishment of the Bachelor Lake Mine shaft and headframe, upgrade to 1200TPD and begin also mining gallery 6 and 8 at the Bachelor Mine ... at an average grade of ~7g/t (mixed with Barry deposit) accepted valuation metrics on a forward discounted bases of revenue generated places the share price of MTO.V at several times what it is currently trading at now. A qualified research analyst that prepared an estimate of Metanor's share price valuation in 2008 derived a similar opinion based on comparable research [[analysts report may be found here](#)]. The analyst provided a valuation of \$3/share which was predicated on management executing on their plan and achieving certain milestones – which are apparently being met, hence MTO.V current share price now appears extremely undervalued.



Valuation Analysis/Commentary:

“The current market cap of MTO.V is less than ~40% the replacement value (~CDN\$140M) of their infrastructure alone, ignoring the 1M+ oz gold resource, with ever expanding & further significant exploration potential, with substantial revenue projections. Mining expert Jay Taylor, has made MTO.V one of his top picks saying “This is a story of production, exploration, and building ounces”. Metanor’s mill is configured to produce dore bars of gold, with a small component of silver. MTO.V has ~1,000,000 oz of Gold (NI-43-101 measured and indicated) available from their three properties. The ongoing exploration drill program at their ever expanding Barry deposit is just one of many venues to expand the resource base and is exceeding expectations. Their forward projected EPS will likely be very significant as a debt free unhedged gold producer and the current market cap relative to expected revenues is disproportionate; with less than 79M shares outstanding and trading under CDN\$0.70/share, the market cap of MTO.V relative to its resource base/production expansion plans [See Feb. 12, 2009 news release of [“New Discovery Confirmed at Hewfran”](#) and Sep. 08 release of [“Metanor drills 6.12 g/t Au over 37.8 m \(36.1 m True Width\) at Barry”](#)] and future revenues make MTO.V among one of the most attractive vehicles for gold investors...” Source: [miningmarketwatch/mto.htm](#)

Gold Price Forecast: Gold prices may hit USD\$1,500 an ounce in the next 12 to 15 months, Gary Dugan, the Chief Investment Officer (CIO) of Merrill Lynch, said on Feb. 3 2009. Dugan's forecast showed that gold prices can rise to \$1,100/oz in the first quarter of 2009 and to \$1,150/oz in the second quarter. The Swiss bank UBS has also increased its 2009 average gold price forecast to \$1,000 an ounce saying it expected investment demand to double over the course of the year when compared to 2007.

NY Spot Close Feb 12, 2009; Gold: \$947.20, Silver: \$13.50