

FEATURED NOTE
No Barriers Left to Metanor's Success
COMPLETION OF MINE SHAFT

Metanor has been able to complete the sinking of the mine shaft on time and on budget. This was seen as one of the key remaining steps toward restarting commercial production at Bachelor Lake Mine. The shaft sinking began in Q4 2010 and was completed in late July as initially predicted by Metanor. The shaft was extended by 536ft. Work will now begin on installing necessary underground infrastructures. The shaft will serve level 13 and 14 where approximately 40% of the mineable ounces are found (remaining balance divided across levels 8 to 12). Exploration work will also be able to be greatly improved with direct and less costly drilling programs aimed at expanding the resource at depth.

Metanor may now also proceed toward completing a bulk sample estimated at 5000 tonnes (~1000oz Au). This will allow Metanor to begin commissioning the mill as it approaches the start of commercial production. Positive results from the bulk sample will ensure that production begins rapidly in 2012.

We view as very favorable the fact that Metanor has been able to maintain its cost related to shaft sinking. As the money provided by Sandstorm (see Appendix 2) was in USD, Metanor was able to avoid any problems with a relatively strong Canadian currency by relying on judicious spending. Metanor is now awaiting a final payment of \$6M USD from Sandstorm's \$20M purchase of 20% of LOM gold stream. LOM gold is purchased by Sandstorm for 500\$; discounted but above projected cash cost. The final payment is expected September 1st as first outline in the January 17th press release.


Company Information

Closing Price (22/8/11)	\$0.330
52 week High/Low	\$0.21 - \$0.71
Avg. Vol. 90 Days	329,959
Shares Outstanding (M)	201.7
F.D. Shares Outstanding (M)	260.1
Market Cap (M)	66.6
FD Market Cap (M)	85.85
Working Capital (M)	36.0

Company Description

Metanor Resources Inc. ("Metanor" or "the Company") is a near-term small to mid-tier gold production company. The Company is upgrading and rebuilding the Bachelor Lake Mine in Northern Quebec while conducting ongoing exploration to expand the resource base at its near-by Barry property. The Company holds more property in Quebec and Ontario at the grassroot stage.

BACHELOR LAKE PROJECT KEY POINTS

Resource Potential: After a 2005 drilling program, the ore body was estimated to contain 200 000+oz Au proven and probable reserves and an additional 80 000+ oz Au inferred resources. However, even under Metanor, exploration programs have yet to constrain the extent of mineralization. Currently the deposit remains open at depth and laterally. The geology and mineralization of the property are well understood. Therefore, **back-of-the-envelope calculations** allow us to estimate the size of the deposit closer to 700 000+oz Au. The current exploration program will initially aim to upgrade the remaining inferred resource to the indicated or measured category. A portion will be dedicated to increasing the resource nearer to our projections.

Infrastructure: The onsite mill has been fully refurbished by Metanor and management believes that recoveries will exceed 93%. Current mining schedule will not meet full capacity for the mill allowing Metanor to increase production if warranted, restart production at Barry or provid custom mill opportunities for neighboring projects. All other infrastructures have been rehabilitated by Metanor ensuring the project will satisfy remaining timelines.

Production: Metanor estimates that mine will produce approximately 60,000oz Au per annum. With the possibility to increase the feed to the mill, it is probable that Metanor will be able to re-evaluate upwards its projection. Importantly Metanor has all required permits to enter into commercial production.

APPENDIX 1: COMPANY PROFILE

Metanor is a small-tier gold producing mining company based in Val d'Or, Quebec. The Company focuses on the Barry open pit mine which is currently in production and the restoration of the Bachelor Lake Mine also located in Northern Quebec. Metanor has secured financing for its restoration project and is on schedule to start commercial production within a year. The Company has land claims near Val d'Or including the Dubuisson and Vassan property where it also explores for gold. Finally Metanor owns a land package near Sudbury Ontario; the Wahnapeitei property. Exploration at the three other properties is limited or remains at the grass root stage.

Figure 1: Property Location for Bachelor Lake Mine and Barry Open Pit



Source : Company Filings

APPENDIX 2: BACHELOR LAKE MINE

The Bachelor Lake Mine is the main focus of Metanor. It lies along a large prolific regional gold trend which includes the Telbel Mine (closed, owned by Agnico-Eagle) and Eagle Gold Mine (closed, owned by Globex) among others. The project was a producing mine during the 1980s, however poor management and the collapse of gold prices led to mine closure. Limited exploration work was conducted on the property after start of initial mining. Due to the availability of infrastructure on-site, capital cost associated with restart of mine production are very low. The mine itself is located on mining concessions within the eastern block known as the Bachelor Lake claims. Its extension, directly to the west, is entitled as the Hewfran claims.

LOCATION AND OWNERSHIP

The mine is located in Northern Quebec. It is situated approximately 250km east of Val d'Or along highway 113. The nearest town is Desmaraisville which has minimal resources and services. However it is easily accessible by road. While available infrastructures are restrained, the provincial power grid passes close to the property providing Metanor with ample power. Interestingly the property lies above the 49th parallel and would be the first new mine under the ambitious Plan Nord provincial project. The Company owns 100% of its 241 land claim totaling 7566 hectares. There are no known royalty claims from previous mining entities.

INFRASTRUCTURE

As the mine was a historic producer, almost all infrastructures are readily available and require only refurbishment to be brought back to conformity with various provincial ministries. Surface installations include administrative offices, mill, hoist, headframe and various auxiliary buildings such as a machine shop. To improve and increase recovery, the mill's metallurgical process is being upgraded to a conventional carbon procedure. Management hopes to increase recovery to 93%.

The mine itself has been developed to 12 levels reaching a maximum depth of 562.66m. Most levels were flooded following cessation of mining operations in the 1980s. Access to the bulk of the deposit only requires the addition of two levels from the 12th. Operations surrounding dewatering the mine have been completed for some time and its contractors have been diligently sinking the shaft to access these two new levels. As of May 30, the process is nearing 75% complete. Access to each level is followed by construction of the shaft station. Currently 2 of 3 stations are under development. Metanor expects the project to be completed near the end of Q3 2011. Some of the anterior levels (6 and 8) where economic ore has been identified still require a large portion of work. The work is concentrated around strengthening the drifts.

Previous operators had left critical engineering decisions such as rock support and bracing to the discretion of the miner. Furthermore the Hewfron portion of the deposit can be reached on the 6th and 8th level again easing planned mining operations and allowing for lateral expansion.

RESOURCES

A large fraction of modern exploration work by Metanor dates back to the 2004-2005 drilling campaign. Subsequently a NI 43-101 report was published estimating the deposit to be around 210 857 oz Au measured and indicated with a further 89 000 oz Au inferred. Since then more drilling has been conducted following management's decision to move toward commercial production. Following the involvement of Stantec, a new report was set forward promoting proven and probable reserves above 200 000oz Au. Exploration to depth has been very limited and the deposit remains open. Only one drill hole targeted the lowermost extension of the Main Zone and no work at depth has been done on the other zones (see Figure 1). There is no reason for the ore mineralization to stop abruptly from either lithological or structural constrains. Therefore, it is very probable that the deposit will be found to be continuous for a large extent. Using simple calculations to lower the Main Zone and B Zone with the strike length at level 12 and the width of the mineralization to the maximum depth inferred from drill holes increases the resource by 200 000oz Au.

Figure 3: IAS Resource Expansion Assumptions

Assumptions	
Strike Length (level 12)	381 m
Density	2.75 t/m ³
Width	
Level 13-14	3.05 m
Level 16-17	2.59 m
Depth to level 17 from 12	313 m
Grade	7.96 g/t

Source : IAS Estimates

Figure 4: IAS Resource Expansion for Main Zone

Level	Calculated	From Metanor	Difference
13-14	146,256 oz Au	143,111 oz Au	2%
16-17	114,402 oz Au	-	

Source : IAS Estimates

Figure 4 show the difference between the rough calculations and the actual Proven+Probable value from Metanor's NI 43-101. The NI 43-101 Level 13-14 value is a check and is compiled from the mine plan. While the difference

is small, the estimate remains approximate. The exercise can also be completed laterally into Hewfran and where one can expand the B Zone either to surface or to the same maximum depth. Therefore our **back-of-the-envelope** calculations support a substantially larger deposit at nearly 700 000oz Au.

FINANCING

Metanor is well-financed to complete construction of the Bachelor Lake Mine on time with the money it has at hand. With continued stability at the mine site, mine management should complete the project under budget as well. To achieve its goal of a producing mine, Management look for alternative venues to raise capital after poor interest from private placement. Consequently Metanor and Sandstorm Resources Ltd. (TSX-V: SSL) settled upon an arrangement whereas Sandstorm will buy 20% of LOM gold produced at Bachelor Lake Mine for the lesser of US\$500 or the prevailing spot price per ounce of gold for US\$20M. The payments by Sandstorm are currently staggered. Upon signing the contract, Metanor received US\$5M and, after meeting some requirements in Q1 2011, collected payment for a further US\$9M. The final US\$6M will be paid in full on 1st September 2011. The deal allowed Metanor to proceed and complete the mine overhaul.

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Issuer Company	Ticker	Applicable Disclosures
Metanor Resource Inc.	TSX: MTO	1, 2, 3, 7b, 8b, 9

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