

METANOR RESOURCES INC.

Equity Research | Mining

Ticker

Recommendation

12-month Target

Please see important disclosures at the end of this document

TSXV:MTO
\$0.50

SPEC. BUY
(new)

\$1.00
(new)

Ramping Up Gold Production in Mining-friendly Quebec

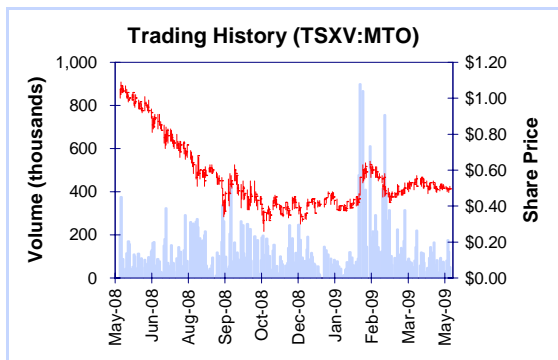
May 19, 2009

Market Data

52-week High-Low	\$1.09-\$0.26
Shares Outstanding	
– Basic	105.8 million
– Fully Diluted	141.2 million
Market Capitalization	\$52.9 million
Cash	\$13.0 million
Long-term Debt	nil
Est. Enterprise Value	\$39.9 million
90-Day Avg. Daily Volume	120,000
Fiscal Year End	June 30
Major shareholders:	Management: ~5.0%
	Institutions: ~50.0%

Financial Data

	2008A	2009E	2010E	2011E
Gold Production (oz.)	5,062	32,169	56,648	66,381
Cash Cost (US\$/oz)	\$598	\$629	\$529	\$452
CFPS	\$0.01	\$0.08	\$0.18	\$0.21
P/CFPS	N/A	5.9x	2.7x	2.4x



Source: Bloomberg

Company Description

Metanor Resources Inc. is a Canadian based gold producer/explorer, operating one gold mine with a second in development and scheduled for production in mid-2010. The Company's Projects, located in Quebec and Ontario, are well-positioned with respect to existing mining infrastructure. www.metanor.ca

Event

Initiating coverage.

Highlights

- **Gold production in the prolific province of Quebec with excellent exploration upside – one operating gold mine with a second in development and scheduled for production in mid-2010.** In 2009, we expect the Company to produce approximately 32,000 ounces of gold at an average cash cost of US\$629/oz, ramping up to 66,000 oz by 2011 (104% increase from 2009 production level).
- **Adding higher-grade ounces adjacent to existing infrastructure.** Systematic drill programs in place to expand/upgrade current resources (~1.0 million ounces of Au). New discoveries open potential for additional mineralization near the Bachelor Mill.
- **Pending catalysts for the stock include:** 1) results expected throughout the year from 2008 and ongoing drill programs on three projects; 2) resource updates from Bachelor Lake/Hewfran as well as the Barry deposits by the end of 2009; and 3) Progress reports on (a) the underground development at Bachelor Lake/Hewfran and (b) ramping-up of operating capacity at the Bachelor Mill from ~800 t/d to ~1,200 t/d.
- **Well-financed for aggressive exploration and development/expansion programs in 2009.** Approximately \$13.0 million in working capital is expected to provide for substantial development of the projects in the next twelve months. The 2009 development/expansion program at the 100% Bachelor Lake Mine and Mill is expected to generate continuous news flow throughout 2009-2010.

Investment Conclusion

Based on a 1.1x multiple of 7% NAV, we value the shares of Metanor Resources at \$1.03 per share. Given our continued belief that the average gold price will remain at or above \$750/oz, we are initiating coverage of Metanor Resources Inc. with a SPECULATIVE BUY recommendation and 12-month target price of \$1.00 per share.

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Investment Thesis

We believe the solid experience of Metanor's management team, united with the tremendous exploration potential of its assets, will enable the Company to execute its growth plans and transform into a profitable gold producer. Metanor Resources Inc. is a Canadian-based gold mining and exploration company focused on developing its property portfolio in mining-friendly Quebec. The Company plans to develop the higher grade Bachelor Lake/Hewfran property by mid 2010, to blend the ore with that of currently producing Barry open pit, at its 100% owned Bachelor mill.

Metanor is expected to follow-up with its systematic 2008 drill program to expand/upgrade current resources. The Company plans to expand and upgrade current resources (**~1.0 million ounces of Au**) on its key projects to increase the mine lives as well as delineate additional mineralization by drilling new potential targets. Encouraging results from the 2008 drill programs on the Bachelor Lake/Hewfran as well as the Barry property have resulted in the discovery of new gold bearing zones and expansion of known resources along strike as well as at depth. We believe the success of the 2008 exploration program, amalgamated with the ongoing drill program in 2009, have the potential to increase Metanor's resources by at least 50% (in the next 12-18 months).

Re-rating through operational improvements should boost shares in the next twelve months. The operating team at Metanor is applying its efforts on efficiently ramping up the Bachelor mill, currently running at ~800 t/d, to ~1,200 t/d by Q3-09. The mill is currently being charged with lower-grade ore from the Barry open pit mine and the plan is to blend it with higher-grade (6.0 g/t-7.0 g/t) ore from the Bachelor Lake/Hewfran by mid-2010. For 2009 we estimate the Company will produce ~32,000 ounces of gold at a cash cost of ~US\$629/ounce. Looking forward twenty-four months, we expect production to ramp-up by 104% (from 2009 production) to ~66,000 ounces at a cash cost of ~US\$452/ounce. **Given that the grades and thicknesses drilled to date have been notable, we believe we have been conservative in our model.** We believe the market has failed to fully appreciate these operational upsides and expect the share price to improve in lockstep with production and cost improvements at the mine over the next twelve months.

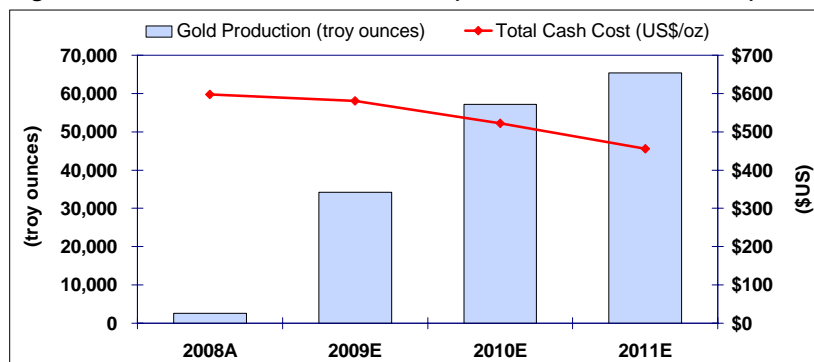
Reason to invest in Metanor shares now. *Near-term/recurring catalysts* for the price of Metanor include results expected throughout the year from 2008 and ongoing drill programs on three projects. *Medium-term catalysts* consist of: 1) resource updates from Bachelor Lake/Hewfran as well as the Barry deposits by the end of 2009; and 2) Progress reports on (a) the underground development at Bachelor Lake/Hewfran and (b) ramping-up of operating capacity at the Bachelor mill from ~800 t/d to ~1,200 t/d.

We are initiating coverage of Metanor Resources Inc. with a SPECULATIVE BUY rating and a 12-month target price of \$1.00. The improved production rates, coupled with the updated resource estimates and a favorable outlook on gold equities in 2009-2010, should help Metanor's shares re-rate higher. We arrive at our 12-month target price by applying a 1.10x multiple to our estimated 7% NAVPS of \$0.93, based on a long-term gold price of US\$750/oz.

Investment Positives

1. **Metanor is currently operating one gold mine with a second in development and scheduled for production in mid-2010.** The bulk of the Company's efforts in 2009 are being exerted towards ramping up gold production (Figure 1). Solid growth is expected in the Company's production profile as we expect output to increase by 104% from the 2009 production level.

Figure 1: Estimated Production Profile (Production vs. Cash Cost)



Source: NSI

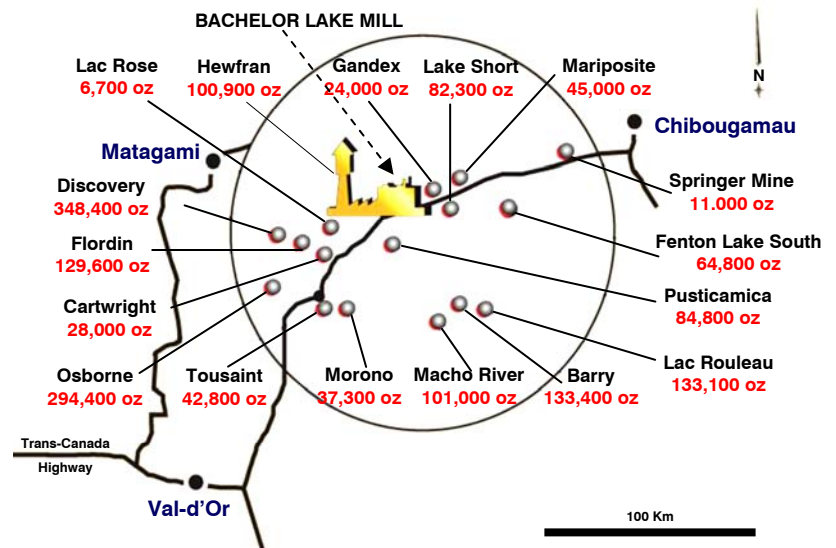
2. **Excellent exploration potential proximal to existing infrastructure.** Metanor's focus has also been to build up resources to maintain/increase the mine life of its operations. As of December 31st, 2008, Metanor reported a measured/indicated/inferred resource of ~1.0 million ounces across its four key projects (Table 1). We believe drilling over the last year has been adding accretive ounces to the future mine plan and should fuel future growth. Metanor has demonstrated excellent exploration success, most notably with the recent extensions of:
 - **The Hewfran Property** – a drilling program was completed on the Hewfran property (~400 metres from the Bachelor Mine) and the results indicate that the West zone is continuous from surface to 180m below surface where the resources were evaluated in 2005. This zone was originally defined in drilling over a horizontal distance of approximately 300m (between the depths of 180m and 330m). Highlights of the drill program included: **3.72 g/t Au over 4.20m; 3.10 g/t Au over 6.0m (both holes at a vertical depth of 45 m); 3.01 g/t Au over 4.20m (vertical depth of 70 m); 5.13 g/t Au over 5.15m (vertical depth of 170m)**. This discovery validated the Company's new exploration model, which, in turn, opened up historically under-explored areas around the Bachelor mine.
 - **The Barry open pit deposit** – follow-up drilling in March 2009 was initiated in order to test areas with high gold potential defined during the last stripping and channeling program (**580 g/t Au over 1m; 4.38 g/t Au over 41.89m including a section grading 9.10 g/t Au over 7.79m; 6.33 g/t Au over 17.50m**). The drilling program extended: (a) the western extremity of the open pit by ~70 metres (highlights include: **5.18 g/t over 19.5m; 4.04 g/t over 22.86m; 2.03 g/t over 22.06m**); and (b) the depth, which still remains open (**3.12 g/t over 30.9m including 12.98 g/t over 4m**).

Table 1: Reserves and Resources

Property	Resource Category	Contained Ounces
Bachelor Lake	Measured & Indicated	210,857
	Inferred	89,366
Hewfran	Measured & Indicated	22,900
	Inferred	37,656
Barry	Measured & Indicated	52,300
	Inferred	126,600
Dubuisson	Measured & Indicated	26,150
	Inferred	432,995
	Total Measured & Indicated	312,207
	Total Inferred	686,617
	Total Resources	998,824

Source: Company reports

Additional exploration/acquisition upside exists with ~1.5 million ounces of historical resources (8.9 Mt grading 5.3 g/t Au) surrounding the Bachelor Mill (only mill in the radius of 100 km; Figure 2). **Due to the proximity to existing infrastructure (Bachelor mill), any economical ounces proven up or acquired would be less costly to produce compared to a greenfield discovery.**

Figure 2: Historical Resources Surrounding Bachelor Lake Mill

Source: Company reports

- Solid management and operation team in place to ensure that Metanor's operations remain profitable.** The Management's first two years of operations were quite challenging and capital intensive as the Company devoted significant efforts to attain gold production through the acquisition of the Bachelor Lake Mine and Mill in 2006. Since the underground mine required significant capital to rehabilitate, the Company acquired the Barry Property (open pit) to feed the mill and commence generating cash flow. Subsequent of achieving commercial production (within 1½ years of acquiring the mill), Metanor's management has focused on increasing gold production by increasing the capacity of the mill to ~1,200 t/d (currently at ~800 t/d), while continuing to evaluate/develop

its higher-grade Bachelor Lake deposit (expected to come on line in mid-2010).

4. **Fully permitted in politically-safe Quebec, Canada.** Metanor's mining and processing operations are in the ramp-up phase with no further permits required. Amid increasingly stringent permitting regimes worldwide, the decided advantage of existing mining operations at Bachelor Lake cannot be overstated. Quebec's status as a mining-friendly jurisdiction was validated in 2008 and 2009, with the Fraser Institute concluding that the province had the best overall mining policy and mineral potential of the 71 jurisdictions included in the annual survey. The most notable policy of the Québec government is that it provides **numerous tax incentives and a very attractive mining duties** regime for companies that explore or operate in Québec. Companies can receive a 47% tax refund for all expenses incurred while exploring for mineral deposits or expanding existing ones.
5. **Gold converted to weaker Canadian dollars has resulted in improved margins for Canadian producers.** With operations based solely in Canada and costs denominated in C\$ terms, Metanor stands to benefit from the weakening Canadian dollar. At the same time, we contend that with increased investment demand for gold, and inflation concerns throughout the world, the bullion price should remain robust.

Investment Risks

1. **Operational Execution.** With near-term financing addressed via a ~\$13.5 million equity financing completed in April 2008, the risk associated with Metanor has largely shifted away from financing risk to production execution. We believe that all the elements are in place for improved production at the Bachelor Lake mill.
2. **Relatively unknown gold producer.** Metanor is a gold producer with steady local investors, institutional and management holdings. The Company's shares are relatively under-followed by brokers (North American investors) reflecting the lack of awareness of the potential of Metanor's assets (producing mines as well as exploration projects). We believe this presents an opportunity for risk-oriented investors looking for cash flow from gold production as well as upside from advanced-stage exploration properties.

Valuation and Forecast

We arrive at our 12-month target price by utilizing our long-term gold price assumption of US\$750/oz and US\$/C\$ exchange rate of US\$1.00 = C\$0.91. **Our (10 year) DCF model results in a project NPV_{7%} of \$124.0 million or \$0.88 per fully diluted share.** In addition to the NPV, we apply \$8.0 million in corporate adjustments to derive a NAV of \$132.0 million or \$0.93 per fully diluted share. We believe Metanor merits a 1.1× multiple to NAV to account for reduced political and permitting risk as well as a management premium. Applying this multiple to our NAV calculation implies a value of \$1.03 per share.

We believe Metanor has the potential to generate approximately \$11.3 million in cash flow for the full year of 2009, growing to approximately \$29 million by 2011. Our analysis indicates that the Bachelor Lake mill is capable of producing 32,169 ounces of gold in 2009, increasing to 66,381 ounces in 2010. During that time, we expect total cash costs to decrease to US\$452/oz from US\$629/oz. We assume capital expenditure of ~\$15 million is expected to be required to develop/ expand the Bachelor Lake project (mine and mill). The bulk of our valuation for Metanor is represented by Bachelor Lake and, as such, the Company's shares should be intimately linked to performance at that operation, with the most significant near-term potential catalyst being the ramp-up and stabilization of production at the planned rate of ~1,200 t/d, (66,000 ounces of gold in 2011. We expect average grades to improve as higher-grade material from the Bachelor Lake (~ 700 t/d) is blended with the ore from Barry open pit (~500 t/d) during mid-2010. Our average head grade assumption of 5.15 g/t gold is slightly more conservative than Metanor's guidance.

The implied value for Metanor, based on our calculation of Net Asset Value is \$1.03 per share (Table 2). **We therefore recommend Metanor Resources Inc. as a SPECULATIVE BUY with a 12-month target price of \$1.00 per share.**

Table 2: Net Asset Value Calculation

Market Capitalization		\$52.90 million			
Shares Outstanding (basic)		105.81 million			
Shares Outstanding (fd)		141.12 million			
Annualized (\$ millions)		2008A	2009E	2010E	2011E
Total Revenue		\$4.30	\$34.74	\$59.48	\$67.71
Operating Costs		(\$3.33)	(\$23.99)	(\$35.99)	(\$35.99)
EBITDA		\$0.59	\$6.58	\$16.35	\$23.60
EBIT		\$0.16	\$6.11	\$15.31	\$16.82
Net Income		\$0.11	\$3.74	\$10.16	\$11.78
Operating Cash Flow (pre W/C)		\$0.65	\$11.34	\$26.04	\$29.14
Net Free Cash Flow		(\$3.35)	\$1.34	\$18.54	\$24.14
EPS		\$0.00	\$0.03	\$0.07	\$0.08
Operating CFPS		\$0.01	\$0.08	\$0.18	\$0.21
P/CFPS		N/A	5.9x	2.7x	2.4x
Realized Gold Price (US\$/oz)		\$850	\$900	\$875	\$850
Gold Production (troy ounces)		5,062	32,169	56,648	66,381
Total Cash Cost (US\$/oz)		\$598	\$629	\$529	\$452
Valuation					
Discount Rate		0%	3%	7%	10%
Net Present Value (net CF) (\$millions)		\$185	\$154	\$124	\$106
Other Resources Properties (\$millions)	\$10/oz	\$8	\$8	\$8	\$8
Total \$(millions)		\$192.79	\$162.28	\$131.62	\$114.04
Market Multiple (mgt prem.) (\$millions)	1.10x	\$212.07	\$178.51	\$144.78	\$125.44
Net Present Value (net CF)		\$1.31	\$1.09	\$0.88	\$0.75
Other Resources Properties		\$0.06	\$0.06	\$0.06	\$0.06
Total NAV		\$1.37	\$1.15	\$0.93	\$0.81
NAV w/ mkt multiple		\$1.50	\$1.26	\$1.03	\$0.89

Source: Company reports, NSI

Since the Company has a year end of June 30, Table 5 (page 14) depicts our estimates in conjunction with Metanor's year end numbers.

Our cash flow model assumes a long-term gold price of US\$750/oz. Table 3 provides a sensitivity of our target price based on various gold price assumptions.

Table 3: Highly Leveraged to Gold Price

	Gold Price (US\$/oz.)				
	\$750	\$800	\$850	\$900	\$950
1.1x 7% NAV	\$1.00	\$1.16	\$1.30	\$1.43	\$1.57

Source: NSI

The operating team at Metanor is applying the bulk of its efforts to efficiently ramp up the Bachelor mill, currently running at ~800 t/d, to ~1,200 t/d by Q3-09. The mill is expected to run at full capacity with lower-grade ore from the Barry open pit mine and will be blended with higher-grade (6.0 g/t-7.0 g/t) ore from the Bachelor Lake/Hewfran by mid-2010. We believe that once production is running at a steady state of ~1,200 t/d, Metanor's value could be rated more in line with the junior producers presented in Table 4.

- **Price to projected cash flow multiples implies a potential trading value of \$1.07 per share.** Junior gold producers, on average, are trading at 13.4x 2009 price to cash flow multiples (Table 4). Applying these multiples to our projected (**annualized**) 2009 cash flow of \$0.08 per share indicates a potential value of \$1.07 per share for Metanor.
- **Market capitalization to 2010 production estimate for Metanor implies a potential trading value of \$1.54 per share.** Junior gold producers, on average, are trading at ~\$3,499/ounce of production (Table 4). Applying these multiples to our projected (**annualized**) 2010 production of ~56,648 ounces of gold indicates a potential value of \$1.54 per share for Metanor.

Table 4: Comparables

Company	Symbol	Share O/S (millions)	Recent Share Price	Mkt Cap. (millions)	2009E Prod. (oz)	2010E Prod. (oz)	Mkt Cap/ 2009E Prod.	Mkt Cap/ 2010E Prod.	2009E CFPS	2010E CFPS	P/CF 2009E	P/CF 2010E
Alamos Gold	AGI	107.34	\$8.65	\$928	152,500	252,500	\$6,088	\$3,677	\$0.61	\$0.63	14.2x	13.7x
Alexis Minerals	AMC	127.90	\$0.57	\$73	50,000	80,000	\$1,458	\$911	\$0.04	\$0.14	14.3x	4.1x
Jaguar Mining Inc.	JAG	77.94	\$7.96	\$620	170,000	238,000	\$3,649	\$2,607	\$0.65	\$0.89	12.2x	8.9x
Aurizon Mines	ARZ	148.42	\$5.14	\$763	155,000	161,000	\$4,922	\$4,738	\$0.48	\$0.51	10.7x	10.1x
Kirkland Lake	KGI	58.55	\$9.63	\$564	50,000	80,000	\$11,277	\$7,048	-\$0.12	\$0.59	n/a	16.3x
Lake Shore Gold	LSG	212.59	\$1.95	\$415	30,000	100,000	\$13,818	\$4,146	\$0.05	\$0.27	n/a	7.2x
San Gold	SGR	235.60	\$2.14	\$504	100,000	150,000	\$5,042	\$3,361	\$0.11	\$0.26	19.5x	8.2x
New Gold	NGD	212.84	\$2.49	\$530	200,000	200,000	\$2,650	\$2,650	\$0.15	\$0.25	16.6x	10.0x
Wesdome Gold Mines	WDO	99.71	\$1.77	\$176	75,000	75,000	\$2,353	\$2,353	\$0.27	\$0.25	6.6x	7.1x
			Average				\$5,695	\$3,499			13.4x	9.5x
Metanor Resources	MTO	129.00	\$0.50	\$64	32,169	56,648	\$1,985	\$1,127	\$0.08	\$0.18	5.9x	2.7x

Source: Company reports, NSI

Company Overview

Metanor Resources Inc. has a short but exciting history dating back to 2001, when the two founders (Serge Roy and Ghislain Morin) of the Company, joined forces to raise funds for a drilling program on the Dubuisson property. The intent of the drilling program was to complete a NI 43-101 resource estimate and ultimately take the Company public (December 11, 2003). Subsequent to the completion of both these objectives, the passion and desire of the founders to produce gold compelled them to acquire a 50% interest (November 2004) in the Bachelor Lake Project (past producing mine) from Campbell Resources (50% of the Bachelor Lake project was optioned to Wolfden Resources) for \$3.5 million.

The next two years of operations were quite challenging and capital intensive as the Company devoted significant efforts to: 1) rehabilitating the Bachelor Lake underground workings; 2) refurbishing the mill; and 3) completing a drill program with the intent of defining the underground resources. In May 2006, Metanor acquired the remaining interest in the Bachelor Lake Mine and mill from Halo Resources (acquired 50% interest from Wolfden). Since the underground mine required significant capital to rehabilitate, the Company acquired the Barry (65 km from Bachelor Lake mill) open pit deposit (December 2006) from Murgor Resources (MUG-V) to feed the mill and commence generating cash flow (to develop the Bachelor Lake mine). Subsequent to achieving commercial production on October 31, 2008 (within 1½ years of acquiring the mill), Metanor's management has focused on increasing gold production by increasing the capacity of the mill to ~1,200 t/d (currently at ~800 t/d), while continuing to evaluate/develop its higher-grade Bachelor Lake deposit (expected to come on line in mid-2010).

Bachelor Lake Project

The Bachelor Lake property is located in Le Sueur Township (CL740) approximately 225 km northeast of Val-d'Or. The property comprises 51 claims and two mining concessions covering an area of approximately 1,867 ha. The mine site includes surface infrastructures (replacement value of ~\$140 million), hoist room, shaft house, mill (~800 tons per day), tailing pond and core shack. The Company is in the process of development and underground exploration on the Bachelor property. The work program (~\$15 million) is expected to include the change of the winch, modifications to the head-frame, sinking of the shaft, and the development and work of exploration necessary to commence a bulk sample (qualify Bachelor for commercial production).

The Bachelor gold deposit was mined by the underground mining method; mainly by shrinkage stoping and 131,000 oz of gold were produced during the 1980s. During the winter of 2004-2005, the mine was dewatered in order to initiate an underground drilling program in 2005. The mine is accessible by a three-compartment shaft to the 7th level and a four-compartment shaft below the 7th level. Twelve levels, with ventilation and egress, have been developed. Underground access from the Bachelor mine onto the Hewfran claims already exists on the 4th, 6th and 8th levels.

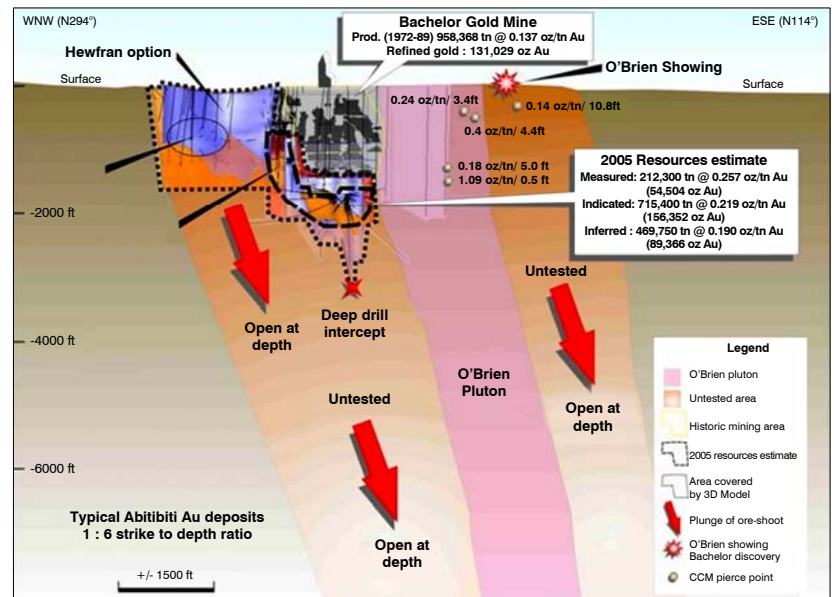
The property is situated near the western limit of the Chibougamau-Chapais greenstone belt that forms part of the Abitibi geological sub-

province of the Superior Structural Province. Bachelor Lake property is along a regional trend that includes Agnico-Eagle (Telbel Mine), Golden Hope (Estrades deposit) and other deposits in the Douay Township. Other deposits in the immediate vicinity include the Lac Shortt gold mine (now closed), the Meston Lake Gold Mine and the massive sulphide deposit of the Gonzague Langlois Mine (Grevet).

The property is underlain by Archean volcanic rocks of the Obatagama Formation. This formation includes mafic, intermediate and felsic flows and their intrusive equivalents. The epizonal syn- to post-tectonic composite O'Brien "granite" is a prominent feature east of the deposit. Post-tectonic lamprophyre dykes are also present in the mine.

- Metanor also owns 88 mining claims (MJL-1 Property) totaling 1,983 hectares located to the north (55 claims), to the west (33) of the Bachelor Lake Property
- Metanor also owns 64 mining claims (MJL-2 Property) totaling 3,032 hectares located to the east (36 claims), to the northwest (10) and to the southwest (8) of the Bachelor Lake Property.

Figure 3: Bachelor Lake/Hewfran Projects Longitudinal Section



Source: Company reports

A major exploration/delineation underground drilling program was performed on the property between April and July 2005. During the program, ~13,345m was drilled (69 holes) with two fixed drill stations located on the level 12 of the Bachelor Lake mine. This drilling program had a significant impact on the geological understanding of the deposit. Highlighted geological features include: 1) the continuity of the "Main Zone" extended substantially (over a total strike length of 450m from the Bachelor Lake to the "East" zone area on to the Hewfran claims; 2) significant widening of the mineralized zones appearing at the junction of several major structural features (such as the "A" zone with the "B" zone); the O'Brien granite contact opening at depth which opens the possibility of extending the mineralized zones to the east; and 3) the "Main" zone documented in the footwall of the Waconichi fault; the "Main"

and "B" zones continuing through the "gap zone" area (between the T1 fault and "A" Zone).

The completion of the drilling program led to a resource estimate at Bachelor in October 2005. The NI 43-101 resource estimate includes measured and indicated resources of 841,591 t at 7.79 g/t Au (or 210,857 oz of gold) and inferred resources of 426,148 t at 6.52 g/t Au (or 89,366 oz of gold. Additional exploration/acquisition upside exists with ~1.5 million ounces of **historical** resources (8.9 Mt grading 5.3 g/t Au) surround the Bachelor Mill (only mill in the radius of 100 km; Figure 2). Several gold bearing deposits are located in this sector and the majority of them are too small to justify the construction of their own mill. The access is facilitated by the presence of many forest roads connecting these gold-bearing deposits to the site of the Bachelor Lake Mine.

Metanor intends to proceed with an advanced underground exploration program designed to increase resources.

- The Company has commenced an 18-month underground exploration program that includes a 20,000 metre drill program, changing hoist, headframe, deepening shaft to 2,300 feet (currently at 1,700 ft, dewatered), development drifting for U/G drilling and bulk sampling.
- The Bachelor mill is operating at ~800 t/d and has poured ~20,000 oz. of gold to date. The operating team at Metanor is applying its efforts to efficiently ramp up the Bachelor mill, currently running at ~800 t/d, to ~1,200 t/d by Q3-09.

Figure 4: Bachelor Lake Mill



Source: Company reports

Hewfran Property

The Hewfran property includes 38 claims covering an area of 795 hectares located immediately west of the Bachelor Mine's infrastructure. In 2006, a diamond drilling program of 2,906m (8 holes) was completed on the property. This program was designed to test the extension of mineralized zones of the west zone that had been previously defined over a distance of 300m and at a vertical depth of 180m to 320m. This mineralized zone contains indicated resources totaling 110,100 tonnes at a grade of 0.208 oz/t Au and

inferred resources totaling 206,900 tonnes at 0.182 oz/t Au (43-101 resource estimate published in 2005). These resources are easily accessible via the surface and underground infrastructure (gallery on level 6) of the Bachelor Mine.

A drilling program was recently completed (end of 2008) on the Hewfran property (~400 metres from the Bachelor Mine) and the results indicate that the West zone is continuous from surface to 180m below surface where the resources were evaluated in 2005. This zone was originally defined in drilling over a horizontal distance of approximately 300m (between the depths of 180m and 330m). Highlights of the drill program included: **3.72 g/t Au over 4.20m; 3.10 g/t Au over 6.0 m (both holes at a vertical depth of 45m); 3.01 g/t Au over 4.20m (vertical depth of 70m); 5.13 g/t Au over 5.15 m (vertical depth of 170m)**. This discovery validated the Company's new exploration model, which, in turn, has opened up historically under-explored areas around the Bachelor mine.

Barry Properties

The Barry gold deposit is located in the Urban-Barry greenstone belt approximately 65 km southeast of the Bachelor Lake mine. This property was purchase in December 2006 to perform a bulk sampling of ore, to ultimately begin commercial production of this deposit. The Barry I property consists of 14 claims covering 240 hectares and is surrounded by the Barry United Property comprising 241 mining claims covering an area of 3,774 hectares. The Urban-Barry area was the site of renewed interest following the release of drill results by Noront Resources Ltd. (NOT-V) who reported intersections of 800.1 g/t to 1,792.9 g/t gold over 4.8 m (December 1, 2006) and of 27.3 g/t Au over 14.4 metres (June 8, 2006).

In May 2007, a NI 43-101 resource was released that included the results of drilling campaign performed by Murgor Resources during the summer of 2006. This report extended the mineralized zones on 300 additional metres south-westerly. The resource estimate included: **385,000 t of indicated resources at 4.23 g/t Au (52,300 oz Au) and 966,000 t of inferred resources at 4.07 g/t Au (126,600 oz Au)**.

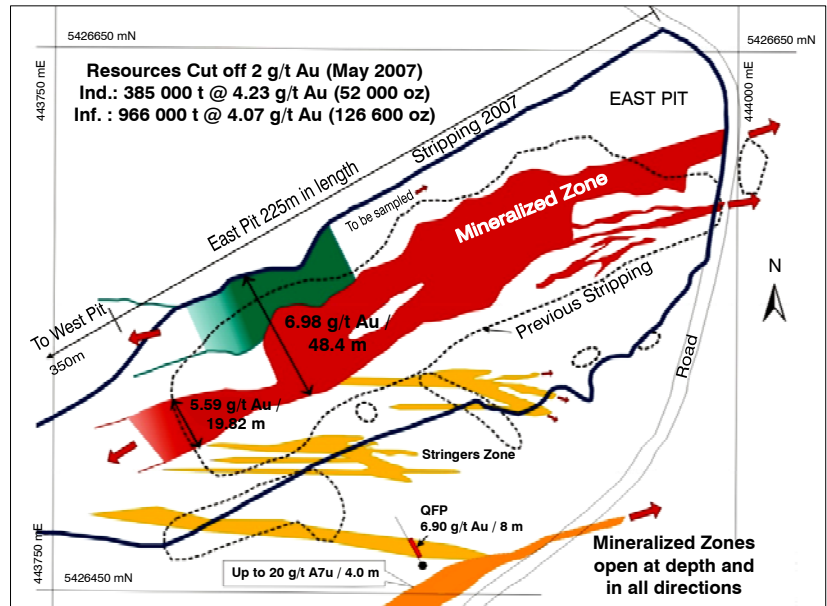
Follow-up drilling (9,000m) was initiated in March 2009 in order to test areas with high gold potential defined during the last stripping and channeling program (**580 g/t Au over 1m; 4.38 g/t Au over 41.89m including a section grading 9.10 g/t Au over 7.79m; 6.33 g/t Au over 17.50m**). The intent of this drilling program was to increase the resources of this gold bearing deposit and to evaluate the potential at a **shallow depth** of the mineral-bearing zones located in the prolongation towards the west of the open pit deposit (zone Est). The drilling program has **extended**:

- the western extremity of the open pit by ~70 metres (highlights include: **5.18 g/t over 19.5m; 4.04 g/t over 22.86m; 2.03 g/t over 22.06m**)
- the depth that still **remains open (3.12 g/t over 30.9m including 12.98 g/t over 4m)**

The Company is currently mining from the Barry open pit; primary and secondary crushing and refining is conducted at the Bachelor

Mill (65 km from Barry pit). The ore-to-waste ratio at Barry runs at 1:1. Approximately 200,000 tonnes of lower grade development ore (~2 g/t) have been stockpiled on site and are expected to be blended with the higher grade Bachelor and Barry ore (July 2010). According to the current resources at Barry, we estimate a mine life of at least 4 years (open at depth and in all directions). The Company is expected to release an updated resource estimate by the end of 2009 that could significantly increase the mine life of the Barry open pit.

Figure 5: Barry Open Pit



Source: Company reports

Dubuisson Property

The Dubuisson Property consists of 14 contiguous unpatented mining claims covering 432.11 hectares within the city limits of Val-d'Or, Québec. Between June 2001 and June 2003, Metanor spent over \$767,000 on the property in exploration expenditures to assist in completing a NI 43-101 resource estimate. A total of 5,838 metres of surface diamond drilling (43 holes) has been completed along with surface stripping. The resource estimate included 166,076 t of measured and indicated resources at 4.82 g/t Au (26,150 oz Au) and 3,245,222 t of inferred resources at 4.15 g/t Au (432,995 oz Au). The Company, after reviewing all of the available geological data, suggests that the Dubuisson Property displays similar geological characteristics to that of the nearby Sigma Mine (produced ~4.3 million ounces of gold).

Vassan Property

The Vassan property consists of 8 contiguous unpatented mining claims covering 320 ha within the mining camp of Val d'Or, Quebec. This grass root property is located approximately 15 km to the northwest of the city of Val d'Or.

Nelligan Property

Metanor holds an option enabling it to acquire an interest of 70% in this property, which includes 58 claims, covering an approximate surface of 2,881 hectares, located immediately at the west of the Bachelor property. During an exploration campaign completed by Murgor Resources in 2006, intersections of 582 g/t Au on 0.53m and 3.15 g/t Au over 3.0m were obtained by sampling of a horizon sheared and mineralized similar to the Vein "A" of the Bachelor property. An intensive stripping campaign was carried out during the summer and part of the autumn of 2008 that allowed the Company to extend the gold bearing structures discovered by Murgor Resources. The Company is expected to initiate a drilling program to test potential targets once the compilation of the results is complete.

Opinaca Property

The Opinaca property includes 92 cells totaling 4,827.82 hectares in 2006 (James Bay territory, Northern Québec). This property is located ~30 km south-southwest of the Éléonore gold property (Virginia Gold Mines) that was acquired by Goldcorp (G-T). The property covers an area containing several airborne magnetic anomalies in a geological setting involving volcanic units located between two granitic intrusives, conducive to the discovery of gold mineralization. An airborne geophysical survey covering the entire property is being considered by the Company in order to locate mineralized sectors and generate targets for eventual ground exploration work.

Wahnapitei Property

The 90% owned Wahnapitei property is located in the northeastern extension of the Sudbury Basin, less than 5 km northeast of Falconbridge's "Nickel Rim South" deposit. Previous work confirmed the presence of gold, cobalt, nickel, platinum and palladium mineralization associated with a series of IP anomalies detected in 2005.

Financial and Capital Structure

Metanor is in a strong financial position having raised ~\$13.0 million in April 2009 (\$0.50 per share) with an estimated working capital of ~\$13 million. Share ownership includes management (~5.0%) and institutions (~50%). We believe the Company is sufficiently financed for exploration/development through 2009.

Management and Directors

Serge Roy, Chairman & CEO and Director

Before founding Metanor, Mr. Roy was President of Ressources Pyrinor Inc. He is a residential and commercial construction contractor. Previously, he held various positions with Construction G.P.M., Stabell Resources Inc. and Ovaltex Consultant Inc. (mining consultants and geological engineers). Mr. Roy holds a construction contractor's license from the Commission de la Construction du Québec.

Ghislain Morin, President & COO and Director

Mr. Morin participated in many feasibility studies with a view to implementation of mines, mining projects and mining product

installation companies. Between 1981 and 1989, he founded Équippement Minier GRM Inc. of which he is now Vice President. Mr. Morin has been involved in planning, management, monitoring, construction and evaluation of various mining projects since 1974.

Claude Imbeault, General Manager-Operations Bachelor Lake-Barry

Mr. Imbeault is a known professional active in the mining industry for almost 40 years, involved in the production startup of numerous mining projects. Mr. Imbeault was recently general manager of Camroc, a mining development division of Cambior-lamgold, with 100 employees. Further, he acquired expertise as superintendent of the Chimo and Pierre Beauchemin mines (Cambior) and also the Lake Shortt mine (Minnova) and Montauban mine (Muscocho).

Andre Tremblay, Director Of Exploration

Mr. Tremblay holds a Bachelors degree in geological engineering and a Masters degree in earth sciences (structure) from the Universite du Quebec in Chicoutimi. He has acted as a director of exploration and held senior geologist positions with various companies (Ressources minieres Coleraine, GeoNova Explorations, Gestion S.R.C. Inc., Groupe Minier O, Mines Camchib, Campbell Resources Inc.) in Abitibi and the Chibougamau area.

Ronald S. Perry, Vice President & Treasurer, Director

Mr. Perry has almost 30 years of accounting, financial and entrepreneurial business experience in high technology, venture capital and merchant banking companies. Since the year 2000, Mr. Perry has been the Founder and President of Briolijor Corporation, a financial consulting company to both private and public corporations. Mr. Perry has been involved in all facets of business including statutory reporting, internal controls, legal aspects as well as all administrative responsibilities.

Table 5: Financial Information (year end June 30)

Market Capitalization	\$52.90 million			
Shares Outstanding (basic)	105.81 million			
Shares Outstanding (fd)	141.12 million			
Year End June 30 (\$ millions)	2009E	2010E	2011E	2012E
Total Revenue	\$18.93	\$46.91	\$66.53	\$65.72
Operating Costs	(\$14.3)	(\$31.12)	(\$35.99)	(\$35.99)
EBITDA	\$0.71	\$10.17	\$22.56	\$21.84
EBIT	\$0.31	\$10.38	\$15.90	\$15.27
Net Income	(\$1.02)	\$6.73	\$10.86	\$10.97
Operating Cash Flow (pre W/C)	\$2.04	\$18.24	\$27.67	\$27.00
Net Free Cash Flow	\$4.44	\$6.24	\$21.42	\$24.50
EPS	(\$0.01)	\$0.05	\$0.08	\$0.08
Operating CFPS	\$0.01	\$0.13	\$0.20	\$0.19
P/CFPS	N/A	3.9x	2.6x	2.6x
Realized Gold Price (US\$/oz)	\$900	\$888	\$863	\$825
Gold Production (troy ounces)	18,259	44,148	60,318	66,381
Total Cash Cost (US\$/oz)	\$690	\$587	\$497	\$452

Source: Company reports, NSI

Applicable disclosures:

Metanor Resources Inc. 1,8,9

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