

## MACDONALD MINES EXPLORATION LTD.

(\$0.415; BMK: TSX-V)

**Recommendation:** Speculative Buy (No Change)

**Target Price:** 1-Year: \$1.35 (No Change);  
3-Year: \$3.50 (No Change)

### RECENT DEVELOPMENTS: ADDING GROUND AT THE "RING OF FIRE"

#### (1) LETTER OF AGREEMENT

MacDonald Mines reported on May 1, 2008 that the Company had entered into a Letter of Agreement whereby MacDonald Mines has agreed to acquire from 1289838 Alberta Ltd. ("Alberta Ltd.") a 60% undivided right, title and interest in a new land position in the James Bay Lowlands of northern Ontario. The new property, called Wellington West, measures about 8,250 hectares, and is located southwest of and contiguous to the Wellington property in the "Ring of Fire" area.

Alberta Ltd., an Alberta corporation, is a wholly-owned subsidiary of the privately-owned Coordinates Capital Corporation (CCC), co-discoverer of the gigantic Voisey's Bay deposit (nickel-copper-cobalt) in Labrador (which was acquired by Inco).

To acquire the interest in Wellington West, MacDonald Mines is required to undertake the following:

- (i) Make cash payments totalling \$280,000 to Alberta Ltd. on a schedule of three payments;
- (ii) Issue to Alberta Ltd. 2,000,000 MacDonald free-trading (subject to the required four-month holding period) fully paid and non-assessable common shares and 1,000,000 warrants to purchase 1,000,000 MacDonald free-trading fully paid and non-assessable common shares, in three tranches within a certain time period; and
- (iii) Incur a work commitment totalling \$2,000,000 on the property, within three time periods.

Alberta Ltd. will have a carried interest until MacDonald has fulfilled its obligations. At that time, each party will share proportionately.

(Further details on the agreement can be found in MacDonald Mines' news release, available at [www.macdonaldmines.com](http://www.macdonaldmines.com).)

**COMMENT:** *MacDonald Mines will benefit from the nickel exploration expertise of the CCC team, gained from the Voisey's Bay experience. MacDonald Mines is well-positioned near Noront Resources' nickel-copper discovery, and comparisons have already been made between Noront's find and Voisey's Bay. In addition, the transaction further augments MacDonald Mines' highly attractive land package in the Ring of Fire. It is difficult to comment on the price of the acquisition at this stage, but clearly it is in keeping with management's strategy to expand the Company's land position and opportunities in this exciting region.*

## (2) NEW GROUND ADDED TO EXISTING PROPERTIES

In an earlier news release (April 30, 2008) the Company reported that it had added new ground to its existing properties in the Ring of Fire area. The additional land totals 25,104 hectares (1,569 claim units), which brings the land position of MacDonald's 100%-owned and joint-venture properties to over 88,816 hectares.

The Company has completed an airborne geophysical survey of the expanded ground position. New targets have been identified and added to MacDonald Mines' inventory, furnishing the Company with drill targets through 2008. The late spring 2008 drill program includes the 100%-owned properties as well as the joint-venture targets.

## THE COMPANY

MacDonald Mines Exploration Ltd. is involved in exploration for nickel-copper in the Webequie area of the James Bay Lowlands. MacDonald Mines' properties represent the largest geologically favourable land position in the "Ring of Fire" region around Noront Resources' nickel-copper discovery. The Company has operated in the area since 2003, and had a significant first-mover advantage in the major staking rush that was sparked by the Noront discovery in September 2007. As we noted in our Initiating Report of February 22, 2008, MacDonald Mines' management chartered a helicopter and was staking the region the day after Noront's announcement.

## RECOMMENDATION

In our Initiating Report, we rated MacDonald Mines as a Speculative Buy with Target Prices of \$1.35 (1-Year) and \$3.50 (3-Year). Our Recommendation and Target Prices remain intact. We believe the shares are undervalued, given the huge opportunity in the James Bay Lowlands. The stock is suitable for risk-tolerant investors.

## RATINGS HISTORY

<u>Date</u>	<u>Report Type</u>	<u>Recommendation</u>	<u>Stock Price</u>	<u>Target Price</u>
Feb. 22, 2008	Initiating	Speculative Buy	\$0.455	1-Year: \$1.35 3-Year: \$3.50
May 2, 2008	Bulletin	No Change	\$0.415	No Change

**High-Low Since Initiating:** \$0.475-\$0.28

**NOTE:** eResearch reports on MacDonald Mines Exploration Ltd. and other companies are available FREE on our website at [www.eresearch.ca](http://www.eresearch.ca).

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