On Monday, MGX Minerals Inc. announced the approval of its Mining Lease application for its 100% owned Driftwood Creek Magnesium Project, granted by the Chief Gold Commissioner of the Province of British Columbia, Canada. The Mining Lease carries an initial term of 20 years and can be extended thereafter. To be granted a Mining Lease in British Columbia is one of the most difficult issues as it involves the provincial government, the First Nations, communities, mayors, environmentalists, and others; which all needed to approve the proposed mining activities at MGX’ flagship, the Driftwood Creek Magnesite Deposit in the East Kootenay Region.

"This is a major milestone for the project. We would like to take this opportunity to express our appreciation for the support of everyone involved, at all levels of government, community and First Nations. I believe there is now reason for new optimism among the working men and women of the East Kootenay region.”

According to the latest press-releases, MGX is about – when weather allows – to extract (quarry-style) a 100 tonnes bulk sample to finalize the processing design at a pilot plant in New York, USA.

The processed product, estimated at approximately 40 tonnes, will serve as representative multi-tonne processed MgO samples for customer evaluation purposes (in order to finalize off-take agreements).
Based on the outcomes of this 100 tonnes bulk sample, MGX looks to deliver further shipments, totalling 5,000 tonnes during the first half of 2016, for customer evaluation purposes.

MGX’s 100-tonne bulk sample will be the first bulk tonnage material removed from Driftwood since Kaiser Resources mined 8,000 metric tonnes as part of a test quarry in 1978 (Morris, 1978).

Larger bulk samples between 1,500 and 10,000 tonnes may also be processable by the pilot plant and the product, processed MgO, could be sold to customers. For a rough understanding: Processing 10,000 tonnes may yield 4,000 tonnes of net saleable MgO product worth around $1.5 million.

The 100 tonnes bulk sample will be transported to the Industrial Furnace Company (“IFCO”) in Rochester, New York, USA, for pilot plant testing. Results of the pilot plant testing will determine final specifications to optimize the design and construction parameters of industrial-sized kilns to process magnesite from Driftwood. MGX plans to produce multi-tonne samples of caustic calcined magnesia (CCM) and dead-burned magnesia (DBM) available for evaluation and/or sale to customers.

In order to start full-scale mining in the order of 50,000 to 100,000 tonnes per year, MGX must find capital for project construction. According to a recent interview from Kal Kotecha, Mr. Lazerson said:

“Within 12 months we would like to see project finance and construction commenced with stockpiling underway. By 18 months we expect to be at a significant portion of our initial 100,000tpa net saleable MgO (magnesium oxide) goal.”

A major milestone to speed up the way to production was achieved by MGX on September 29, 2015, securing a large mill complex and industrial park for potential future processing of MgO from Driftwood. Soon thereafter, on October 9, MGX reported:

“MGX’s Senior Engineer has completed an initial site visit and begun reviewing proposed logistic and infrastructure strategies with the purpose of completing a preliminary plant design. As reported in June (see press release dated June 4, 2015), MGX has entered into a partnership with Industrial Furnace Company (“IFCO”) of Rochester, New York to install and operate industrial-sized kilns at Driftwood Creek. The kilns are currently being evaluated to determine cost-effective energy options, including both natural gas and synthetic gas. The Company is also evaluating existing forestry equipment that remains on site, including a fully operational sawmill that produces finger jointed lumber. The specialized mill was originally installed in 2008 at a price of approximately CA$8 million.”

MGX has entered into a Definitive Agreement with Tembec (TSX: TMB) to acquire the Cranbrook mill site in Cranbrook, British Columbia, for $3.7 million. The Cranbrook Mill Complex spans 38-hectares (98 acres) and is located within the Cranbrook Industrial Park. Major infrastructure including buildings and a wood processing plant remain on site. The site is a large fully serviced industrial location with natural gas, water, power and rail access. MGX plans to use the location for the processing of industrial minerals including ore from Driftwood.

“This is exciting news for the city and surrounding region. MGX Minerals will be a great fit in Cranbrook helping diversify our industrial sector, one of our key economic priorities, and creating new employment opportunities. There are strong synergies between MGX and the community, and I look forward to working with MGX as they advance their development.”  

(Lee Pratt, Mayor of Cranbrook, East Kootenay, BC, on September 29, 2015)

Recently, Kal Kotecha of Junior-goldreport.com conducted an interview with MGX’s President & CEO, Jared Lazerson, which is reprinted below:

We have had the pleasure of interviewing Jared Lazerson, President of MGX Minerals Inc. (CSE: XMG). MGX Minerals is poised to becoming an industry powerhouse in the Magnesium Oxide (MgO) space. The power of the company comes from a strong management team that believes in taking the company to production. Currently, the market is punishing exploration stocks that do not have a short-medium range timeline to production. As the resource market changes force and begins its uptick as I believe we are starting to see glimpses of, MGX is poised to capitalize as the company will be making significant amounts of money

1) JGR: On November 4th MGX received the bulk sample permit to extract a 100 tonne sample of mineralized material from Driftwood Creek. Is there a buyer and how much can MGX stand to make from this bulk sample?

JL: This bulk sample will serve as representative samples for customers and to finalize the process design. The material will be mined and processed in a pilot plant that is representative of our final process.

(2) JGR: Does MGX need to raise more money in the near future? And if so, how much and what will the money be used for?

JL: MGX has very low overhead and maintains a pay as we go model. We will be funding $500k over the next 6 months to cover bulk sample, engineering and permitting.

(3) JGR: Are you actively seeking an off-take agreement? If so, how is that transpiring?

JL: The current bulk sample will provide a basis for off-take agreements and we have talked with specific customers about their needs and received tremendous encouragement. Canadian and US companies want a local supply of magnesium products. The US imports almost two thirds of its dead burn magnesia (DBM - used as a high temperature liner in steel making furnaces) from China and we believe we can replace most of this import supply representing over 200,000t or $100m.
CCM has diverse applications and is used in products and processes that require a reactive version of magnesium, 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 magnesium, 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.

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 material 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.

(4) JGR: What are MGX’s 6-month, 12-month and 18-month goals?

JL: In the short term we would like to get all of our engineering and permitting completed. Within 12 months we would like to see project finance and construction commenced with stockpiling underway. By 18 months we expect to be at a significant portion of our initial 100,000tpa net saleable MgO (magnesium oxide) goal.

(5) JGR: Is there anything you would like to add?

JL: MGX is well positioned in the specialty and advanced materials sector and investors can expect to see bold moves in the future from us.

Also from the Juniorgoldreport.com:

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 source. Magnesium oxide (“MgO”) which is utilized on its own in the production of magnesium metal, is 75% 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, sulfitc 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).

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.

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Value Chain Management

Perhaps MGXs 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.
A Unique Opportunity

Sure, there’s gold, silver, copper, and, since this is the tech age, lithium; however, MGX Minerals’ progression of their Driftwood Creek Project not only ensures that magnesium oxide will be readily available to ease the everyday aches and discomforts of those who suffer from indigestion and heartburn, it also presents a unique investment opportunity to those interested in the mining sector.

“As great as 2015 has been, we have set our sights on an even bigger year in 2016 as we build momentum at Driftwood Creek and begin to develop our other strategic assets including silicon,” said Lazerson. “We look forward to your continued support as a shareholder and invite prospective investors to join us on our journey to build a leading industrial minerals company.”

For more information about MGX Minerals, visit www.mgxminerals.com.

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About MGX Minerals Inc.

MGX Minerals Inc. is a diversified Canadian mining company engaged in the acquisition and development of industrial mineral deposits that offer near-term production potential, minimal barriers to entry and low initial capital expenditures. MGX’s flagship property is the Driftwood Creek Magnesium Deposit, which is being rapidly advanced towards production. MGX has also consolidated key mining claims throughout the Driftwood district and now controls the majority of known magnetite occurrences in British Columbia, Canada.

- Located in historic Brisco-Driftwood Mining District of southeastern British Columbia;
- Land package spanning 326 contiguous hectares across 3 mineral tenures;
- Mineralization traced over strike length of 1,900m; remains open in both directions and at depth;
- 2 high-grade mineralized zones (“Eastern” and “Western”) delineated to date;
- Excellent infrastructure including access to rails, road, labor and electricity;
- Potentially amenable to low-cost, open pit mining methods.

The Driftwood Creek project is hosted by the Precambrian-aged Mount Nelson Formation. This sedimentary formation is approximately 1,300 meters thick and intruded by younger felsic and mafic igneous dykes. Magnesite mineralization occurs in the upper half of the formation and is well exposed at surface along an isolated topographic ridge. Magnesite has been traced over a strike length of 1,900 meters and to a maximum width of 220 meters. Mineralization occurs in two discrete zones that are believed to have been remobilized and enriched during a period of metamorphic recrystallization.

Analyst Coverage:

Research #2 “MGX Minerals Accelerates Towards Production”

Research #1 “MGX Minerals Plans To Enter The Magnesium Market In 2016”

Furthermore, the company received final approval of land survey for Driftwood Creek from the British Columbia Surveyor General under Section 42 of the Mineral Tenure Act. MGX’s lease application will now be reviewed by the Chief Gold Commissioner of the Province of British Columbia in regards to issuance.
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Stephan Bogner studied at the International School of Management (Dortmund, Germany), the European Business School (London, UK) and the University of Queensland (Brisbane, Australia). Under supervision of Prof. Dr. Hans J. Rokey, Stephan completed his diploma thesis (“Gold In A Macroeconomic Context With Special Consideration Of The Price Formation Process”) in 2002. A year later, he marketed and translated into German Ferdinand Lips’ bestseller (“Gold Wars”). After working in Dubai for 5 years, he now lives in Switzerland and is the CEO of Elementium International AG specialized in duty-free storage of gold and silver bullion in a high-security vaulting facility within the St. Gotthard Mountain Massif in central Switzerland.

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