



February 3, 2010

# Metanor Resources Inc.

Mining

## Systematically Evolving Into a Profitable Gold Producer

MTO-V: \$0.495  
Rating: Buy (S)  
Target price: \$1.15

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## Metanor Resources Inc.

### Systematically Evolving Into a Profitable Gold Producer

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## Metanor Resources Inc. (MTO-V – \$0.495)

Metanor Resources Inc. is a Canadian based gold developer/explorer, operating one gold mine with a second in development and scheduled for production in late-2010. The Company's Projects, located in Quebec and Ontario, are well positioned with respect to existing mining infrastructure. Global gold resources currently stand at ~1.0 million ounces.



Source: BigCharts.com

Market Data					
Ticker	MTO-V	Shares O/S (M)	122.4		
Rating	Buy (S)	Shares F/D (M)	167.3		
Risk	High	Working Cap: (M)	\$9.5		
Price	\$0.50	Market Cap (M)	\$60.6		
1-Yr Target	\$1.15	Total Debt (M)	\$6.6		
Dividend	\$0.00	Est. Enterprise Value	\$51.1		
1-Yr ROR	132%	Avg Daily Volume (K)	387.8		
52-Week high-Low	\$0.89 - \$0.38	Major Shareholders			
Year End	June 30	Management:	5%		
Valuation	1.0x NAVPS	Institutions:	45%		
Website	<a href="http://www.metanor.ca">www.metanor.ca</a>				
Source: Company Reports; Thomson One; LBS Estimates					
Fiscal Year: June 30					
	2009E	2010E	2011E	2012E	2013E
EPS	(\$0.03)	(\$0.02)	\$0.05	\$0.11	\$0.11
CFPS	(\$0.04)	(\$0.02)	\$0.13	\$0.26	\$0.25
Source: LBS Estimates					

## Buy (S) – Target Price: \$1.15

We are initiating coverage of Metanor Resources Inc. with a BUY (S) rating and a 12-month share price target of \$1.15. The improved production rates expected in mid-2010, coupled with the completion of the underground development at Bachelor (late 2010) should help Metanor's shares re-rate higher. We derive our 12-month target price by applying a 1.0x multiple to our estimated 7% NAVPS of \$1.14, based on a long-term gold price of US\$900/oz. We highlight the following.

- ◆ **Imminent commercial gold production in pro-mining Province of Quebec with tremendous exploration upside.** The Company is operating one gold mine (Barry Deposit), with a second in development (Bachelor underground) and scheduled for production in late 2010. In 2010, we expect the Company to produce ~33,000 oz (annualized) ramping up to ~66,000 oz. annualized) at a cash cost of ~US\$512/ounce in 2011.
- ◆ **Adding accretive (higher-grade) ounces adjacent to existing mining infrastructure.** Systematic drill programs planned to expand/upgrade current resources (~1.0 million ounces of Au). New discoveries and historical resources (~1.5 million surrounding the Bachelor mill) open potential for additional feed to the 100% owned Bachelor Lake Mill.
- ◆ **The 2010 development/expansion program at the 100% Bachelor Lake Mine and Mill is expected to generate continuous news flow throughout the year.** The Company is in the process of ramping up the Bachelor Lake Mill currently processing ~800 t/d to ~1,200 t/d (expected by Q2-2010). The Company plans to blend the higher-grade ore from the Bachelor underground (expected by the end of 2010) with the lower-grade ore currently being transported from the Barry open pit.
- ◆ **Pending catalysts for Metanor's share price include:** 1) results expected throughout the year from pending assay results from the 2009 drilling campaign and planned drill programs on Barry, Bachelor, Hewfran, and Nelligan properties; 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; and 3) resource updates from Bachelor Lake/Hewfran, as well as the Barry deposits expected by the end of 2010.

## Investment Thesis – Ramping up Output & Exploration

We believe the ramp-up of Metanor's current operations coupled with solid exploration potential (close to existing mining infrastructure) will transform the Company into a profitable gold producer. Metanor Resources Inc. is a mining and exploration company focused on developing its property portfolio in the pro-mining province of Quebec (Canada). The Company is in the process of developing the higher grade (underground) Bachelor Lake/Hewfran property to blend the ore with Barry open pit that is currently being mined and milled at the 100% owned Bachelor Mill.

### Significant Operational Upside Anticipated in the Next 12-months

**Operational improvements as well as the completion of the underground development of the Bachelor Lake property should enhance the share value in the next twelve months.** Metanor has yet to reach commercial production as the operating team is currently applying its efforts on efficiently ramping up the mill from 800 t/d to ~1,200 t/d (expected by Q2-2010). The mill is currently processing the lower-grade (2.5 g/t - 3.0 g/t) ore from the Barry open pit mine and the Company plans to blend the higher-grade (6.0 g/t – 7.0 g/t) ore from the Bachelor Lake/Hewfran by the end of 2010. For 2010 (annualized), we estimate the Company will produce ~33,000 ounces of gold. Looking forward twelve months, we expect production to ramp-up by 230% (from 2009 production ~20,000 oz.) to ~66,000 ounces at a cash cost of ~US\$512/ounce. We believe the market has failed to fully appreciate these anticipated operational upsides (due to the lack of awareness in the investment community) and we expect the share price to improve in lockstep with production and cost improvements at the Bachelor Mill over the next few years.

### Potential to Increase Current Total Resources by ~50%

**The completion of the 2009 drill campaign expected to be followed up by an aggressive drill program in 2010.** The Company has been systematically drilling on its key deposits with the intent of expanding the current total resources (~1.0 million ounces of Au) to: 1) increase the mine life of Barry (open pit) and 2) delineate additional mineralization (new potential targets) around existing mining infrastructure (Bachelor Lake Mill). The encouraging results from the 2009 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 2009 exploration programs amalgamated with the expected drill programs in 2010 have the potential to increase Metanor's total resources by at least 50% (in the next 12-months).

### Speculative Buy Rating with a \$1.15 Share Price Target

**We are initiating coverage on Metanor Resources Inc. with a BUY (S) rating and a 12-month share price target of \$1.15.** The improved production rates expected in mid-2010 coupled with the completion of the underground development at Bachelor (late 2010) should help Metanor's shares re-rate higher. We derive our 12-month target price by applying a 1.0x multiple to our estimated 7% NAVPS of \$1.14, based on a long-term gold price of US\$900/oz.

Exhibit 1: 12-Month Target Price Generation

Discount Rate	0%	3%	7%	10%
Net Present Value (net CF)	\$311	\$259	<b>\$206</b>	\$175
Other Resources Properties	\$8	\$8	<b>\$8</b>	\$8
Net Debt	(\$7)	(\$7)	(\$7)	(\$7)
Net Asset Value	\$313	\$261	<b>\$208</b>	\$177
Net Present Value (net CF)	\$1.70	\$1.42	<b>\$1.13</b>	\$0.96
Other Resources Properties	\$0.05	\$0.05	<b>\$0.05</b>	\$0.05
Net Debt	(\$0.04)	(\$0.04)	(\$0.04)	(\$0.04)
Total NAVPS	\$1.87	\$1.43	<b>\$1.14</b>	\$0.97

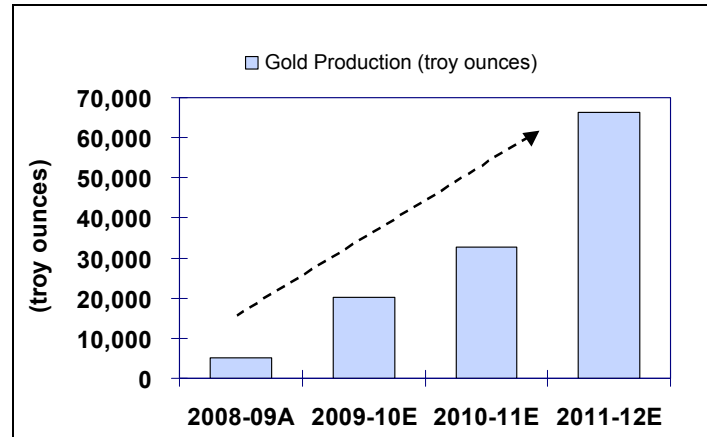
Source: LBS estimates

## Reasons to Invest in Metanor Shares

### Near-term Commercial Production

**1. Metanor is currently mining at Barry (open pit) with development at Bachelor underground underway and scheduled for production by the end of 2010.** The bulk of Management's efforts in 2010 are expected to be allocated towards ramping up the 100% Bachelor Mill (from 800 t/d to 1,200 t/d) and conclude the development of the Bachelor underground. We expect the Company to produce ~33,000 oz in 2010 and achieve the 66,000 oz mark by 2011 (~230% increase from 2009 production level of ~20,000 oz.).

Exhibit 2: Estimated Metanor Production Profile



Source: LBS estimates

### Close Proximity to Existing Mining Infrastructure

**2. Metanor is well endowed with excellent exploration potential proximal to existing infrastructure.** The Company's focus has also been to source new resources to maintain/increase the mine life of its operations. As of December 31<sup>st</sup>, 2008, Metanor reported a measured/indicated/inferred resource of ~1.0 million ounces across its four key projects (Exhibit 3). We believe the drilling programs completed in 2009 have been adding accretive ounces to the future mine plan and should fuel future production growth. Metanor has demonstrated excellent exploration success, most notably with the recent extensions of the:

- ◆ **Barry (open pit) deposit** - Follow-up drilling in 2009 was initiated in order to test areas with high gold potential defined during the last stripping and channelling program (580 g/t Au over 1 m; 4.38 g/t Au over 41.89 m including a section grading 9.10 g/t Au over 7.79 m; 6.33 g/t Au over 17.50m). The drilling program has extended: the Main Zone and the Center Zone (located between Zone 43 and the West Zone).
- ◆ **Hewfran Property** – A drilling program was completed on the Hewfran property (~400 meters away from the Bachelor Mine) and the results indicate that the West zone is continuous from surface to 180 m below surface where the resources have been evaluated in 2005. This zone was originally defined in drilling over a horizontal distance of approximately 300 m (between the depths of 180 m and 330 m). Highlights of the drill program included: 3.72 g/t Au over 4.20 m; 3.10 g/t Au over 6.0 m (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 5.15 m (vertical depth of 170 m). This discovery validated the company's new exploration model, which in turn opened up historically under-explored areas around the Bachelor mine.

Exhibit 3: Metanor's Reserves and Resources

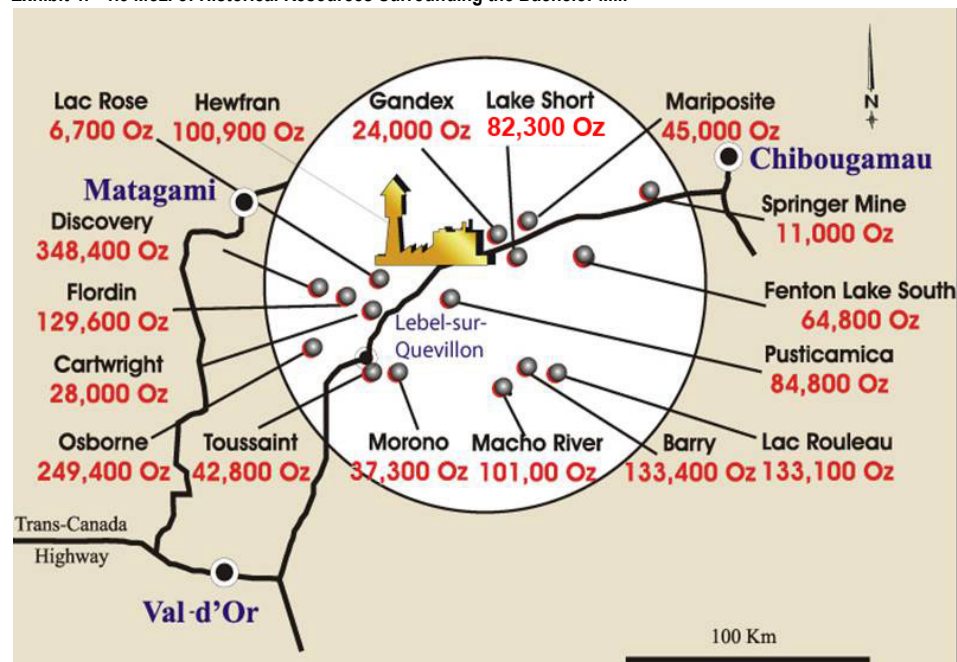
Property	Resource Category	Tonnes	Grade (g/t)	Contained Gold (oz)
Bachelor Lake	Measured & Indicated	841,591	7.79	210,857
	Inferred	426,148	6.52	89,366
Hewfran	Indicated	110,100	6.47	22,900
	Inferred	206,900	5.66	37,656
Barry	Indicated	385,000	4.23	52,300
	Inferred	966,000	4.07	126,600
Dubuisson	Indicated	166,076	4.82	26,150
	Inferred	3,245,222	4.15	432,995
		<b>Total Measured &amp; Indicated</b>		<b>312,207</b>
		<b>Total Inferred</b>		<b>686,617</b>
<b>Total Targeted Area Surrounding Bachelor Lake Mine</b>		<b>8,900,000</b>	<b>5.3</b>	<b>1,500,000</b>

Source: Company Reports

Only Mill in the Radius of ~100 km

Additional 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 a ~100 km radius; Exhibit 4). Due to the close proximity of Bachelor Mill, any economical ounces proven up or acquired would be less costly to produce as compared with a Greenfield's discovery.

Exhibit 4: ~1.5 Moz. of Historical Resources Surrounding the Bachelor Mill



Source: Company Reports

**Experienced Management Team**

**3. Our confidence lies in the solid operation team in place to ensure that Metanor's operations attain profitability.** The Company's first two years of operation were quite challenging as the Company devoted significant efforts to attain gold production through the acquisition of the Bachelor Lake Mine (underground) and Mill in 2006. Having foresight to acknowledge that the underground mine required significant capital to rehabilitate, the Management looked for strategic alternatives to reduce the initial capital costs. Subsequently, the Company acquired the Barry Property (open pit) to feed the mill and commence generating cash flows. Gold bars were produced within 1-½ years of acquiring the mill, however, cash costs remain high due to transportation (Barry ~116 km from the Bachelor Mill). To reduce transportation costs as well as overall costs, the Company plans to systematically reduce the ore being fed to the Bachelor Mill from the Barry (open pit) and increase production through the extraction of higher-grade ore from the Bachelor (underground), expected to come on line by the end of 2010.

**Fully Permitted in Pro-mining Province of Quebec**

**4. 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 permits at Bachelor Lake cannot be overstated.

**Quebec: Best Overall Mining Policy in the World**

**5. Metanor is aggressively developing its property portfolio in the pro-mining Province of Quebec.** 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 they provide numerous tax incentives and a very attractive mining duties regime for companies that explore or operate in Québec. Companies can receive up to 46% tax refund for all expenses incurred while exploring for mineral deposits or expanding existing ones.

**Near-Term Catalysts**

**6. Near-term/recurring catalysts for the price of Metanor shares include:** 1) Assay results pending from the 2009 drilling program, as well as results from the 20,000 meter drill program on three projects (Bachelor Lake/Hewfran, Nelligan, and Barry) expected to commence in mid-2010. 2) Progress reports on: a) ramping up of operating capacity at the Bachelor Mill from ~800 t/d to ~1,200 t/d b) the underground development at Bachelor Lake/Hewfran.

Exhibit 5: Gold Operations in Quebec



Source: Company Reports





## Company Overview – Driven by Desire to Produce Gold

Metanor Resources Inc. has an 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 11th, 2003). Subsequent to the completion of both these objectives, the 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 \$2.3 million.

The next two years of operations were quite challenging and capital intensive as the Company devoted significant efforts to: 1) rehabilitate the Bachelor Lake underground workings, 2) refurbish the Bachelor Lake Mill 3) complete 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 flows (to assist in developing the Bachelor Lake mine). The current focus for Metanor's Management team is to increase gold production by increasing the capacity of the Bachelor 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 late 2010).

Exhibit 6: Bachelor Lake Mill



Source: Company Reports





## Management & Directors – Proven Developers

### **Serge Roy (Director): Chairman and Chief Executive Officer**

Subsequent to founding Metanor, Serge was President of Ressources Pyrinor Inc. He is a residential and commercial construction contractor. Previously, he has held various positions with companies, such as 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 Quebec.

### **Ghislain Morin (Director): President and COO**

Mr. Morin participated in many feasibility studies with a view to implementation of mines, mining projects and mining product installation companies for over 35 years. Ghislain was a lead manager in charge of building the BHP Billiton Mill at Selbaie mine and subsequently expanding it from 1,500 to 8,500 t/d. Between 1981 and 1989, he founded Équipement Minier GRM Inc. for which he is now vice president. Mr. Morin has been involved in planning, management, monitoring, construction and evaluation of various mining projects since 1974.

### **Andre Tremblay P.Eng.: Vice President Exploration**

Mr. Tremblay holds a bachelor's degree in geological engineering and a masters' degree in earth sciences (structure) from the Université du Québec in Chicoutimi. He has acted as a director of exploration and/or various senior geologist positions with companies (as Ressources minières Coleraine, GeoNova Explorations, Gestion S.R.C. Inc., Groupe Minier O, Mines Camchib, Campbell Resources Inc.) in Abitibi and the Chibougamau area.

### **Claude Imbeault: Vice President Operations**

Mr. Imbeault is a known professional having been active in the mining industry for almost 40 years, namely involved in the production startup of numerous mining projects. Mr. Imbeault was recently general manager of Camroc, a mining development division of Cambior-Iamgold 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).

### **Ronald S. Perry: (Director) Vice President & Treasurer and member of the Audit Committee**

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.

### **Mr. Raymond Couture (Director and Chairman of the Audit Committee)**

Mr. Couture holds a Master's Degree in Public Administration and a Bachelor of Arts Degree from ENAP and of Laval University, respectively. After having worked several years within education establishments of the school commission, he was a lecturer for the master of management program of the University of Sherbrooke University. He held the position of General Manager of Collège Saint-Charles-Gamier from 1992-1995 and of various school boards (Fermont, Thetford-Mines and de l'Amiante). He has served on the boards of several public companies (including Visionic Inc.).

**Mr. Tristram Robert (Tris) Coffin, Director and Member of the Audit Committee**

Coffin has been active in the optical industry for the last 40 years and sits on many advisory committees. He is the owner of the firm "Tris Coffin, Meunier Rosenthal Asselin Optometrists / Opticians". Mr. Coffin also acts as special advisor and licensee to U.S. Vision in the province of Quebec. Early in his career, he worked in the brokerage business and helped bring numerous companies public. He was involved in the 1964 Winter Olympic Games, as Manager of the Canadian Alpine Ski Team.

**Mr. Robert C. Bryce, Director**

Mr Robert C. Bryce is member of the Quebec Order of Engineers and of the Institute of Mining and Metallurgy (MIC). Cumulating nearly 50 years of mine construction and operation, Mr. Bryce has work with significant base metal mines and concentrators in North Western Quebec. After having worked more than 10 years as Manager of the Opémiska of Chapais (Falconbridge Copper Ltd.), Mr. Bryce occupied the function of Director general of the Selbaie Mines. From 1991 to 1994, he was V.P. mining operations for Aur Ressources Inc. Until 1999, Mr. Bryce was V.P. and Director of Resources Procoloro Inc. Since 1999, Mr Bryce has been Chairman of the board and President de Ressources Abitex, a Director of Alexis Minerals Inc., Western Wind Energy, Tagish Lake Gold, Kalahari Resources Inc. and Scorpio Mining.

**Valuation**

**Speculative Buy  
Rating with a \$1.15  
Share Price Target**

**We are initiating coverage on Metanor Resources Inc. with a BUY (S) rating and a 12-month share price target of \$1.15.** We derive our 12-month target price by utilizing our long-term gold price assumption of US\$900/oz and US\$/C\$ exchange rate of 0.91. Our discounted cash flow model is based on the following events taking place and conditions remaining intact:

- ◆ Bachelor Mill ramping up and maintaining the 1,200 t/d by mid-2010.
- ◆ The development of Bachelor underground by late 2010.

**The net present value (discounted at 7%) is estimated at \$206 million or \$1.13 per (fully diluted and fully financed).** In addition to the NPV we apply -\$7.0 million in corporate adjustments (utilized portion of a credit line) and \$8.0 million for additional mineralization not included in our estimated mine life (valued at \$10/oz) to derive a Net Asset Value of \$208 million or \$1.14 per share (fully diluted and fully financed). We are currently applying a 1.0x multiple to NAV to account for the advanced stage of the Barry and Bachelor projects, as well as reduced political and permitting risk. Metanor could command a 1.1x - 1.3x multiple to NAVPS as the Company overcomes its operational (mill capacity at 1,200 t/d) and development (Bachelor underground) milestones.

**We believe Metanor has the potential to generate approximately \$2.7 million in cash flow in 2010, growing to approximately \$45.1 million by 2011.** Our analysis indicates that the Bachelor Lake mill is capable of producing ~33,000 ounces of gold in 2010 (**annualized**), increasing to 66,000 ounces with a cash cost of US\$512/oz in 2011 (**annualized**). We assume additional capital expenditure of ~\$10 million 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 by mid-2010. 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 Q1-2011. Exhibit 13 depicts our estimates in conjunction with Metanor's year-end numbers.



Exhibit 7: Net Asset Value Calculation

Annualized (C\$ million) Except Per Share Data	2008-09A	2009-10E	2010-11E	2011-12E
Total Revenue	\$4.30	\$16.39	\$39.58	\$83.97
Operating Costs	(\$3.33)	(\$22.82)	(\$36.25)	(\$37.40)
EBITDA	\$0.59	(\$8.39)	\$0.22	\$36.49
EBIT	\$0.16	(\$7.03)	(\$0.74)	\$28.10
Net Income	\$0.11	(\$5.19)	(\$0.99)	\$18.32
Operating Cash Flow (pre W/C)	\$0.65	(\$5.39)	\$2.75	\$45.11
Earnings Per Share	\$0.00	(\$0.03)	(\$0.01)	\$0.10
Operating Cash Flow Per Share	\$0.01	(\$0.03)	\$0.02	\$0.25
Realized Gold Price (US\$/oz)	\$850	\$950	\$1,100	\$1,150
Gold Production (troy ounces)	5,062	20,125	32,712	66,381
Total Cash Cost (US\$/oz)	\$598	\$1,028	\$1,007	\$512
<b>Valuation</b>				
<b>Discount Rate</b>	<b>0%</b>	<b>3%</b>	<b>7%</b>	<b>10%</b>
Net Present Value (net CF)	\$311	\$259	\$206	\$175
Other Resources Properties	\$8	\$8	\$8	\$8
Net Debt	(\$7)	(\$7)	(\$7)	(\$7)
Net Asset Value	\$313	\$261	\$208	\$177
Net Present Value (net CF)	\$1.70	\$1.42	\$1.13	\$0.96
Other Resources Properties	\$0.05	\$0.05	\$0.05	\$0.05
Net Debt	(\$0.04)	(\$0.04)	(\$0.04)	(\$0.04)
Total NAVPS	\$1.87	\$1.43	\$1.14	\$0.97

Source: LBS estimates

### Highly Leveraged to the Price of Gold

Our cash flow model assumes a long-term gold price of US\$900/oz. In the table below we provide a sensitivity of our share price target based on various gold price assumptions.

Exhibit 8: Sensitivity Table

Long-Term Gold Price (US\$/oz)	\$700	\$800	\$900	\$1,000	\$1,100
1.0x 7%NAVPS	\$0.82	\$0.98	\$1.14	\$1.29	\$1.45

Source: LBS estimates

## Financial and Capital Structure

Metanor Resources Inc. is in a strong financial position having raised ~\$9.0 million in December 2009 (\$0.50 per share). Share ownership includes: Management at ~5.0% and Institutions at ~45%. We believe that the Company is sufficiently funded for exploration/development to mid-2010; however, we estimate that an additional ~\$10 million would be required to complete the underground development at Bachelor and additional drilling at Bachelor/Hewfran, as well as the Barry (open pit) deposit.



## Property Portfolio

### Bachelor Lake Project

The Bachelor Lake property is located in the Le Sueur Township ~225 km northeast of Val-d'Or. The property is underlain by Archean volcanic rocks of the Obatagama Formation. This formation includes mafic, intermediate and felsic flows and its 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.

The Bachelor gold deposit was mined by underground mining method; mainly by shrinkage stoping and 131,000 oz of gold were produced during the 1980's. 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.

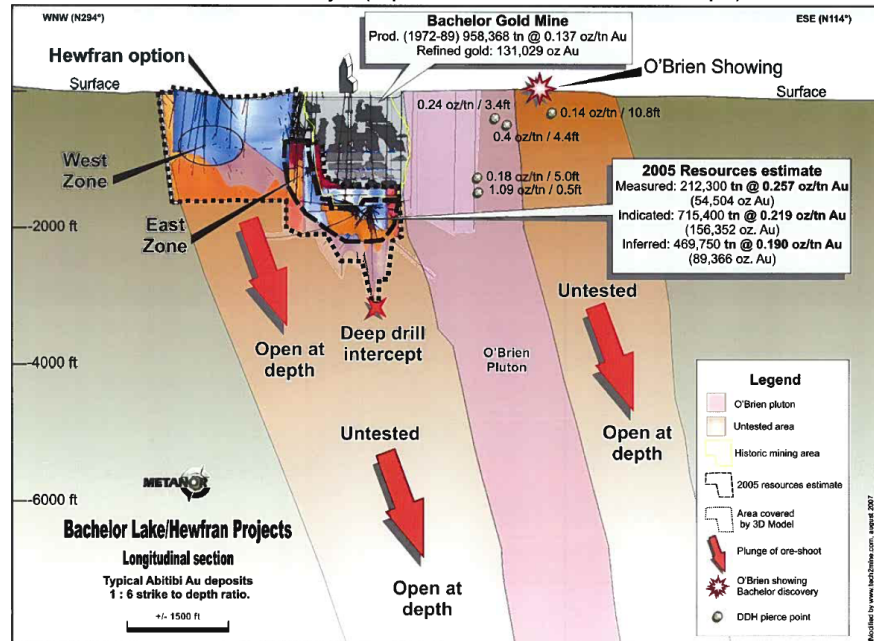
During the winter of 2004-2005, the mine was dewatered in order to initiate a major exploration/delineation underground drilling program. A total of 13,345 m was drilled with two fixed drill stations located on the Level 12 of the Bachelor Lake mine. This drilling program had a significant impact on the geological understanding of the deposit and 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 (210,857 oz.) and inferred resources of 426,148 t at 6.52 g/t Au (89,366 oz). 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; (Exhibit 4)) Several gold bearing deposits are located in this sector and the majority of them are too small to justify the construction of a mill on their own. The access is facilitated by the presence of many forest roads connecting these gold-bearing deposits to the site of the Bachelor Lake Mine.

Exhibit 9: Bachelor Lake – Highlights of 2005-2006 Drill Program

Drill Hole	Core Length (m)	Gold g/t
<b>MAIN ZONE</b>		
12-40	2.40	26.26
12-50	4.70	18.81
12-68	9.95	6.33
12-88	6.10	12.90
12-114	7.05	7.40
<b>ZONE B</b>		
12-40	2.70	23.83
12-48	3.77	22.19
12-68	3.48	10.50
12-89	5.05	8.07
12-106	2.75	26.50

Source: Company Reports

Exhibit 10: Bachelor Lake/Hewfran Project (Exploration Potential on Strike and at Depth)



Source: Company Reports

**Solid Infrastructure in Place**

The mine site at Bachelor includes surface infrastructure (replacement value of ~\$150M), new hoist and head-frame, 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 (~\$10 million) is expected to include the sinking of the shaft to 2,300 feet (currently at 1,700 ft, dewatered), the development and evaluation necessary to commence a bulk sample (qualify Bachelor for commercial production). The operating team at Metanor is also applying its efforts on efficiently ramping up the Bachelor mill, currently running at ~800 t/d, to ~1,200 t/d by the end of Q2-2010. The Company also owns 53 mining claims (MJL-2 Property) totalling 2,850 hectares located to the east (36 claims), to the northwest (9 claims) and to the southwest (8 claims) of the Bachelor Lake Project.

**Hewfran Property**

**~400 meters from the Bachelor Mine**

The Hewfran property includes 38 claims covering an area of 683 hectares located immediately west of the Bachelor Mine's infrastructure. A drilling program was recently completed (end of 2008) on the Hewfran property (~400 meters from the Bachelor Mine) and the results indicate that the West zone is continuous from surface to 180 m below surface where the resources have been evaluated in 2005. This zone was originally defined in drilling over a horizontal distance of approximately 300 m (between the depths of 180 m and 330 m). Highlights of the drill program included: 3.72 g/t Au over 4.20 m; 3.10 g/t Au over 6.0 m (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 5.15 m (vertical depth of 170 m). This discovery validated the company's new exploration model, which in turn has opened up historically under-explored areas around the Bachelor mine.



## Barry Deposit

The Barry (open pit) deposit is located in the Urban-Barry greenstone belt approximately 116 km southeast of the Bachelor Lake mine. This property was purchased 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 224 hectares and is surrounded by the Barry United Property comprising 192 mining claims covering an area of 3,052 hectares. The Urban-Barry area was the site of renewed interest following the release of drill results by Noront Resources Ltd. (NOT-V) which reported intersections of **800.1 g/t to 1,792.9 g/t gold over 4.8 m** (December 1<sup>st</sup>, 2006) and of 27.3 g/t Au over 14.4 meters (June 8<sup>th</sup>, 2006).

In May 2007, a NI 43-101 resource was released that included the results of drilling campaign performed by Murgor Resources (previous owner) during the summer of 2006. This report extended the mineralized zones on 300 additional meters 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).

### Expanding Current Resources

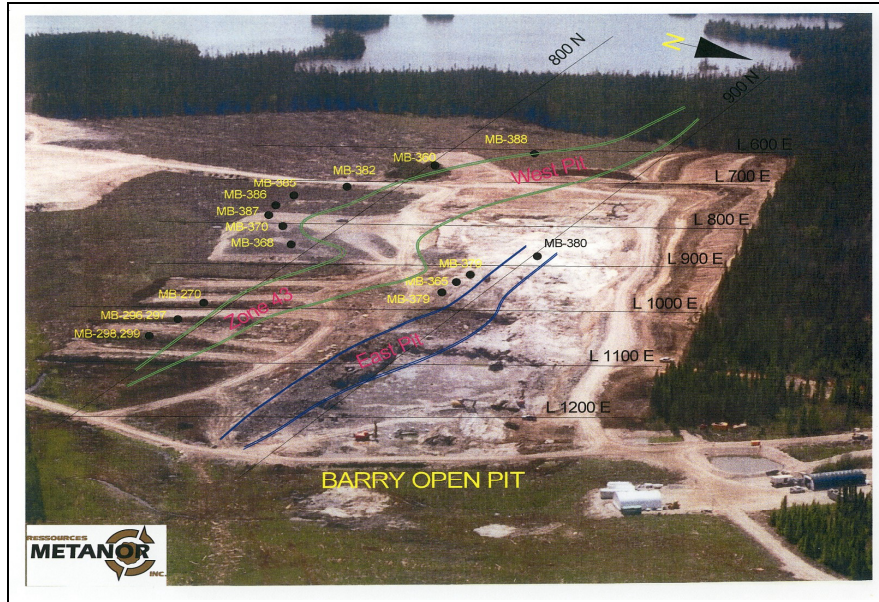
Follow-up drilling was initiated mid-2009 in order to test areas with high gold potential defined during the last stripping and channelling program (580 g/t Au over 1 m; 4.38 g/t Au over 41.89 m including a section grading 9.10 g/t Au over 7.79 m; 6.33 g/t Au over 17.50m). The intent of this drilling 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 (Main Zone). The 2009 drill program has extended the Main Zone and the Centre Zone (located between Zone 43 and the West Zone). Highlights of the drilling results include:

- ◆ 3.04 g/t over 30.15 m including 10.4 g/t over 7.65 m
- ◆ 7.71 g/t over 7.75 m
- ◆ 9.24g/t over 33.00 m including 13.38 g/t over 22.50 m
- ◆ 5.53g/t over 12.00 m including 13.31 g/t over 5.2 m
- ◆ 3.49g/t over 45.60 m
- ◆ 3.42g/t over 22.40 m
- ◆ 5.18 g/t over 19.5 m
- ◆ 4.04 g/t over 22.86 m
- ◆ 3.12 g/t over 30.9 m including 12.98 g/t over 4 m





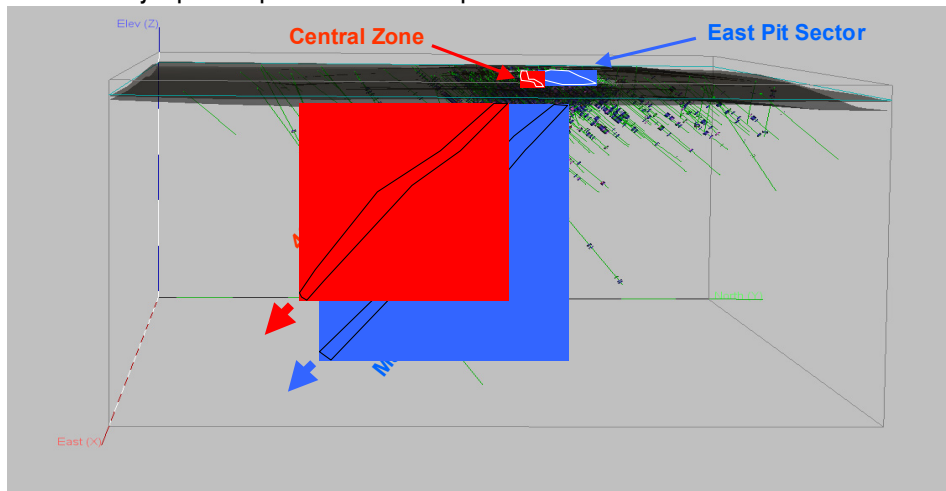
Exhibit 11: Barry Deposit (Open Pit)



Source: Company Reports

The Company is currently mining from the Barry open pit with crushing and refining conducted at the Bachelor Mill (116 km from the Barry pit). The ore-to-waste ratio at Barry runs at ~1:1. Approximately 300,000 tonnes of lower grade ore (~2 g/t) has been stockpiled on site to be blended with the higher grade Bachelor and Barry ore (late 2010). According to the current resources at Barry, we estimate a mine life of at least 6 years (open at depth and in all directions). The Company is expected to release an updated resource estimate by the end of 2010 that could significantly increase the mine life of the Barry open pit.

Exhibit 12: Barry Deposit – Exploration Potential at Depth



Source: Company Reports



## Nelligan Property

Located ~6 km West of  
the Bachelor Mill

Metanor holds an option to acquire 70% interest in the Nelligan Property from Murgor Resources (MGR-V, not rated). During an exploration campaign completed by Murgor Resources in 2006, intersections of 5.82 g/t Au on 0.53 m and 3.15 g/t Au on 3.0 m 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 2008 that allowed the Company to extend the gold bearing structures discovered by Murgor Resources. A short drilling campaign carried out on the Nelligan property in mid-2009 resulted in the discovery of a new gold bearing zone. Highlights of the results include:

- ◆ NE-09-02 (starting on surface) 28.06 g/t Au (Uncut) over 4.54 m (6.61 g/t Au (Cut to 1 oz/t) over 4.54 m) including intersections of 234 g/t Au over 0.5 m on the hanging wall and 17.9 g/t Au over 0.7 m on the footwall of the zone.

The Company is expected to initiate a follow-up drilling program to test additional targets in mid-2010.

## 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 meters 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).

## Wahnapitei Property

The 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.

## Investment Risks

**Operational Execution.** As with a majority of the mining companies, production execution is key once a viable deposit has been delineated. We believe that all the elements are in place for improved production at the Bachelor Lake Mill; however, there will be inherent risks associated with the Company building its first underground mine.

**Financing Risk.** With near-term financing addressed via a \$9 million equity financing completed in January 2010, we estimate that an additional ~\$10 million would be required to complete the underground development at Bachelor, as well as initiate an aggressive drill program at Barry/Bachelor/Hewfran/Nelligan.



**Relatively unknown gold producer.** Metanor is a gold explorer/developer with 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 flows from gold production as well as upside from advanced-stage exploration properties.

**Exhibit 13: Year End (June 30<sup>th</sup>) Forecasts**

<b>Year End June 30 (C\$ million)</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
<b>Except Per Share Data</b>				
Total Revenue	\$9.58	\$25.60	\$67.09	\$83.97
Operating Costs	(\$13.45)	(\$28.19)	(\$38.57)	(\$36.24)
EBITDA	(\$6.62)	(\$5.66)	\$20.47	\$37.65
EBIT	(\$6.08)	(\$5.22)	\$13.76	\$29.26
Net Income	(\$5.37)	(\$4.00)	\$8.72	\$19.54
Operating Cash Flow (pre W/C)	(\$7.34)	(\$4.54)	\$24.58	\$46.85
EPS	(\$0.03)	(\$0.02)	\$0.05	\$0.11
Operating CFPS	(\$0.04)	(\$0.02)	\$0.13	\$0.26
Realized Gold Price (US\$/oz)	\$950	\$1,025	\$1,125	\$1,150
Gold Production (troy ounces)	14,400	22,606	53,935	66,381
Total Cash Cost (US\$/oz)	\$833	\$1,132	\$650	\$496

Source: Company Reports

## Appendix I – Important Disclosures

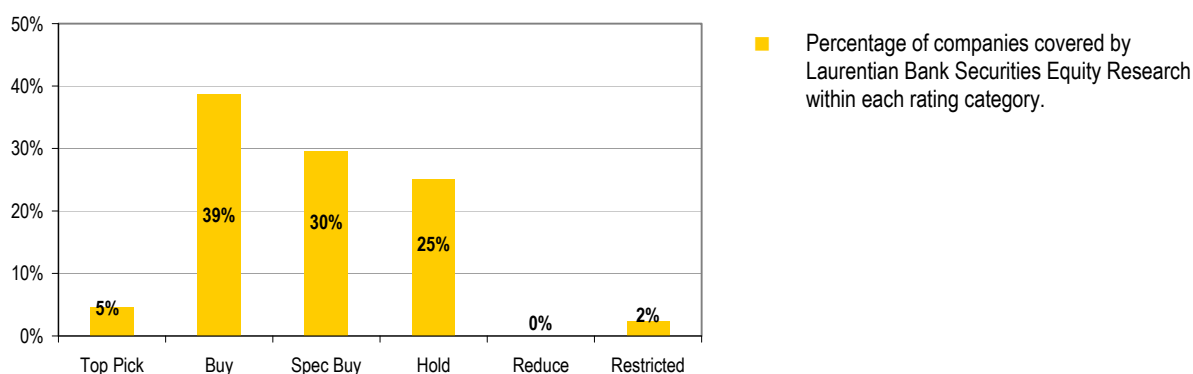
Company	Ticker	Disclosures*
Metanor Resources Inc.	MTO-V	V

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