

**Metanor Resources Inc.** – Canada's Newest Gold Producer

September 1, 2011

**TSX Venture – MTO: C\$0.38 – 12 Month Target: C\$1.35, US Listing – MEAOF.PK, Frankfurt - M3R**

Metanor is on schedule at its newly refurbished 1200TPD Bachelor Lake Mine & Mill, in Quebec. MTO is expected to prepare a bulk sample in Q4 2011, leading to a ramp-up in production that will see a run rate of 5,000 ounces gold per month (60,000 oz per annum) by Q3 2012 at an estimated cash cost of US\$464/oz gold using 2/3 capacity of the 1200 TPD mill. MTO is leveraged to the price of gold, able to sell 80% of its Bachelor Lake Mine sourced gold at spot prices with the balance sold to Sandstorm as per gold participation agreement. With gold forecasted by respected analysts to remain near or above US\$2,000/oz as MTO begins selling in 2012, MTO is positioned to generate enormous free cash, dwarfing the original Stantec projections used for validation (based on an initial three year mine life). MTO has identified zones (see page 4) that we believe will contribute to extending mine life closer to 10 years. This interpretation was corroborated following a site visit to Bachelor Lake by an analyst from Industrial Alliance earlier this year, prompting [commentary](#) back-of-the-envelope calculations of (non 43-101) 700,000oz resource achievable based on deep hole intercepts and extrapolation of data. MTO has tremendous leverage to adding more mineable ounces, a plan to augment these resources, and high exploration potential at its properties. Metanor's infrastructure is valued between CDN\$150M - \$200M, is fully paid, fully permitted, fully functional with proven production capabilities (having poured >40K oz gold from interim sourced ore). The intrinsic value of Metanor's known resources (~1.6M oz gold in all categories on all its properties) and infrastructure are several times the company's current market capitalization; we believe MTO is a high value buyout candidate as it enters gold production and should gravitate upwards towards a per share valuation of C\$1.35.

### Undervalued – Entering Production with Strong Organic Growth

In 2006 Metanor acquired 100% of Bachelor Lake and became operator with a plan to leverage the mill / infrastructure to restart mining, initially using mill feed from the Barry deposit (believed at the time to be a 100,000 oz deposit). Barry has since transitioned to a larger deposit of significance with lower grades that dictate a concentrator be built to capitalize on the economies of scale. MTO has spent the last year focused on the rehabilitation of the underground mine at Bachelor Lake and is now essentially finished development of substations and shaft work. Bachelor Lake is a very rich underground mine with grades upwards of 26 g/t gold with an average grade of 7.38 g/t gold (fully diluted using long hole). With bulk sampling expected in Q4 2011, leading to a run rate of 5,000 ounces gold per month (60,000 oz per annum) at 2/3 capacity by Q3 2012, MTO is positioned for exceptional cash flow and in the first year will benefit from a ~\$30M tax loss carry forward resulting in little or no taxes. Metanor also aims to increase efficiencies, looking to surpass its 95% recovery rate, and consider the myriad of options for taking the mill to full capacity.

With a current market cap of ~\$76M, valuation-wise it appears Metanor is grossly undervalued, essentially trading at a discount to an adjusted pretax NPV(5%) of \$103 million surrounding the Bachelor Lake initial three year mine plan alone (adjusting the PreFeasibility by accounting for recent financings, incorporating the Sandstorm Au participation, & using spot Au price). As MTO enters gold production the reality of the infrastructure and resource value, cash flow growth, and clear ability to add ounces should lead to share price appreciation.

#### Bachelor Lake (1M+ oz gold target):

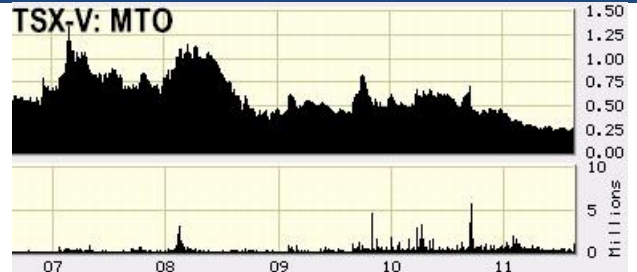
There is clear potential to increase ounces in several ways ① upgrade inferred resources (~89,000 oz), ② define the now known extension to surface at Hewfran West (600 m to surface – estimated ~50,000 oz),

③ define resources at Hewfran E. (historically part of a separate corporate entity and not as developed) ④ drill at depth – part of the planned 15,000 m deep drilling program – very important as mining camps in the Val D'Or area often have depths several times their length – there are now 2 zones at depth here (vs. 1 historically mined) and they also appear to be widening at depth, ⑤ east, in the O'brien pluton (below the original discovery).

**Effect of Adding Oz at Bachelor Lake:** At today's gold prices (US\$1,760/oz), using information from the PreFeasibility Study, adding 50,000 oz. adds ~\$47 million pretax operating profit.

Lac Bachelor	Proven	Probable
Tonnes	193,093	650,679
Grade (g/t)	8.33	7.10
Au Oz.	51,743	148,433
Lac Bachelor	Inferred	
Tonnes	426,148	
Grade (g/t)	6.52	
Au Oz.	89,366	

### Market Data



#### Share Data (\$Cdn):

Recent Price: \$0.38  
 52-week Price Range: \$0.21 - \$0.71  
 Shares Outstanding (current): 201.7 million  
 Fully Diluted Shares: ~257 million  
 46.6 million warrants @ \$0.40 - \$1.00 (~25M warrants at \$0.40, ~11M at \$0.65, ~11M at \$1.00), 7.885M options, ~881K Broker warrants.

#### Capitalization (\$US):

Market Capitalization: \$76.6 million  
 Total Debt (expected after final Sandstorm pmt.): \$0.0 million

#### Corporate Information:

Chairman, CEO: Serge Roy  
 Phone: 819-825-8678 Website: [www.metanor.ca](http://www.metanor.ca)

**Ways to Utilize Full Mill Capacity Near-Term:** (Increasing gold production to 80K – 90K oz per annum possibly)

① With nominal investment work stations on Hewfran may be built ② Custom milling ③ Resume trucking Barry.

#### Barry (5M - 10M+ oz gold target):

SGS Geostat has identified the Barry deposit as comparable in potential,

Barry	Indicated	Inferred
Tonnes	7,701,000	10,411,000
Grade (g/t)	1.25	1.40
Au Oz.	309,500	471,950

to rival other major gold deposits such as Osisko's Malartic and Detour Gold's Detour Deposit. Given the nature of the gold (free gold), it is expected that use of a conventional concentrator and trucking / processing vastly reduced volumes shows excellent potential to make the ounces highly economic. The deposit is open E, W, and at depth. The deformation corridor crosses the property from the SW to NE and extends over more than 15 km and beyond its limit with dozens of IP anomalies and a proven exploration model. The Barry deposit appears to hold achievable potential to take Metanor to mid-tier producer status within 2.5 years via the construction of an onsite concentrator or adoption of Nicromet's technology (currently undergoing test trials with Barry ore).

**CORE BACHELOR LAKE ASSET  
(100% owned)  
Abitibi Greenstone Belt, Quebec  
(6,721.06 hectares)**

Bachelor Lake Gold Property includes two blocks that have had different ownership.

1. The eastern block (Bachelor Lake claims) has had a lengthy exploration history and is a past producer from 1982 until 1989 (958,368 tons of ore @ 0.136 oz/t Au for a total of 131,029 oz refined gold). Metanor acquired these claims in 2004, which had an option to Halo Resources. Halo Resources successfully completed their work commitment with a major underground drilling program (69 holes, 13,346 m) and resource estimate in 2005 (this estimate is used in the recent PreFeasibility Study). Metanor purchased Halo's interest in 2006 (bringing its' ownership to 100%) and became operator.

2. The Western block (Hewfran claims) comprises 38 claims. Metanor acquired the right to acquire the property from Aur Resources Inc., conditional to a work commitment of \$1.6M. Metanor satisfied this commitment and consolidated the property interests in 2007.

The mine site included surface infrastructures, hoist room, shaft house, mill, tailing pond, and core shack. The infrastructure was considered to be in generally good condition but required modifications and rehabilitation to work underground for future exploration programs. In 2007, Metanor embarked on an aggressive program to place Bachelor Lake back into production, with a plan to use mill feed from the Barry deposit, located 65 km to the southeast. This deposit had been acquired in 2006 at little cost and had 35,500 oz Au of indicated and 67,600 oz Au inferred resources (269,000 t @ 4.1 g/t, 450,000 t @ 4.68 g/t respectively – these were 43-101 compliant resources). It was envisioned that cash flow from this program would pay for underground development at the Bachelor Lake mine along with underground exploration to identify, delineate and mine additional resources. This program was a technical success accomplishing mill refurbishment, increasing capacity to 1200 tpd, restarting the mill, mining an open pit and significantly increasing ounces at Barry. From the 617,489 t sourced ore from the Barry open pit, which was processed at the mill from July, 2008 to October, 2010, over 40,000 ounces gold were poured proving the gold production capabilities of the Bachelor Lake mill.



Several phases of refurbishing work have been completed by Métanor over the past few years. The mill was completely renovated and put into operation in January 2008. The grinding capacity was increased by the addition of a new ball mill the same year, raising the throughput to 700 tonnes per day. The compressor room and compressors were also completely overhauled. A rod mill was commissioned in February 2010 increasing grinding capacity to 1,200 tonnes per day. Major work has been completed to upgrade the original tailings ponds to current regulation. A camp facility was built to house personnel approximately two km from the mine, with potential for expansion. There are offices for staff, a first aid facility, assay laboratory, and a security gatehouse. The site is equipped with automated back-up diesel generators. The hoisting infrastructure was refurbished in 2009. Currently the site is fed by 4 MVA from Hydro Quebec and is sufficient for the current plan. In short it is a turnkey, completely functional millsite.

In late 2010/2011, Stantec Consulting Ltd. completed a Prefeasibility Study for the Bachelor Lake property utilizing resources as calculated by InnovExplo Inc. in a 2005 43-101 tech report. The site mine engineering team prepared a mineral reserve on a stope by stope basis and prepared an operating and capital cost associated with this reserve. Stantec audited this work. GENIVAR provided metallurgical data for the report.

The ore resources are largely located beneath the last current mine level (Level 12). Opening two levels below Level 12 would allow nearly all of the available ore resources to be

Underground Mineral Reserves				
		Bachelor	Hewfran	Total
Proven	Tonnes	178,359	14,734	193,093
	Grade (g/t)	8.36	8.05	8.33
	Ounces of gold	47,930	3,814	51,743
Probable	Tonnes	467,135	183,543	650,679
	Grade (g/t)	7.23	6.76	7.10
	Ounces of gold	108,538	39,895	148,433
<b>Total Proven-Probable</b>	<b>Tonnes</b>	<b>645,494</b>	<b>198,278</b>	<b>843,772</b>
	<b>Grade (g/t)</b>	<b>7.54</b>	<b>6.86</b>	<b>7.38</b>
	<b>Ounces of gold</b>	<b>156,467</b>	<b>43,710</b>	<b>200,177</b>

recovered. The resources remaining below Level 14 will be tested by diamond drilling and evaluated in a future project.

The project schedule to achieve full commercial production by Q3 2012 is as follows:

- ^ Deepen the shaft – (completed July 2011);
- ^ Develop two new operating levels and infrastructure – (put in process);
- ^ Prepare a 5,000 tonne bulk sample in Q4 2011;
- ^ Ramp up production in Q1-Q2 2012; and
- ^ Achieve full commercial production in Q3 2012 averaging 5,000 oz per month

At an assumed \$1271 average Au price, the PreFeasibility Study calculated an 85% IRR and a NPV(5%) of \$76.3 million. Since that time, Metanor has raised a serious amount of cash, with a further \$6 million slated to come in from the Sandstorm financing in September, 2011. We have duplicated the spreadsheet from the PreFeasibility and adjusted it to reflect contributions to capital (mitigating to a large extent future financial requirements), the Sandstorm Gold Participation financing (buying 20% of gold produced at \$500), and using spot gold price of \$1500 -- the spreadsheet is available for viewing at the following URL <http://www.marketequitiesresearch.com/spreadsheetmto0911a2.htm> online.

Given a net present value of around \$100 million (using US\$1,500 per oz gold) and with the Metanor market cap at ~\$80 million (using C\$0.39 per share), the company is being valued at a discounted, after tax amount based on this core asset alone (ignoring infrastructure, other gold resources, and clear growth prospects).

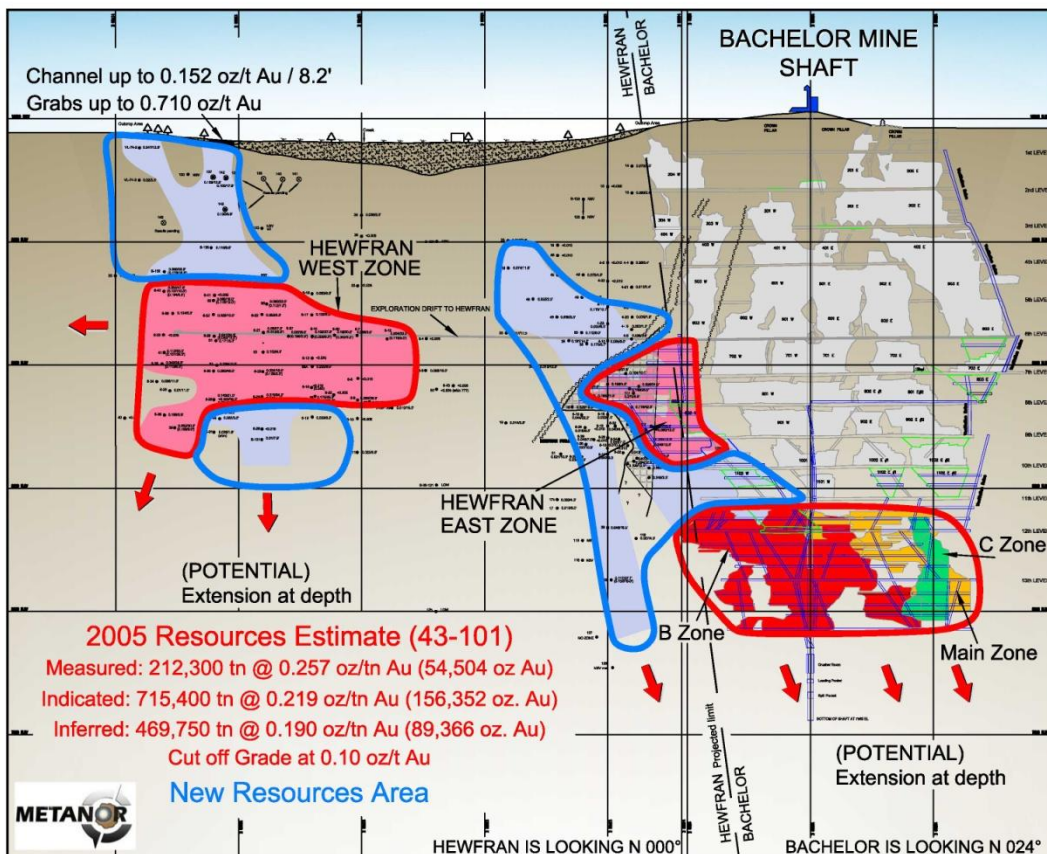
Investors should bear in mind several important points at this point.

- ^ The spreadsheet above provides a view of what this mine should look like in a “normal” year – in particular 2014 and 2015 (and somewhat 2013 as well). Both 2014 and 2015, the company is expected to produce about 65,000 ounces in 2014 and 52,000 oz in 2015. What is evident in a ballpark perspective is that at 65,000 oz level, pretax cash flow totals just over \$50 million and at the 52,000 oz level, pretax cash flow totals just over \$40 million. Tax effecting these amounts we obtain \$34 million and \$28 million respectively.

***What this really tells us is that (using \$1,500/oz Gold) for every 100,000 oz that are added to the production schedule, we might expect pretax cash flow to total some \$80 million, or about \$50 million after tax*** (With gold expected to breach \$2,000/oz gold Metanor is poised to make astounding free cash). These amounts will of course be discounted at some normal discount (5%). But the important point is that adding relatively few ounces of gold can potentially have a very significant impact on the stock price of Metanor because these ounces would be viewed as “production” ounces (and valued – at least in theory – at up to \$500 / oz) rather than “exploration” ounces (and given much lower multiples, as is the case for the typical junior exploration company).

## POTENTIAL TO ADD GOLD OZ. AT BACHELOR LAKE IS STRONG

We believe that one very good way of understanding much of the exploration potential at Bachelor Lake is through referencing a diagram completed by Metanor.



**Resource area figure (above):** The red zones are the identified 300,000 ounce Measured, Indicated and Inferred of which 200,000 is Proven & Probable (forming the initial three year mine life), the blue zones are not yet counted but have been identified and represent near-term future ore potential. MTO has identified zones that we believe will contribute to extending mine life closer to 10 years. This interpretation was corroborated following a site visit to Bachelor Lake by an analyst from Industrial Alliance earlier this year, prompting [commentary](#) back-of-the-envelope calculations of (non 43-101) 700,000oz resource achievable based on deep hole intercepts and extrapolation of data.

Shown in the top right shaded areas is the historic underground mine which produced 869,432 t @ 4.66 g/tonne Au for a total of **130,341** oz of refined gold. Note the border between the two formerly independent claim blocks (Bachelor Mine, Hewfran) – and that underground mining was stopped at this boundary.

The future potential for more ounces can be itemized as follows:

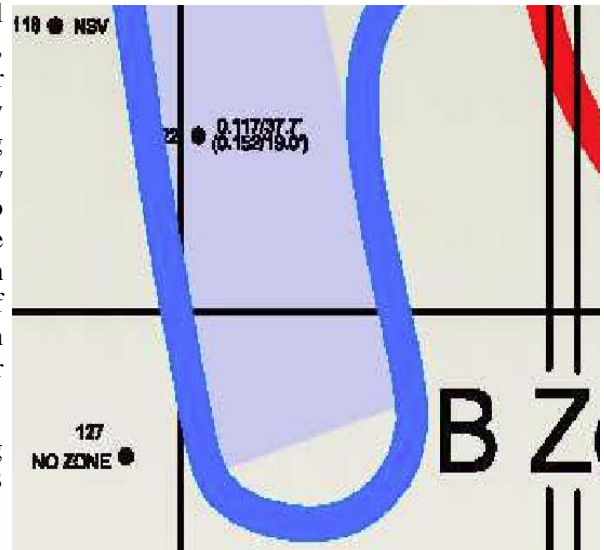
- Bring Inferred To Mineable Status.** We have shown above the P&P reserve given as 843,772 t @ 7.38 g/t Au for 200,177 oz Au. If you look at the actual 2005 resource estimate, you will see that these ounces are derived from the Measured and Indicated resources given at that time. These ounces are almost virtually mirrored (841,000 tonnes). The first and most obvious place to gain more ounces is with the inferred ounces, where they know there is mineralization, but drilling has not been sufficient to

		Bachelor Lake	Hewfran	Total
Measured	Tonnes	177,898	14,696	192,594
	Grade (g/t)	8.83	8.50	8.80
	Oz of Gold	50,487	4,018	54,504
Indicated	Tonnes	465,928	183,069	648,997
	Grade (g/t)	7.63	7.14	7.49
	Oz of Gold	114,329	42,024	156,352
Total Measured + Indicated	Tonnes	643,826	197,765	841,591
	Grade (g/t)	7.96	7.24	7.79
	Oz of Gold	164,815	46,042	210,857
Inferred	Tonnes	207,517	218,630	426,148
	Grade (g/t)	6.76	6.30	6.52
	Oz of Gold	45,083	44,283	89,366

bring them into the reserve base. Management is confident that they will be able to do this. Total of nearly **90,000 ounces Au.**

2. **Hewfran West – From 600 m to Surface.** In the diagram, shown to the left in red is the P&P reserves for Hewfran West (taking the amounts from the M&I this amounts to some 200,000 t). A stripping campaign completed during autumn 2008 allowed Métanor to locate the extension on surface of the West Zone of Hewfran. As indicated top right this was channel sampled, with positive results. A follow up drill program in 2008/09 (11 holes totaling 2,924 m) demonstrated that this zone continues at depth and is part of the Hewfran West zone (see results as summarized in the 2011 Tech – p. 5-4). Management believes that this zone can be expected to contain some **50,000 oz. Au.** This potential zone is shown in blue.
3. **Areas Contiguous to 2005 Resources.** Readers will note the large blue area to the basically to the left, above, and between the two red areas at Bachelor Lake. Almost all of this is on the historically separate Hewfran claims, where much less drilling has taken place. Although limited, there are a few holes in the upper parts of the zone, which seems to be defined as being on the other side of a fault. There seem to be some good grades near the red zone, with lower grades as you move away. In the lower part of this blue area, there is very limited drilling, but with one really promising intercept (0.117 opt Au over 37.7', incl 0.152 opt Au over 19').

Also note that there is a virtual absence of any drilling between the two red area (between Hewfran East and the B Zone).



4. **At Depth – Bachelor Lake.** This has always been an important goal, particularly in view of the fact that the Val D'Or / Abitibi mining camp is known for its vertically extensive gold deposits, where depths can be several times their length. Greenstone belts run deep, there are mines at 8,000 – 10,000+ feet. MTO is sinking the shaft at Bachelor Lake to 2,400 feet to get to the resources they do know, however MTO has high grade intercepts at 3,500 feet and it is believed the gold runs deep.

So, while the 2005 drill program was successful in identifying reserves to the 14 level, the drill stations used in this program would not have been effective to test the zones at depth, given that holes would have essentially run *parallel* to these projected structures. The original exploration plan has always been to deepen the shaft, drift both to the west and east – and drill from the west back into the structure at 45° - 60° angles to intersect the structure at depth – which is more cost effective than either drifting at the then current level (because drifting at lower levels facilitates mining as well) or drilling from surface (which is much more costly).

This is very much part of the current program and part of the announced 15,000 m definition drilling program.

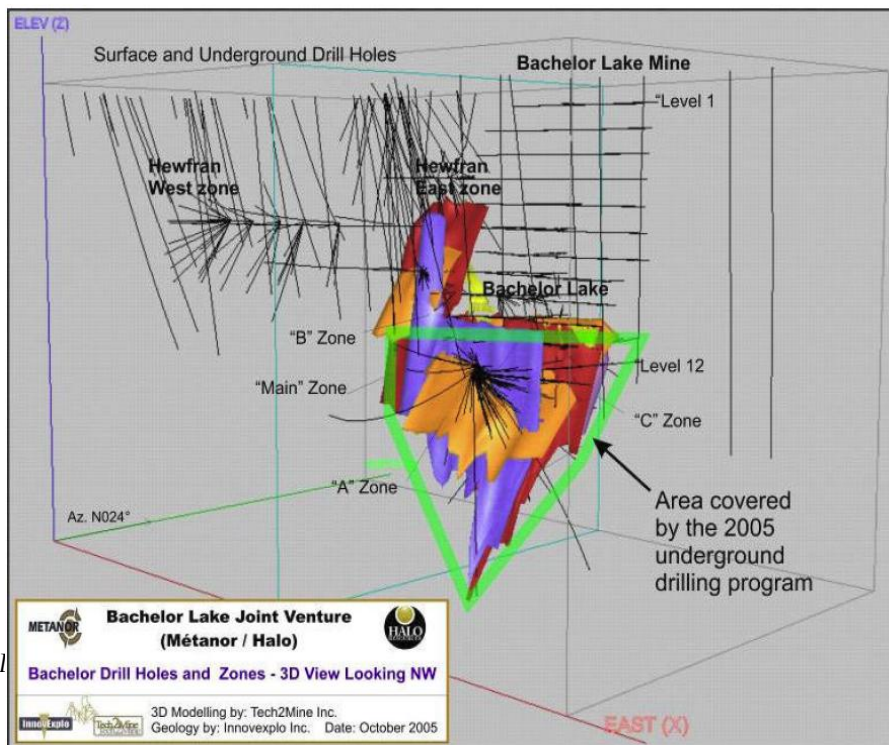
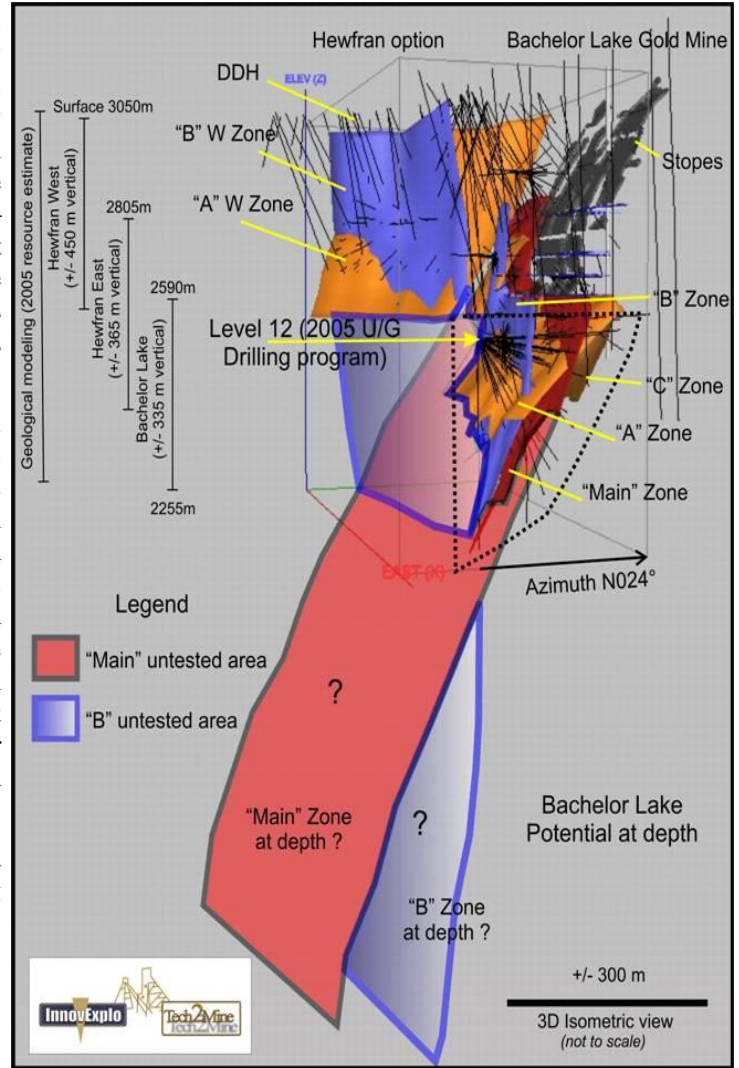


Figure 11.1 - Bachelor 3D view illustrating historic drill holes coverage and the 2005 underground drilling program

5. **Hewfran West – at Depth.** At depth at Hewfran West, there is unknown potential. With very limited drilling, there seems to be a combination of a few lower grade intercepts, combined with a significant one (0.31 opt over 7.9'). At Hewfran West, basically they are not really sure what they have there – a few hints, but there are also indications that potential may also be limited. Shown right is this portion magnified and showing the intersection alluded to.



6. **O'Brien Pluton.** The O'Brien pluton (the heat source) ❶ has only been explored on one side: ❷ the original surface discovery was on the other side, ❸ all the known zones / resources go through the pluton (in the pluton narrower intervals but good grades).

7. **New Zone.** In 2010 a new gold bearing zone (Zone 3) was discovered by Métanor approximately 2.5 km to the northwest of the Bachelor Lake mill during an exploration program. This discovery was made using technology developed by Diagnos Inc. who was mandated by Métanor to conduct exploration on the identified targets using the Diagnos Inc. proprietary CARDS system. A series of samples greater than 10 g/t were found only 2 to 10 m from the road leading to the mill, and this new mineralized zone is composed of quartz veins in an east-west orientated shear zone. The zone was mechanically stripped and a quartz tourmaline pyrite vein within an east-south-east sheared zone was exposed on a distance of approximately 50m and over a width of approximately 10m.

***Fundamental argument for additional resources at depth, it is very much worth taking note of several indications:***

- ⤴ Historically, the Main Zone contributed **90%** of the ore derived from the Bachelor Lake Gold Mine. The B Zone was recognized on Level 11 and Level 12 and represents a totally new ore zone at depth. What we have now is **two zones at depth**, providing the ability to virtually double the resource in the same "space".
- ⤴ The 2005 drilling program also had a significant impact on the geological understanding of the deposit and highlighted several geological features in a very positive way.

Significant bulges or 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.

The average width of the Main Zone, above Level 6, was 1.82 m, and increased to an average of 2.44 m below this level. The 2005 drilling program below Level 12 has confirmed that the average width of the Main Zone increased, with an average horizontal width of 2.8 m, a median at 2.1 m, and reached a maximum horizontal width of 12.8 m.

**KNOWN RESOURCE AT BARRY PROPERTY**  
**(Current 780,000 oz Au 43-101 resource, 100% owned)**  
**located 65 km southeast of the Bachelor Lake mine**  
**(7,328 hectares)**

Transition to Larger, Lower Grade Resource of Significance

The Barry property has been an active one over the past few years. Metanor has gone from basically walking the Barry property in 2006 to mining it one year later. Extensive stripping early on of a 300 m x 90 m area has exposed a relatively continuous, and open 250 m x up to 40 m zone of mineralization. That zone became the subject of a major drilling campaign and at one point literally thousands of samples were waiting to be assayed as 2 rigs were drilling at the Barry property. The company found itself having to prioritize things in order to come up with a short term mining program (i.e. to avoid dumping waste in areas that should be mined in future, or to avoid a pit configuration that would make mining contiguous areas difficult in future, etc.). In the meantime, the company progressed with a fairly intensive drill program

2007 – 58 drill holes totaling 5,076 m.  
 2008 – 79 drill holes totaling 9,413 m.  
 2009 – 167 drill holes totaling 19,557 m.



In 2008, Metanor also extended the stripped zone towards the west over a distance towards west of approximately 270m and over a width of approximately 80m, between the sections 1015 E and 745 E, allowing to expose on surface approximately 21,500 m<sup>2</sup> of volcanic rocks and intrusive granitic unit which host the known gold bearing zones.

This work has led to a recent 43-101 resource estimate, as shown below.

Resources

Class	Tonne	Au g/t uncapped	Au g/t capped	Ounces Au(capped)
Indicated	7,701,000	1.29	1.25	309,500
Inferred	10,411,000	1.65	1.41	471,950

Resources above 0.5 g/t, capping 35g/t on assay

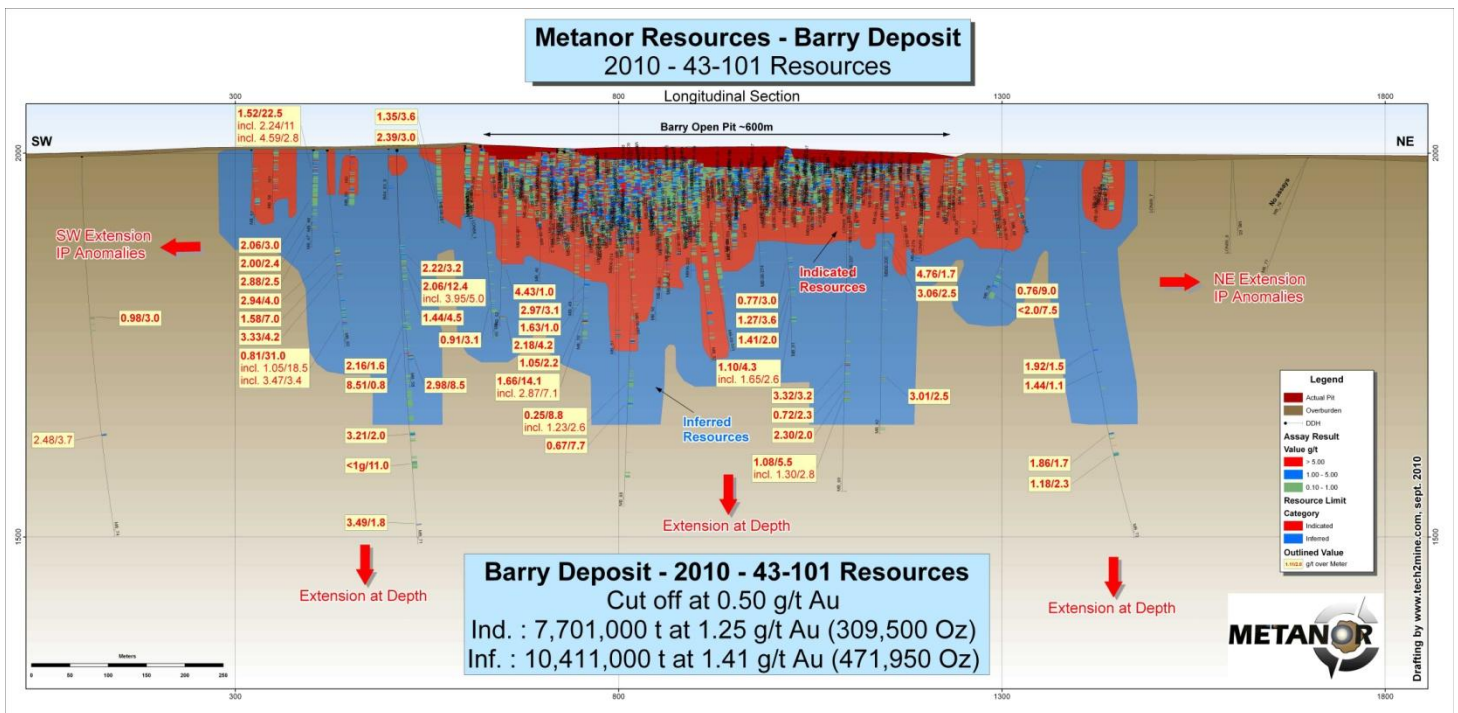
This deposit is open to the East, to the West, and at depth. Of note, it is our understanding that the great majority of this resource is above 200 m (about 90%) and also that the resource that has been defined is largely between 75 m to 125 m depth. The company believes that the deposit could be open pitted down to about 200 m.



The Barry deposit is wide open for large resource growth expansion and the Barry deposit appears to hold achievable potential to take Metanor to mid-tier producer status. SGS Geostat issued a NI 43-101 resource estimate report identifying the Barry Deposit as comparable in potential to rival other major gold deposits such as Osisko's Malartic and Detour Gold's Detour Deposit

The following excerpts are from SGS Geostat's summary section found in the 43-101 Barry resource estimate technical report:

"...the exploration and development work at Barry has significantly increased the amount of resources. The mineralisation is open in all directions and the property has not been drilled out to its full extent. ... In the context of larger tonnage with lower grade with an onsite mill, the property has the potential to become a significant low grade high tonnage deposit similar to the Aurizon (Joanna), Osisko (Malartic) and Detour Gold (Detour) deposits. The gold is in the system, the mineralized fluids have circulated in the major shear. Additional exploration and geological work are required to increase level of knowledge of the mineralization system to better define the high grade zone behaviour in addition to development of additional resources laterally in junction to the latest geophysical survey." ... "The Barry project geology has the potential to become an important gold deposit and SGS Geostat recommends the continuation of the development of the Barry project. SGS recommends continuation of exploration and development on the Property." -- Source: SGS Geostat



Upside market appreciation for Barry should be in store after the next round of drilling is complete and a revised resource estimate is produced. The market should move from viewing the Barry deposit as basically a low grade, R&D project as the Barry deposit clearly holds the potential to excel beyond; the Barry deposit appears to hold achievable potential to take Metanor to mid-tier producer status in time with the construction of an on-site concentrator.

### Potential To Use Conventional Concentrating Techniques at Barry

It is our understanding that the gold occurs as free gold (i.e. not in the pyrite, but is associated with it) and there is absolutely no reason to believe that traditional, conventional concentrating technology cannot be used in this situation. One does not have to search far for proof – with **Agnico Eagle's Goldex** operation, which has put in an underground mining operation following a positive feasibility study in 2005 on a 20.1 million tonne deposit grading 2.54 g/t Au (1.6 million oz Au). Currently P&P reserves stand at 1.6 million ounces of gold comprised of 27.8 million tonnes of ore

	Gold (g/tonne)	Tonnes (000s)	Gold Ounces (000s)
Proven Reserves	1.87	14,804	890
Probable Reserves	1.62	12,990	676
Indicated Resources	1.77	8,273	471
Inferred Resources	1.67	25,813	1,382

grading 1.75 grams per tonne. Mining occurs from Level 76 (760 m below surface) upward. Extraction, underground crushing and hoisting average 8,000 tonnes per day. Goldex processing facilities include grinding, a gravity circuit to recover coarse gold, sulphide flotation and a concentrate-handling facility. Most of the ground ore is fed to the gravity circuit which recovers about two-thirds of the gold, which is then smelted on site to form doré bars. Flotation recovers the remainder, producing a gold-bearing pyrite concentrate, which is thickened and trucked to LaRonde which is 60 km away. There the concentrate is fed to a dedicated cyanide leach circuit. ***The Goldex Mine produced 184,386 ounces of gold in 2010 at total cash costs of \$335 per ounce. It is anticipated that the Goldex Mine will produce approximately 183,538 ounces of gold in 2011 at estimated total cash costs per ounce of approximately \$349.***

#### Illustrative Potential

A ballpark, illustrative scenario looking at what might be possible: We do know that one of the issues with putting in a concentrator has to do with electricity – and that in the absence of constructing a new substation, power would have to be brought in from about 100 km away, at considerable cost. So ballpark capx estimates are let's say \$75 million, of which about half would be for the concentrator itself, with the other half to access the needed power supply.

The power costs mentioned above are worst case scenario, some electrical contractors have recently stated they may be able to complete 100 km of power lines for as little as \$10 million (much less than originally thought and stated above). Also with the recent inclusion of Metanor in Quebec's new [Plan Nord](#) it favourably changes the dynamics of the region, Metanor will be the first gold producer in Plan Nord.

On the operating costs side, we have published figures for processing at Bachelor Lake given in the Prefeasibility study – averaging just under \$50 per tonne, including all indirect minesite costs (camp, etc.). We have assumed open pit mining costs at \$8 / t and trucking costs of \$20 / t, along with concentrator costs of \$10 / t (the most significant unknown). In addition, we use the expected recovery at Bachelor Lake or 93%. We have further assumed that the company can delineate 20 million tonnes of ore grading only 1.25 g/t. We have also assumed a concentration ratio of 15 x (expected between 10 up to 25 – 30x). If one runs this 20 million tonnes resource over an assumed 10 years, this would produce 380 daily tonnes of concentrate to send to Bachelor Lake, leaving a gap of 369 tonnes of resource to feed a 750 tpd mill. Presumably this would come from in and around the Bachelor Lake (assumed grade -- 2 g/t). ***The following table uses a gold price of \$1,250 for conservative illustrative purposes only, MTO would actually be selling at spot price:***

Grade - Barry	1.25
Concentration ratio	15
Grade - Barry - after concentrating	18.75
Grade - Elsewhere	2.00
Production days / year	350

Cost / tonne	Operating Costs				
	Mining	Concentrating	Trucking	Milling	Minesite
	\$8.00	\$10.00	\$20.00 \$5.00	\$22.69	\$24.22
Total Tonnes - Barry	20,000,000				
Desired minelife	10				
Yearly production	2,000,000	16,000,000	20,000,000		
Daily production	5,714.29				
Daily tons after concentrating	380.95				
Yearly tons after concentrating	133,333		2,666,667	3,025,281	3,229,497
Tons from elsewhere	369.05				
Yearly tonnes elsewhere	129,167	1,033,333	1,291,667	645,833	2,930,741
Total costs	17,033,333	21,291,667	3,312,500	5,956,023	6,358,073
					53,951,596
Total Tons Milled - Per day	750				\$654.16
Total Tons Milled - Per year	262,500	80377.06489			
Effective grade	10.51				
Recovery	93.0%				
Total Production - Oz	82,475				
Gold Price	\$1,250.00				
Total Revenue	103,093,633				
Gross Margin	49,142,037				

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With the case assumed above, what we see is a mill fed with material grading over 10 g/t, which is more than respectable. Because of the concentrator we see only 1/ 15 of the number of trucks going to Bachelor Lake, and 1/ 15 of the number of tonnes having to pass through the mill. Cost per tonne for the Barry material reduced to \$8 (milling) + \$10 (concentrating) + \$1.3 (trucking) + \$1.5 (milling) + \$1.8 (minesite) = \$22.50 / tonne. Trucking, milling and minesite costs are reduced by \$62.45 / t – and for a 20 million t deposit over a 10 year period, it is almost unbelievable that this would save roughly \$1.25 billion in operating costs.

The fact is that if one runs this model assuming nothing but waste is contributed to make up the difference between the concentrate tonnes and required milling rate (750 tpd), it actually has very little impact on the project.

Such a scenario is clearly economic, generating a gross margin of roughly \$50 million with only a \$1250 gold price. Running discounted cash flow under this scenario generates pretax results in the hundreds of millions of dollars. If a substation were put in (which was done at Goldex), capital costs would shrink to a small dollar amount per ounce.

#### Finessing the Financing Issue

With the Bachelor Lake project projected to spin out from ~\$50 million in the 3 subsequent years, it appears MTO would be in a position to finance such a project by late 2012. One of the benefits of this is that it is believed that putting in a concentrator of this size would not be terribly time consuming or difficult (several months and less than a year). Particularly in view of the strong potential for more ounces underground at Bachelor Lake this becomes a very feasible exercise.

#### Potential for Using a Proprietary Process by Nichromet Extraction Inc.

The Nichromet technology is a revolutionary process that does not require cyanide. MTO has been in discussion with Nichromet and has been undergoing test trials on large samples of Barry ore at Nichromet's test facilities and generating up to 80% recoveries. With refinements this mill technology onsite at Barry would provide a significantly lower cost alternative to a conventional concentrator.

### **POTENTIAL FOR MORE RESOURCES AT BARRY - POTENTIAL FOR NEW MINING CAMP**

The deformation corridor which contains the Barry deposit crosses the property from the Southwest to Northeast and extends over more than 15 km and beyond its limits. The mineralized zones coincide with strong IP anomalies and similar anomalies were found all along the deformation corridor several km to the Northeast and the Southwest ensuring the continuation of these mineralized structures.

#### Highly Positive Geophysics

Metanor has mandated Abitibi Geophysique in 2009 to carry out an Induced Polarization (IP) survey covering parts of the Barry United claims, the Barry Center claims & the Barry West Extension claims of the Barry property. This was completed with the goal to locate several anomalies which may coincide with gold bearing zones similar to the Barry deposit.

Between October and December 2009, 52 km of IP survey (dipole-dipole, a=25m, n=1 to 6) were carried out to cover extensions of the preceding IP surveys on parts of the Barry United, Barry Center and on the northern block of the Barry Extension West properties. In this area, the Urban volcanic formation is northeast trending and contains several N030° to N045° trending anomalies which are characteristic of disseminated to massive sulphide mineralization.

A total of 64 IP anomalies were detected as new anomalies or like extensions of the anomalies detected during preceding surveys. On the northern block of the Barry West Extension property and on the Barry Center property, several strong intensity IP anomalies extend over long distance and can coincide with deformation zones containing disseminated to massive sulphides within the volcanic units and associated sills. Several continuous IP anomalies or those forming segmented features reach more than 1.6 km extension while remaining laterally opened.

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On the Barry United property surrounding the mining concession, several IP anomalies characteristics of gold bearing mineralisation of the vein type were localized in the edge of a resistive zone located to the south-west of the Barry deposit. This resistive zone has the signature of a series of quartz and feldspar porphyry intrusions (QFP) which host the various gold bearing bodies constituting the Barry mine (Main zone, zone 43, Center zone and zone 48). These mineralized zones are localised to the east of a porphyritic intrusion and in a major deformation corridor (Mazère fault), oriented N060°. Several IP anomalies with strong intensity, similar to those defining the gold bearing zones of the Barry mine, are within or at the edge of the western resistive zone which represents a very promising environment for the search of gold bearing zones of the same type and in the prolongation of those of the Barry mine.

Certainly, SGS the authors of the recent 43-101 resource estimate believe the property has potential for several million ounces – (viz p.iv) “*In the context of larger tonnage with lower grade with an onsite mill, the property has the potential to become a significant low grade high tonnage deposit similar to the Aurizon (Joanna), Osisko (Malartic) and Detour Gold (Detour) deposits.*” These are all multi million ounce deposits.

Of interest, the Urban-Barry sector has been gaining interest since the publication in 2006 of very spectacular drill results published by Noront Resources (now *Eagle Hill Exploration*) on the Windfall project with 800.1 to 1 792.9 g/t Au over 4.8 m and 27.3 g/t Au over 14.4 m. Eagle Hill Exploration has recently restarted the exploration project located about *10 km northeast* and has announced very promising drilling results. At Windfall, recent exploration and 16,000 meters of drilling has identified 7 distinct gold zones that remain open. This has lead to a new exploration model for bulk tonnage gold zones in an area previously explored for narrow, high grade gold veins.

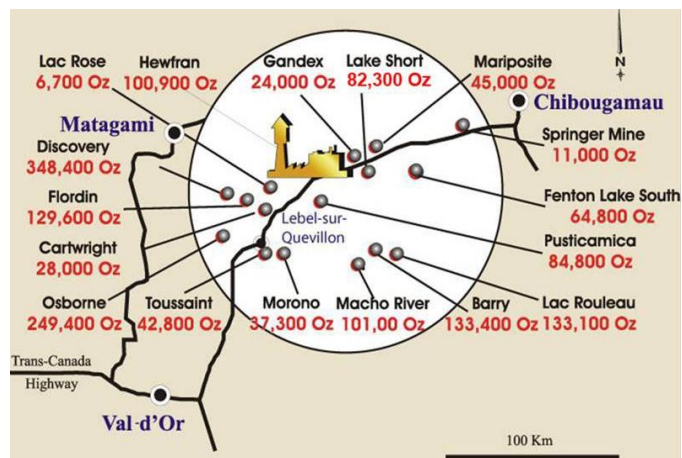
In addition, *Bonterra Resources*, also active in the immediate area, has been following up on early higher grade results, with recent announcements on their drill program which is – in fact – targeting large IP targets – and successfully hitting gold.

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**Urban-Barry Corridor Theory:** *The theory being that there is a large corridor in the Urbain-Barry area that has very high potential to host any number of deposits – and with literally dozens of targets on the Barry property over a very large 15 km deformation zone from property boundary to property boundary, this opens up a rather strong case for a significant exploration effort in future, especially if Metanor is successful in developing the known resources on the property. With Metanor's Barry large property virtually in the heart of the mineralized area, the company could be in the center of a new mining camp. The company with a concentrator present and mill located 65 km away, present any number of possibilities that are readily apparent.*

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Of note, there has always been and still continues to be the potential for adding ounces from any number of deposits within a reasonable distance from Bachelor Lake. Below We note that the Bachelor Gold Mill complex is the only one within a 100 km radius from Desmaraisville and the possibility exists to either custom mill ore from numerous surrounding gold deposits or acquire additional gold deposits.



**Bachelor-Resources within 100 KM radius**

Mines-Deposits	Owner	Tonnage	Grade	Au	Au
		Metric tons	g/t	grams	oz
Mine du Lac Shortt	Inmet Mining	525,332	4.87	2,558,367	82,253
Mine Lac Rose	Géconseil Jack Stock	18,224	11.42	208,118	6,691
Mine Springer	Explorateurs Innovateurs	127,546	2.67	340,548	10,949
Barry-IV (Barry-1)	Metanor	610,000	6.80	4,148,000	133,361
Carthwright	Iamgold	82,930	10.50	870,765	27,996
Comtois-Zone Osborne	Minéraux Maudore	808,000	9.60	7,756,800	249,387
Lac Fenton-Sud	Soquem	402,000	5.01	2,014,020	64,752
Zone Putiscamica	Freewest-Murgor	482,104	5.47	2,637,109	84,785
Lac Rouleau-Sud	Beaufield	600,000	6.90	4,140,000	133,104
Macho River (Indice Souart)	Ressources Temoris	510,110	6.17	3,147,379	101,190
Mariposite	Soquem	518,000	2.70	1,398,600	44,966
Morono	Normabec-Soquem	360,008	3.22	1,159,226	37,270
Toussaint	Freewest-Golden Tag	187,706	7.1	1,332,713	42,848
Zone Lemnac (GANDEX)	Soquem	145,000	5.14	745,300	23,962
<b>Total</b>		<b>5,376,960</b>	<b>6.04</b>	<b>32,456,944</b>	<b>1,043,514</b>

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## CONCLUSION

Cash Flow Metrics From Near-term and Future Gold Production are Highly Favourable for Metanor

Metanor is expected to put the Bachelor Lake mine back into production successfully, with a solid plan to attain 60,000 ounces gold production by Q3 2012 at an estimated cash cost of US\$464/oz gold using 2/3 of the capacity of the 1200 TPD mill. The forward discounted valuation of this expected gold production planned for the next three years alone dictates a rise in share price from its current.

Core Value For P&P Ounces at Bachelor Lake

Valuation-wise it appears that little to no value is being attributed either to the ability to increase ounces at Bachelor Lake or to the value of Barry; Metanor is essentially trading at a discount to an adjusted pretax NPV(5%) of \$103 million surrounding the Bachelor Lake initial three year mine plan (adjusting the PreFeasibility by accounting for recent financings, incorporating the Sandstorm Au participation, & using \$1,500Au -- a slight discount to the net asset value of the currently defined 200,000 oz P&P resource). -- A near-term revised market cap for MTO above \$200M clearly appears justified. As MTO enters gold production the reality of the infrastructure and resource value, cash flow growth, and clear ability to add ounces should lead to share price appreciation.

Value For Other Potential at Bachelor Lake

Little to no value is currently being attributed to the clear ability to add ounces at Bachelor Lake. Investors establishing a long position in MTO now are exposing themselves to not only a significant cash flow gold production scenario unfolding over the next couple quarters, they also are exposing themselves to a gold resource growth scenario. In this report, we have attempted to show some of this growth potential. The company believes that the "easy" ounces emanate from upgrading the inferred ounces (89,000 oz) along with verifying the potential ounces at Hewfran West, which has been clearly identified in work since 2005, but not delineated and included in a resource estimate – which the company is confident totals about 50,000. With what is considered relatively easy projects, MTO has an additional 100,000+ ounces and this offers substantial leverage, given that a producing asset at Bachelor Lake allows for an estimated \$80 million pre tax (\$50 million after tax) contribution for every additional 100,000 ounces included in the mine plan (assuming \$1500 gold price).

This does not incorporate the true blue sky potential, particularly at depth, which we have discussed earlier; MTO appears to possess an achievable 1M+oz gold target at Bachelor Lake alone.

Barry Potential

Barry has transition to a larger, lower grade asset of significance. A typical Barry gold zone is composed of alternating sections of auriferous altered volcanics and unaltered volcanic. Our understanding is that this material is very amenable to employing a typical concentrator – which would basically reduce the very significant transportation and milling costs, resulting in a potentially very viable project. The issue of funding such a project could at least in theory be dealt with by simply bringing Bachelor Lake into production, generating some \$40 - \$50 in cash flow per year at current prices (using estimates as provided in the Prefeasibility Study), and – quite simply – showing a positive Feasibility Study for the Barry deposit (note – roughly one half of the very rough \$75 million capx estimate would be to bring power to the site – and with power lines running through the property, the prospect for a substation may well be a good one if an excellent case could be made to Hydro Quebec).

If one takes a hard look at the nature of the Urbain-Barry area, there has been well known potential for gold deposits along a deformation zone that in the case of Metanor's property runs 15 km long from one end of the property to the other. A Metanor IP survey completed shows literally dozens of IP anomalies, which have been proven as having a relationship with gold zones. Other companies have been active in the area and are also showing success with drilling IP anomalies and moving from a theory of having smaller, higher grade deposits to a model for larger, lower grade deposits – much easier. Given the location for Metanor's Barry deposit – virtually in the heart of the district – and with a mill ready to go at Bachelor Lake and apparent potential for a concentrator at Barry – this opens up clear blue sky potential for a long term mining camp for the area.

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Barry has the potential to add several million ounces of gold to the balance sheet on top of the already established 309,500 oz Gold of Indicated Resources (7,701,000 t at 1.25 g/t Au) and 471,950 oz gold of Inferred Resources (10,411,000 t at 1.41 g/t Au). It seems reasonable to us that should Metanor demonstrate the potential at Barry in particular, attributing a low \$100 / oz value for just today's resources would result at least in theory an increase in market value of some 790,000 oz x \$100 = \$79 million, or more than double the company's market cap of ~\$76 million. Bear in mind that in a production scenario any such ounces would have much higher value per ounce.

We believe MTO is a high value buyout candidate as it enters gold production and should gravitate upwards towards a per share valuation of C\$1.35. Metanor's infrastructure (valued between CDN\$150M - \$200M) is fully paid, fully permitted, fully functional with proven production capabilities. The intrinsic value of Metanor's known resources (~1.6M oz gold in all categories on all its properties) and infrastructure are several times the company's current market capitalization. ##

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