



Donner Update

Richard (Rick) Mills

Base metal prices have recently been strong performers. Copper is hanging around \$3.38/lb; zinc \$1.14/lb, lead is \$1.14 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, 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). 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 ore body 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 (BMAC) has a set in stone production date. That date is the same day Xstrata Zinc's Perserverance 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 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. Build the decline and start hauling ore.

Just had a very good talk with Andrea the IR for Donner. Very pleasant to talk to, beautiful voice to listen to and quite likely one of the most knowledgeable IR person's about their company and project that I have ever talked to.

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

Amazingly fast but then they had a resource in Jan '09, no PEA or pre-feas, straight into the accelerated third party feasibility, third party means its bankable and Patterson is already doing the rounds of the banks in case they get a positive construction decision, remember Xstrata's Perservence Mine is expected to run out of ore in '12.

Xstrata does not have a junior production partner. But Donner is X's exploration arm. 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 7 drills on the property, 3 from Donner - one doing exploration drilling around the BMAC, one drilling grassroots targets, and one chasing mineralization, Four drills from Xstrata doing definition drilling on the BMAC.

They are fully cashed up after the last PP (\$2.6 mm in treasury) and get a rebate 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.

Richard (Rick) Mills
rick@aheadoftheherd.com
www.aheadoftheherd.com

If you're interested in the junior resource market and would like to learn more please come and visit us at aheadoftheherd.com

Richard is host of aheadoftheherd.com and invests in the junior resource sector. His articles have been published on over 100 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.

Legal Notice / Disclaimer This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Richard Mills has based this document on information obtained from sources he believes to be reliable but which has not been independently verified; Richard Mills makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of Richard Mills only and are subject to change without notice. Richard Mills assumes no warranty, liability or guarantee for the current relevance, correctness or completeness of any information provided within this Report and will not be held liable for the consequence of reliance upon any opinion or statement contained herein or any omission. Furthermore, I, Richard Mills, assume no liability for any direct or indirect loss or damage or, in particular, for lost profit, which you may incur as a result of the use and existence of the information provided within this Report.

Richard Mills does not own shares of any company mentioned in this article. Donner Metals is an advertiser on aheadoftheherd.com