



MGX Minerals Inc. (Trading Symbol: XMG)

Driftwood Creek Location

<http://www.mgxminerals.com/>

Within the junior mining space, a range of mineral deposits are tapped and locations explored in order to extract valuable natural resources for production processes that benefit industries and consumers. MGX Minerals Inc. (CSE: XMG), “the Company”, is carving a niche within the junior mining field by directing their efforts toward magnesite (MgCO₃) extraction through their Driftwood Creek mining deposit located in southeastern British Columbia, Canada. A diversified Canadian mining company, MGX is engaged in the acquisition and development of industrial mineral deposits in western Canada. The Company has focused on deposits that offer near-term production potential, minimal barriers to entry, and low initial capital expenditures – all of which represent valuable strategic pillars that allow investors to feel confident about returns. With an emphasis on high-grade magnesium oxide (94%+) production accompanied by a global market that is fluctuating toward magnesium demand, MGX presents a strong opportunity for investors who are pursuing reliable junior mining companies spearheaded by strategic, sensible, and environmentally conscious executive management.

Corporate Highlights

In recent months, MGX Minerals Inc. has experienced a rapidly rising share price on the Canadian Stock Exchange, having improved from \$0.26 on May 3, 2015 to a very impressive \$0.62 as of July 31, 2015 (Canadian Stock Exchange, 2015). From our perspective, this success can be at least partially attributed to the philosophy of MGX’s senior management team led by their dynamic CEO, Jared Lazerson. In a recent podcast interview with Chris Parry of Stockhouse.com, Lazerson highlighted the fact that, as the CEO, he is heavily focused on the operations side of the company, stating that he possesses a strong prospecting background and noting that he ensures that MGX remains an exploration and development company at its core as opposed to a finance and legal entity (Stockhouse.com, 2015). The benefits of this, according to Lazerson, are decreased overhead costs from being able to complete many of the key mining functions in-house as opposed to outsourcing the processes to different organizations, and maintaining control over the quality and specificity of exploration and development activities to ensure positive outcomes. From a strategic planning perspective, upholding critical mining

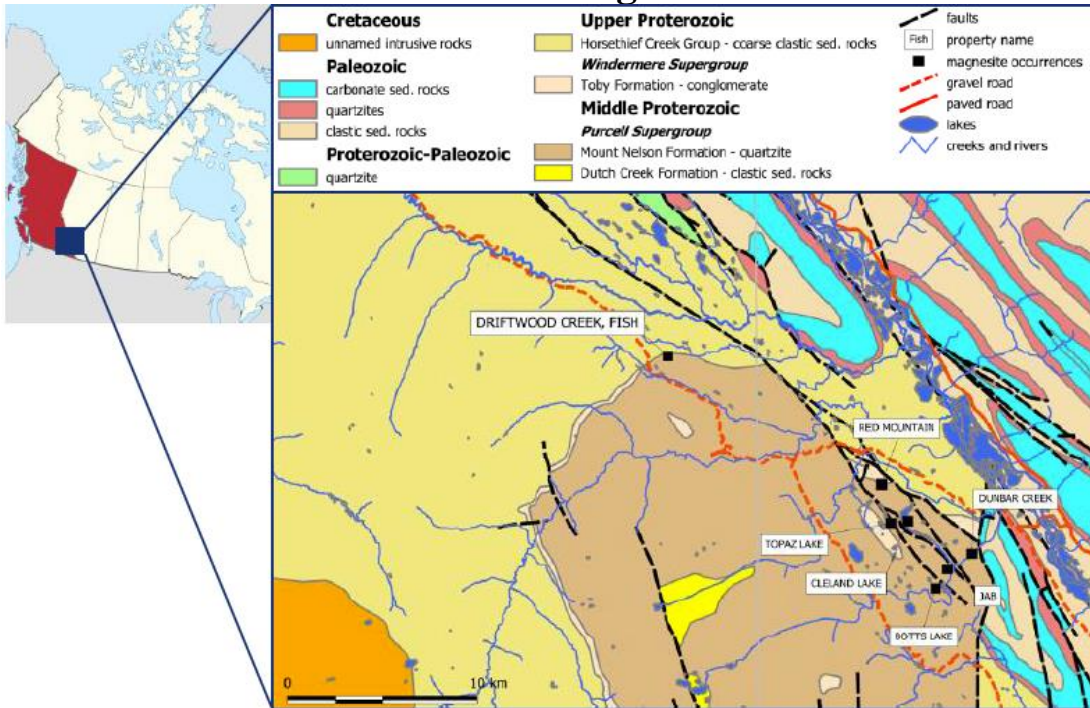


functions in-house demonstrates high level business acumen and judgment, showcasing MGX's strong potential for future growth through its corporate mission. The Company has a solid corporate structure with a closely held 32M share outstanding fully diluted.

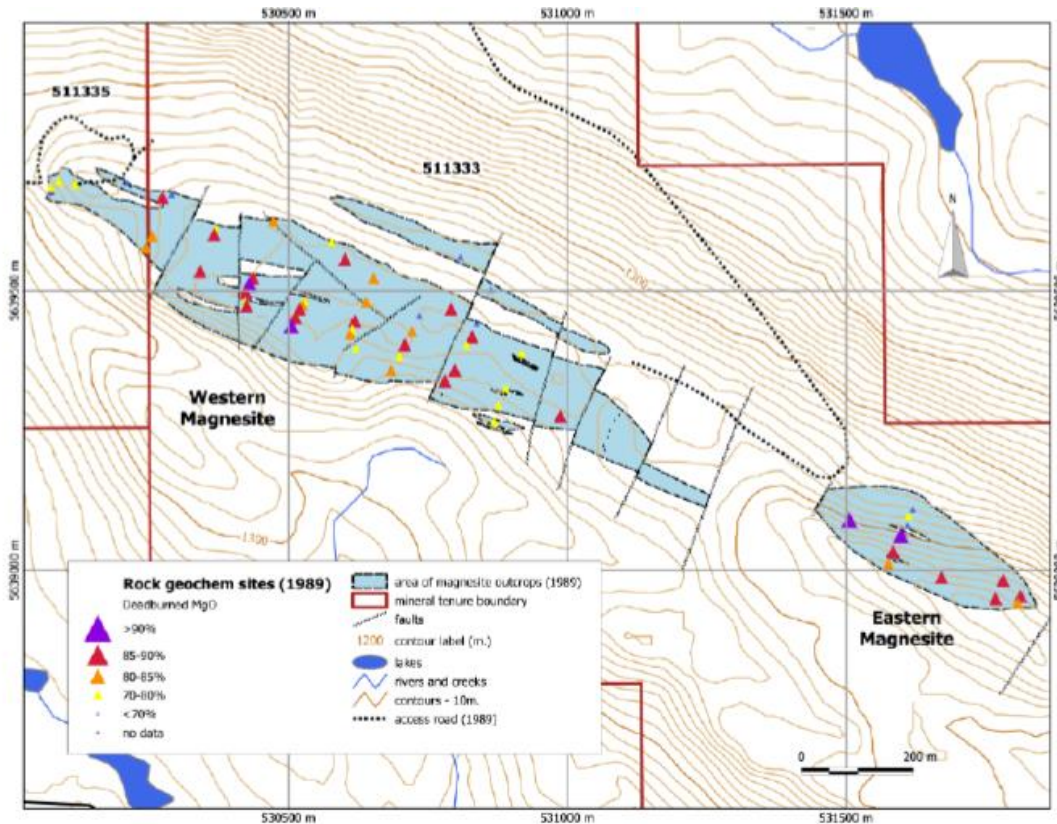
Magnesite – Technical Overview

As a deposit, magnesite is slightly off the beaten path in the junior mining industry, an industrial mineral as opposed to the more obvious and commonly explored gold, silver and copper deposits. Often referred to as the “lightest useful metal,” magnesium metal, is 75% lighter than steel and 33% lighter than aluminum (Berry, 2015) and is a highly valuable resource. Magnesium oxide (“MgO”) which MGX initially aims to produce is both a primary input for magnesium metal and is utilized on its own in the production processes in many industries. End uses for magnesium oxide include abrasives, animal feed supplements, chemicals, coatings, construction, electrical, fertilizers, foundries, glass manufacture, insulation, lubricating oils, pharmaceuticals, plastics manufacture, refractory and ceramics, rubber compounding, steel industry, sugar refining, sulfite wood pulping, and wastewater treatment. MGX's Driftwood Creek deposit in British Columbia will yield two variations of saleable magnesia including Caustic Calcined Magnesia (CCM) and Dead Burned Magnesia (DBM) . CCM has diverse applications and is used in products and processes that require a reactive version of magnesia, with environmental applications being most prevalent including wastewater treatment for balancing PH levels and as an ingredient in agricultural products such as fertilizer. DBM is an inert version of magnesia, making it most prevalent to consumers involved in steel-making processes, including lining furnaces and refractories, and other high temperature applications like cement and glass production. Magnesite extraction involves comparatively low environmental impact, as there are virtually no tailings associated with the extraction and the quarry is amenable to open-pit extraction, reducing the physical imprint on the region with limited processing required to produce saleable MgO.C.

Driftwood Mining District



Two zones delineated to date

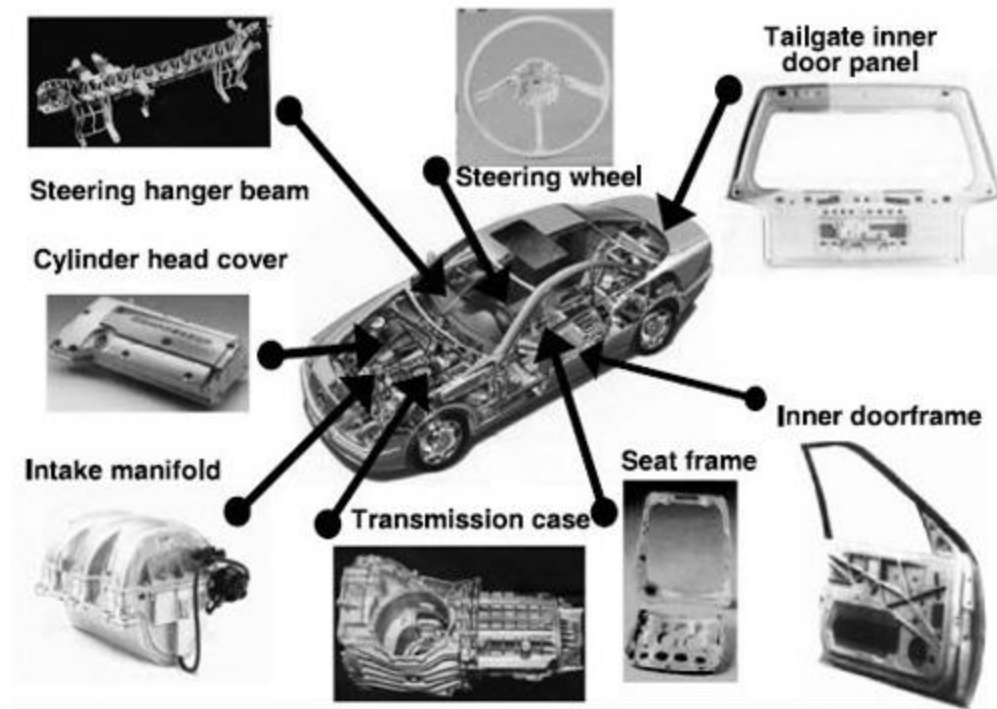




Market Analysis

The current market environment that surrounds magnesium production and distribution is advantageous for MGX's operation for three key reasons. Firstly, demand for magnesium compounds has grown steadily at a compound annual growth rate (CAGR) of slightly under 6% with demand growing slightly faster than the production pace (Berry, 2015). As such, MGX's Driftwood Creek deposit entering as a player in the market will be supported by current demand figures. Secondly, MGX may be able to carve a niche within the magnesium demand market in North America as a result of its location and magnesite grade quality. Currently, China is the largest producer of MgO globally being responsible for between 70%-80% of production (Berry, 2015) and the United States imports the majority of its MgO from the country. Following China, Russia is the second largest global producer while North Korea holds the second most available reserves of magnesite ore after China. MGX can achieve success within the market and gain a niche by leveraging their location advantage, which can help them to secure industrial and agribusiness customers in North America that prefer to source MgO from regions closer to their production facilities. China's magnesite is typically of a lower grade than what is offered by MGX's Driftwood Creek deposit, helping to secure an attainable market for the product by consumers that require high-grade magnesia for their processes and goods. In recent years, the Chinese government has implemented export restrictions on magnesite to meet growing domestic demand and phase out smaller, less efficient producers. MGX has an opportunity to fill the potential magnesite gap in North America, as the company intends to produce 100,000 tonnes of DMB annually, looking to take a fair percentage of the 350,000-450,000 tonnes of DBM magnesite demanded annually by the United States. Thirdly, it is reasonable to forecast that demand for magnesium metal will improve in the long-term, as the mineral can be used to produce lightweight steel, which is becoming preferable in various consumer products including automobiles in order to achieve better performance, fuel economy and to meet requirements posed by environmental legislation related to material usage. As noted by Berry, there is an ample opportunity for additional magnesium usage in automobiles as a substitute for heavier metals (Berry, 2015). Current estimates cited from a report by the United States Automotive Materials Partnership stating that "by 2020, 250 pounds of magnesium will replace 500 pounds of steel and 90 pounds of magnesium will replace 130 pounds of aluminum per vehicle, resulting in an overall 15% weight reduction" (Berry, 2015) compared to the 10-12 total pounds of

magnesium used in a vehicle now. Beyond the automotive application, environmental (ie. waste water management) and agricultural (ie. fertilizer) applications promise significant growth, as environmental assessments along with reactive and proactive policies become enacted, requiring the greater use of MgO as a substitute for unsustainable materials currently in use.



Magnesia uses in automobiles

Source: totalmateria.com

Competitive Advantages

Looking beyond the market and into MGX Mineral Inc.'s internal advantages, we can identify three primary categories that house the competitive position that is unique to the company and its Driftwood Creek property. MGX's first identifiable advantage is the strategic partnerships it has established with Eaton Corporation (NYSE: ETN) ("Eaton") and Highbury Energy ("Highbury"). Secondly, MGX possesses strong value chain management capabilities presented inherently in the location and geology of Driftwood Creek and with the functional mining expertise held by the executive management team. Finally, the business model being deployed by MGX demonstrates forward-thinking and strong planning to overcome potential



concerns in a sluggish economy plagued by financial uncertainty globally. Each of these competitive advantages will be outlined below.

Strategic Partnerships

MGX has established partnerships with Eaton and Highbury with intent to secure long-term financing support, engineering expertise and low-cost energy solutions. Eaton Corp. is an international power management company that provides energy-efficient solutions to effectively manage electrical, hydraulic and mechanical power more efficiently safely and sustainably. Eaton will provide engineering services to MGX for construction of the mine and an associated processing plant at Driftwood Creek and will offer sustainable financing options for primary equipment and engineering. Highbury has developed a patent pending next generation dual-bed steam gasification technology that converts organic matter into high-grade synthesis biogas. Essentially, Highbury will provide a clean, low-cost energy source of syngas for the Driftwood Creek magnesite property, reducing both the environmental footprint and production costs incurred by MGX. The company has stated that beyond Driftwood Creek, it will maintain its partnerships with Eaton and Highbury to work toward developing 7-10 additional industrial mineral projects using a similar business model to the one employed in Driftwood. MGX's partnership agreements leverage the core competencies of companies that are stakeholders within the mining space, enabling MGX to focus on its key strengths of exploration and development. The partnerships also support MGX's ability to maintain a stronghold on value chain management of its Driftwood Creek magnesite property.

Value Chain Management

Perhaps MGX's most important competitive advantage is its command of the value chain of extraction, processing and distribution of the magnesite from the Driftwood Creek deposit. As noted above, the company's executive management team led by Lazerson possesses strong capabilities and ample experience in functional mining operations, which supports the extraction and processing of available magnesite. The expertise of the management team will be clearly demonstrated as they fully capitalize on the natural factors offered by the Driftwood Creek property. The property is surrounded by excellent infrastructure with access to rails within 20km, road, highly skilled labour, electricity, and currently existing industrial facilities within 150km that can be transformed into a processing plant – all packed into an established mining district



whose population is accepting of the practice. As noted by CEO Lazerson in an interview with Equities.com, another major advantage of the southeastern British Columbia location is easy access to Alberta's natural gas, which offers some of the lowest prices in the world (Equities.com, 2015), ultimately delivering a significant cost advantage to the company. Finally, the property's location in North America delivers amazing potential to secure American consumers of MgO that desire a mid-high grade product with minimal shipping costs and logistical challenges. With an average price of \$400US per tonne for high grade material and \$60 per tonne in shipping costs from China, MGX's geographically close location to the United States presents a major transportation cost advantage for potential buyers, making distribution a critical part of the company's value chain. With MGX's intent to fully produce the deposit by extracting magnesite as opposed to selling the property to a major, the company's emphasis on strategic value chain management makes it highly competitive in the global market.

Business Model

MGX Minerals Inc.'s business model demonstrates advanced planning and holistic thinking with regards to the effective extraction and processing of magnesite from the Driftwood Creek site. The potential yields of Driftwood Creek are relatively low in comparison with other sites available in the junior mining space, however, the company prides itself on operating high potential and near-term production properties. Driftwood Creek offers near-term cash flow with low initial capital expenditures, helping to ensure financial projections are successfully achieved and reducing some of the investment risk that is inherent in longer-term projects. The comparatively small size of the mine has led to streamlined permit applications and processing and minimal environmental damage, which is favourable to the communities located in the region of Driftwood Creek. MGX has positive relationships with the British Columbia government and Aboriginal populations, which is critical in the mining space, as environmental concerns can hamper once-perceived high potential sites. The site is projected to remain viable for a century, showcasing great long-term potential for investors.

Investment Timeframe

MGX is in a position where it is ready to advance toward mining operations in the near future. The follow table highlights the timeline for production of the Driftwood Creek site:



Milestone	Timeframe
Mine Plan and Operating Permit Application	September 2015
Additional Financing for Processing Plant	Fall 2015
Construction Permit Application	Winter 2015
Equipment Orders	Winter 2015
Construction and Assembly	Summer 2016
Commence Mining Operations	Fall 2016

--numbers are expectations, please perform your own due diligence

With MGX Minerals Inc. (CSE: XMG) moving rapidly toward mineral extraction, we recommend investors add the high potential industrial mineral producer to their portfolio quickly. With a briskly improving share price, the company offers huge upside to investors while delivering corporate responsibility with their environmental considerations.

www.juniorgoldreport.com by Kal Kotecha MBA



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