

Donner Metals

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As a general rule, the most successful man in life
is the man who has the best information

Volcanogenic massive sulphide (VMS) deposits are major sources of zinc, copper, lead, silver and gold. Almost all VMS deposits occur in clusters and these groups of deposits are often the focus of major mining camps.

The Matagami Mining Camp in Quebec, Canada is a world-class mining district - 18 known VMS deposits, including 10 past producers of varying sizes. The giant Matagami Lake deposit (25.64 million tonnes of 8.2% zinc, 0.56% copper, 20.91 g/t silver and 0.41 g/t gold) was discovered in 1957 and mined from 1963 to 1988. Within the next two and a half years six more major deposits were identified. Between 1985 and 1992, four more deposits were discovered. Then in 1999 a new Electro Magnetic (EM) system was flown over the camp. This led to the 2000 discovery of Xstrata Zinc's Perseverance deposit (the 11th deposit put into production in the Matagami Mining Camp); this deposit went into production in mid-2008 and is scheduled to exhaust its ore in 2012. The Matagami area, while not as well known as the Rouyn-Noranda camp only 200 kilometers away, is host to historical production of 8.6 billion pounds of zinc and 853 million pounds of copper.

Donner Metals CEO Harvey Keats and VP of Exploration Robin Adair had studied the abundant historical data Xstrata had on the Matagami camp. They came up with a new interpretation of the geology - they thought there was a strong possibility for multiple layers of mineralization, much like what was found at the Rouyn Noranda Mining Camp.

All of the known mineralization at Matagami had been found at the same stratigraphic level - the Key Tuffite. But there were records clearly showing other zones of rock alteration and this could mean cracks/fissures were created through which mineralizing fluids might have moved and that there was a chance of finding mineralization at levels other than the Key Tuffite.

In 2006 Donner Metals Ltd. (DON-TSX.v) won what turned out to be a very competitive bidding war for the right to option and explore the ground around Xstrata Zinc's Perseverance Mine. Donner has the option to earn a 50% participating joint venture interest in the Matagami Project by incurring a total of \$25 million of expenditures on exploration and related work on or before May 31, 2011. Upon earn-in by Donner, five separate joint ventures will be formed. In each of the five joint venture (JV) areas Xstrata Zinc has the option to earn-back a 15% interest by incurring up to \$20 million on a bankable feasibility study (BFS).

And Donner quickly delivered - they made a high grade zinc and copper discovery, the Bracemac-McLeod deposit, right beside Xstrata Zinc's producing Perseverance mine! Indicated resources are currently calculated at 3,648,000 tonnes grading 11.09% zinc, 1.55% copper, 31.34 g/t silver and 0.48 g/t gold (using today's spot metal prices that's \$389.50 tonne rock). Bracemac-McLeod tips the scales as the third-largest discovery in the camp to date and it will be the first mine in the camp with different levels of mineralization. Donner's peers in the industry were quick to recognize their efforts...

Vancouver, B.C., November 29, 2007 – Mr. Harvey Keats, Chief Executive Officer of Donner Metals Ltd. (TSXVDON), is pleased to report that the Québec Mineral Exploration Association (l'Association de l'Exploration Minière du Québec) has awarded the **Prospector of the Year Award** to the Xstrata Canada Corporation – Xstrata Zinc Canada Division (Xstrata Zinc) and Donner Metals Ltd exploration team.

The Award was presented on November 28th at the annual Québec Exploration 2007 conference in recognition of the outstanding exploration success at Matagami with the discovery of Zinc, Copper, Silver and Gold mineralization in five new zones at Bracemac and McLeod, located 6 kilometers southwest of Xstrata's Matagami Mill.

Vancouver, B.C., December 3, 2008 – Mr. David Patterson, Chairman of Donner Metals Ltd. (TSXV-DON), is proud to report that the Mines and Money London 2008 conference has awarded the **Mining Journal Outstanding Achievement Award** to the Donner Metals and Xstrata Zinc Canada exploration team.

The award was presented today at the Sixth Annual Mines and Money London conference by the publishers of Mining Journal, Mining Communications Ltd., in recognition of its exemplary exploration success at Matagami – notably the identification and development of the Bracemac-McLeod zinc-copper volcanogenic massive sulphide zones.

Xstrata Zinc has recently announced the start of a Bankable Feasibility Study (BFS) on Bracemac-McLeod leaving Donner with a 35% interest in this JV area. Xstrata skipped the pre-feasibility study going straight from scoping study to the BFS. This feasibility study is scheduled for completion in June 2010 and, assuming the result is positive, Xstrata will start work on the new mine in July 2010. The goal is to get the Bracemac-McLeod deposit into production before the presently being mined orebody expires in 2012.

Conclusion

Base metal prices have recently been strong performers. Copper is hanging around \$3.00/lb; zinc \$1.00/lb, and precious metal prices have been on a tear with gold well over \$1000 ounce and silver over \$17 an ounce.

Optimism has returned to the base metals market. Base metals are supported by the idea that even as metals demand has collapsed in the west voracious demand from China will keep metal prices high. As fear exits the markets the capital that fled to the US Dollar in late 2008 is now looking for higher returns. Those higher returns are presently being found in commodities.

Base metal prices should be carried through the short and medium term by a lack of supply – base metal miners responded to the downturn late last year by closing or curtailing dozens of mines.

Some mines are resuming production but new spending is still very cautious. Those new mines that are going ahead today may handsomely reward shareholders because of still-restricted supply a few years down the road.

Here we have a junior company, Donner, that is a near term producer and has a deep pocketed major partner with a vested interest in seeing their joint venture asset get into production quickly (indeed the timeline seems pretty much etched in stone). The Matagami area is well serviced by established infrastructure including the town of Matagami, power, a permitted tailings facility, railway, airport and well-developed road and highway networks.

There's an existing mill to process the ore - the ore is the same as the Perseverance mine so there shouldn't be any metallurgical issue. Zinc concentrates produced at Matagami are refined at the Noranda Income Fund zinc refinery in Valleyfield Québec. Copper concentrates are smelted at Xstrata's Horne smelter in Rouyn-Noranda and refined at Xstrata's Canadian Copper Refinery in Montreal. Capital costs for Donner and Xstrata Zinc should be very small compared to other mines. All that is needed is a 2-kilometer decline (access ramp) to the orebody and this is only a fraction of what a new mine would cost.

The Matagami Project has an area of mutual interest equaling 4,750 square kilometers and presently includes 3,340 mineral claims covering 801 square kilometers. Within the extensive project area there are numerous exploration targets with excellent potential for additional discoveries.

Bracemac-McLeod has a set in stone production date. That date is the same day Xstrata Zinc's Perseverance Mine runs out of ore in 2012. The fact Xstrata needs Bracemac-McLeod in production on a very specific timeline gives me a high comfort level writing about Donner Metals Ltd (DON-TSX.v).

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Bio - Richard is host of www.aheadoftheherd.com and invests in the junior resource sector. His articles have been published on over 60 websites including - Wall Street Journal, Financial Post, 321Gold, Kitco, USAToday, SafeHaven, Stockhouse, Casey Research, The Gold/Energy Reports, Gold-Eagle, Market Oracle and Financial Sense.

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Richard Mills does not own shares of Donner Metals