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MDN flexes its newly found rare metal muscle

While its name has been tied to gold until now, **MDN** (MDN-T) is in the midst of diversifying into some slightly less well known metals.

The envy of many a junior thanks to the positive cashflows it generates from its roughly 30% stake in **Barrick Gold's** (ABX-T, ABX-N) Tulawaka mine in Tanzania, MDN announced back in June of last year that it would be putting some of its money to work at the Anita niobium and tantalum project in Quebec.

While many investors were caught off guard by the move, MDN's interim chief executive Jacques Bonneau says both the potential of the project and its being situated in the company's home province of Quebec, made it too attractive to pass up.

With the completion of a scoping study announced on Jan. 29, the basis of such an attraction is becoming clearer.

The study outlines a project with a mine life of 18 years that will mill 4,000 tonnes of ore per day or 1.4 million tonnes per year.

While it will cost a lofty sum of \$315.6 million to build (with another \$76.6 million for sustaining capital and reclamation) Anita is projected to generate average annual revenues of \$125 million and annual net operating cash flows of \$57.5 million.

And, Bonneau, says, the pro-mining government of Quebec will likely offer considerable help on the infrastructure side.

"I see this as a 'Quebec Inc.' project," Bonneau explains. "The project is in an area where the unemployment rate is very high due to the decline of the forestry industry and the government is very good to people trying to bring the type of development we want to bring."

Delving deeper into the economics of the project, using a 5% discount rate the study put the net present value (NPV) at \$272 million with an internal rate of return (IRR) of 13.9% Those numbers are both pre-tax. The payback period was pegged at 7 years.

The study was done by Met-Chem Canada and assumed a niobium oxide price US\$51 per kg, and a tantalum K salt price of US\$150 per kg. It also used a Canadian to US dollar exchange rate of \$1.10.

And while the tantalum and niobium prices used in the study are close to the current market prices for the metals that may soon change.

According to Roskill Information Services -- one of the world's leading providers of information on the metals and minerals market -- tantalum could be in for a strong run as early as 2011.

Roskill blamed weak demand for capacitors and large inventories in the supply chain for the metal's relatively low price to date, but in a recent report it argues that "serious shortages" in supply could be on the horizon.

"Primary output has been slashed and processors are increasingly relying on stock draw downs to make up the shortfall," the report reads. "If there is even a modest recovery in demand for tantalum in the near future, the market faces a difficult period."

Tantalum's main industrial use is for capacitors in cell phones and computers. Niobium is used in airplane construction.

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Both metals are considered to be strategic by the U.S. government and both classify as rare metals on the periodic table - which, it should be noted, is a different classification than rare earth metals.

Current tantalum supply comes mainly from Brazil, Mozambique, the Democratic Republic of the Congo and Ethiopia.

And according to Bonneau, the resource at Anita compares favourably to projects in those countries.

That's because while such foreign mines have similar tantalum grade as Anita - in the .02% range - they generally don't have the by-product credits Anita boasts.

While some other tantalum projects do produce small amounts of tin, the amount of money that would be generated from the niobium credits at Anita would dwarf such amounts.

In fact, Bonneau says, when the niobium credits are worked into a tantalum equivalent grade, Anita will rank as one of the highest grade projects in the world.

That kind of potential helped make MDN's decision to take another 10% of MCI's shares easy. MDN currently has a 28% stake in MCI - the owner and operator of Anita - but it can take that percentage up to 75% for a total investment of \$13.5 million.

Such an investment would take the project up to the completion of a feasibility which is expected within the next 18 months.

Iamgold (IMG-T) is also part of the mix through its 38% stake in MCI.

Anita encompasses 46.45 sq. km along the geological belt of the Mistassini River basin, in northern Quebec.

The site already has some solid infrastructure with a road situated 9.8 km east of the future mine, a deep water port and access to hydro-electrical power within 88 km.

The in-pit mineral resource for the project comes in at 25.8 million tonnes grading 0.18% niobium and 0.0199% tantalum per tonne. MDN that amount could be converted into an end product of 30,300,000 kg of niobium oxide and 3,200,000 kg of tantalum K salt.

The scoping study put the strip ratio at 6.4:1.

The study said the plant could produce a concentrate with a recovery rate of 72%, which would then go to a refinery that is expected to get 96% recoveries.

The refinery would be built as part of the project, with estimate capital expenditures in the \$30 to \$40 million range.

If the feasibility study can be wrapped up by the first half of 2011 as expected, construction would start in the second quarter of 2012 and with a completion target of late 2013.

Until that time, MDN will continue to rake in the cash flows from its 29% stake in Tulawaka.

While not yet finalized, Bonneau said MDN's share of cash flows from Tulawaka amounted to \$7-\$9 million for 2009.

The company currently has roughly \$20 million in the kitty.