

# The Analyst Report



DECEMBER 29, 2011

## Market Overview

One of the more telling market events of the past 45 days or so has been the marked decrease in precious metals prices, most topically gold and silver:



As one might expect, that deterioration has led to the (further) deterioration of the associated equities.

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# First Look



**Symbol:** MIS (CNSX)  
GLRAF (OTC Pink)

**Approximate  
Book Value / Share:\***  
\$ .05

**Approximate Current Ratio:\***  
3.26 : 1

**52 Week High:\***  
\$ .37

**52 Week Low:\***  
\$ .10

**Price at 12/28/2011:**  
\$ .24

**Approximate Shares  
Outstanding:\*\***

26 million

**Approximate Float:\*\***

22 million

**Approximate 90-Day  
Avg. Daily Volume:**

N/A

**Approximate Cash Position:**

\$ 2 million

**Approximate Market Cap:\*\***

\$ 7.2 million

*Selected Financial Data sources:*

*\* Yahoo! Finance \*\* From Company filings or presentations*

*(This company is NOT currently*

*under coverage by AMI.)*

## Company Description/Overview

### Company Overview

Mistango River Resources Inc. is a Kirkland Lake (Canada) based resources Exploration Company focusing on increasing shareholder value by exploring and development of precious metals and VMS hosted base metals with precious metals content. The company holds several properties in Ontario and Quebec (the two largest gold producing provinces in Canada) and is presently focusing on the Omega and Sackville properties in Ontario. The Company has large land holdings in the Kirkland Lake area. Mistango has a very experienced board and technical staff.

### Project Overview

#### **-The Omega Gold Property**

The Omega Gold Property is located near Larder Lake, Ontario 18 miles east of Kirkland Lake, 4 miles west of the former Kerr Addison mine former producer (10M oz/gold) and lies on the Larder Lake Cadillac fault system, which has produced over 40 million oz/gold in the past, just in the Kirkland/Larder Lake area and continues to do so. The Omega is a past producer; mining was by assay walls to maintain a mining grade of 0.15 oz/gold ton leaving plenty of areas of lower grade unmined which at today's gold price is quite economical.

The Omega property is the focus of much of the current drilling/development work.

#### **-The Sackville Property**

The Sackville Property is a contiguous assembly of 8 non-patented claims and 1 patented claim containing 3944 hectares and is easily accessed by all weather roads and close to power and railroad.

Mistango has been working the property for over 10 years with a combination of drill programs, geophysical surveys and intense till and soil sampling to try and locate the high grade Stares (Stares Boulder 12% Zn, 0.6 % Cu, 4.4% Pb, 359 g/t Ag and 5.52 g/t Au) and Calvert boulders (Calvert Boulder 12% Zn, 0.26% Cu, 1.70% Pb 214.3 g/t Ag, 3.51and g/t Au) found on and just south of the property. To date one small mineral zone has been found containing high grade zinc with Gold and silver credits.

Recent till, soil work and geophysics has out lined several untested targets which will need to be explored. Because of the high grade nature of the boulders the company wants to follow up all leads to find the source, which is considered to be sizeable.

### **-The Baldwin Property**

The Baldwin property contains 3 deformation zones (faults) Kirkland Lake, Larder Lake and the Blance River. The property is situated from the Kirkland lake Gold Mine/ Queenston JV property. Drilling in the past the property has encountered anomalous gold over several metres. There is also a small past producer on the property that produced a small amount of ore of approximately 0.50 oz gold ton in a porphyry gold zone similar to the mines on the Kirkland Lake fault. Much more work is needed on the property.

### **-The Casa Berardi Property**

The Casa Berardi consists of 104 claims and approximately 4,345 acres and is located in Puiseaux and Orvilliers townships (Quebec).

The property is readily accessible by logging roads.

Three deformation (faults) cross the in tier property, drilling has encountered anomalous gold in them all. The Aurizon mine lies approximately 30 Kl to the west and is situated on the Casa Berardi deformation Zone which also crosses the entire length of the Mistango property. The property has excellent Base Metal potential. The Selbaie Mine to the North and the former Estradies (now owned by Cogitore

Resources) mine is situated just south of the Mistango Property.

The property definitely needs more exploration work. There are several years' assessment credits on the property allowing for plenty of time to do more exploration.

### **The View From AMI**

As many who follow our research or participate in our conferences know, while we are certainly generalists in our approach to the Companies we look at , we do tend to have a bit of a soft spot for resource deals. That affinity is probably buoyed by the facts. While much of the economy has struggled over the past few years, the metals, perhaps especially gold, as well as energy have performed quite well. Translation: it is easy to be partial to things that are working especially when many other things are not. But honestly, we really do like resource deals, and frankly, looking back we have had a number of them that have performed quite well. We noted in our overview of private presenter PRE Resources, we have had numerous conference presenters and/or research companies involved in the oil and gas business, that ended up working quite well for attendees and/or subscribers who participated in those stocks. The same is true of a number of the mining deals we have featured. That said, we tend to have a few things we like to focus on, although each story has its own nuances, and we were attracted to Mistango because it embodies some of those characteristics.

First, Mistango is primarily a gold play, so it probably makes sense to address the big picture first. (Note: much of this narrative is specific to the Company's Omega project since it is the focus of most of their current efforts). As we have suggested many times in our writings on the subject, when it comes to evaluating a gold property, the biggest variable is probably the one that the Company has absolutely no control over, which is of course the price of gold...today, tomorrow and the next day. With that in mind, we submit, in order for people to give earnest consideration to owning a gold exploration company these days, or even a producer, the chances are the math depends on an assumption of stable or higher underlying metals price into the

future. Put another way, if the conclusion is that gold is going back to \$400 per ounce (or even back under \$1000 for the most part) it probably doesn't make sense to buy most gold stocks. However, for those who think \$1500+ gold is here to stay, and want to participate through equity ownership of developers and/or producers, the next trick is to find those with the best risk/reward ratios. That task is neither easy nor exact, but that is why people like us have jobs. That brings us back to Mistango and its particular characteristics.

We tend to like projects located in areas with historic production. That is not to say that we view projects in areas with no historical production as negative on the face, we just think proven areas may be void of particular risks that places that have never produced are not. As an example, quite simply, there have been a number of past producing areas where production ceased largely because commodity prices were too low to sustain their production. However, with higher commodity prices, many of those areas become viable again. Even things like the metallurgy carry fewer unknowns than areas where none of the resource has ever been processed. That said, we think the Omega projects status in that regard is topical. More objectively, the fact that the property has two existing shafts makes exploration easier, cheaper and faster. Further, if they do get to production of some sort, those shafts will represent a considerable piece of "paid for" infrastructure that could significantly increase the ROI of the project. To put that into perspective, we would guess that the cost of sinking those two shafts today would likely be significantly greater than the entire market cap of the stock. That brings us to the next point.

As we inferred, whether an investment is a "good deal" or a "bad deal" is as much a function of what you pay for it as the actual fundamentals. Obviously, the "best deals" are those that have great fundamentals and are also selling at a low valuation. We make a living trying to identify those. In the case of Mistango, if our math is correct, the current market cap is about \$ 7.5 million fully diluted, and they have approximately \$2 million in cash, so the enterprise value is about \$5.5 million fully diluted. Given the existing infrastructure which includes the advantages of the historic production profile we touched on, we view the market cap as relatively

modest. Further, the additional portfolio of properties provides additional underlying value.

Starting from the point of modest valuation, the Company is developing the Omega property which should provide for potential milestones/catalysts as those results become available. Along those lines, the project is approaching the completion of a 43-101 which could also provide a valuation catalyst. Actually, the Company is diligent about providing drilling updates, which continue to reflect positive results. In short, as gold exploration stories go, we think Mistango may be compelling at current valuations, and we will be following their progress for milestones that may warrant coverage.