



Donner Update

Richard (Rick) Mills

Base metal prices have recently been strong performers. Copper is hanging around \$3.38/lb; zinc \$1.12/lb, lead is \$1.12 and precious metal prices have been on a tear with gold well over \$1100 ounce and silver over \$18 an ounce.

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 (DON –TSX.v), that has the potential for near term production and has a deep pocketed major partner with a vested interest in seeing their joint venture asset get into production quickly. Capital costs for Donner and Xstrata Zinc should be very small compared to other mines – development costs would be less because of existing extensive infrastructure.

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.

Xstrata Zinc's Perverserance 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).

Even during the 2004 zinc low, the Matagami Camp held up. That's because it's a low cost, high profit margin camp – with a robust average grade. Infrastructure is in place, if the ongoing feasibility is positive they can almost flip a switch to produce.

I just had a very good talk with Andrea, Donner's Investor Relations person. She's very pleasant to talk to, has a beautiful voice to listen to and quite likely is one of the most knowledgeable IR people that I have ever talked to.

The Feasibility study is ahead of schedule and under budget. It's scheduled to be completed in June 2010 and a construction decision, no/yes, is expected to be announced in July.

Amazingly fast but then they had a compliant resource in Jan '09. There was no Preliminary Economic Assessment (PEA) or pre-feasibility, instead they went straight into the accelerated third party feasibility. The third party route means it's bankable and Chairman Patterson is already doing the rounds of the banks in case they get a positive construction decision.

Consider China is now a net importer of zinc and many large zinc mines are going to run out of supply and are expected to shut down in 2011. Xstrata's Perseverance Mine is expected to run out of ore in '12.

Two facts - Xstrata does not have a junior production partner and Donner is Xstrata's exploration arm in the Matagami Camp. This sets up a few interesting possibilities. The one thing I do know is the Feasibility Report, commissioned by Xstrata, has to be given to Donner before anything happens.

Currently there are 6 drills on the property. Three drills are active on the feasibility drilling funded by Xstrata and focused on defining the three Bracemac zones. The Donner-funded exploration of the camp includes two drills currently active on exploration drilling and a third drill to be brought to site when access permits.

The exploration drilling includes the newly discovered Daniel Belt which hosts copper-gold mineralization. Donner has just released, 15th January 2010, news about a brand new discovery of 21 meters grading 6.05% zinc, 1.85% copper, 65.5g/t silver and 1.56g/t gold discovered 411 meters down-dip of the McLeod zone.

Donner has \$2.6 mm in the treasury, is currently doing a financing of +\$5mm and has an exploration rebate coming from the Quebec government.

Donner will be attending the Vancouver Cambridge Show (17th&18th Jan) and Round Up (18th – 21st). Dave Patterson will be speaking @ 11:30 on the 17th in Workshop three, Fairmont.

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Richard is host of aheadoftheherd.com and invests in the junior resource sector. His articles have been published on over 150 websites including: Wall Street Journal, SafeHaven, Market Oracle, USA Today, National Post, Stockhouse, Casey Research, 24hgold, Vancouver Sun, SilverBearCafe, 321Gold, Kitco, Gold-Eagle, The Gold/Energy Reports and Financial Sense.

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