

New management to develop Kalman

60.8Mt JORC Resource at 0.60% Cu eq. to be finessed into a high grade project

Recommendation

Speculative BUY

Price

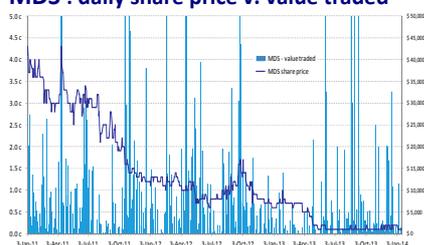
0.2c

- MDSs recent drilling at Overlander, less than 10km from Kalman, has reported intercepts including 14m @2.62% Cu, 9m @ 2.58% Cu, 13m @ 2.15% Cu.
- MDS has consolidated over 1,950km² of tenements S-E of Mt Isa, including over 60km of the Pilgrim Fault. This includes Kalman which is the basis for a copper project in N-W Qld.
- Kalman's existing Resource will be reviewed, focussing on a smaller, higher grade open pittable Resource, supplemented by high grade feed from nearby deposits.

Snapshot

Last Price	0.2c
Market Cap	\$13.0m
Shares on Issue	6,481m
52 Week High	1.0c
52 Week Low	0.1c
1 month / 6 month VWAP	0.15c / 0.12cc

MDS : daily share price v. value traded



MDS first listed on the ASX in February 2003, and completed acquisition of the Lake Carey gold deposit in February 2003. By mid 2013, MDS undertook an equity raising for further drilling to expand the resource base at Lake Carey to be able to get to a sufficient size for it to be an economic project.

Shareholders then changed the Board and management, bringing in projects, focussed on N-W Qld, that have near term development potential and significant upside.

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New Management, new projects

New management was installed at MDS, after 10 years (see p.14). The new management has introduced new projects in N-W and Central Queensland and is aggressively progressing them.

The new management has been successful in getting title to over 1,950km², nearly all of which is 100% MDS (and the balance on a clear path to 100%).

Kalman development potential

Over \$25m has been spent at Kalman by previous owners, producing a JORC Resource of over 350kt of contained copper equivalent, of which about 10% is underground and the balance open-cut.

The scoping study was based on a high volume, modest grade project, adding 6% to each of global Rhenium and Molybdenum supply.

MDS's concept is to focus on a smaller, higher grade project that relies less on by-product credits and niche markets.

Regional Plan

MDS has over 65km of the Pilgrim Fault which has many targets for near surface, higher grade copper, as shown by recent exploration results; these are within 10km of Kalman so they can be developed as satellite feeds to a mill of 1 to 2Mt/yr at Kalman.

Other Projects

Kalman is the focus project for MDS. MDS is farming into 320km² near the historic Mt Morgan and has flow a VTEM survey which has identified other prospective VMS occurrences.

Beer & Co conclusions

Beer & Co expects that the round of drilling that is to commence soon will lead to the definition of a new project, which we expect will be announced during Q2.

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Midas Resources : the New Beginning

New Management

MDS gets new management after 10 years as a listed company

Midas Resources (MDS) first listed in February 2003. Just over 10 years later, having spent \$24m, the company still did not have a viable project.

Following a highly dilutive raising, the Board and management were changed in mid 2013. The new team has brought in new, viable projects, with significant potential and is rationalising the project portfolio that had previously been the basis of MDS.

Kalman, North West Queensland

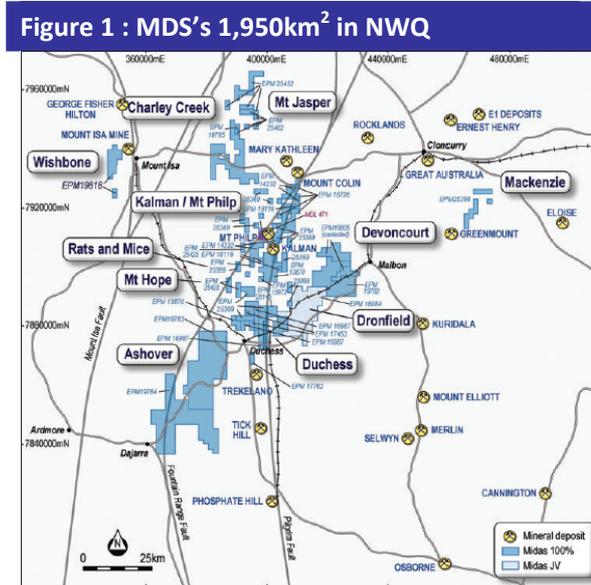
MDS now has 1,950km² in North West Queensland, an area with many operating mines and many more prospects.

MDS has title to 1,950km² of tenement in N-W Qld, as shown in Figure 1. Nearly all of this is 100% MDS.

\$25m has previously been spent at Kalman resulting in a JORC Inferred Resource of 60.7Mt of 0.60% Cu eq.

Nearly all of the tenements are 100% MDS, and MDS has a clear path to achieve 100% of the only tenement that is not.

However, the economics of Kalman relied heavily on Molybdenum and Rhenium, which comprise about 30% of the value. Also, at a production rate of 3Mt/yr, Kalman would add about 6% to annual global supply of each of Mo and Re.



Source : MDS presentation, January 2014

MDS has a sound development concept, to use Kalman as the basis for a 1 to 2 Mt/yr plant, supplemented by high grade feed from nearby prospects that have already given good grades.

Development Concept

Kalman is on the Pilgrim Fault and MDS has over 60km of the fault. Within 10km of Kalman, there are many high grade prospects, which can be developed to provide higher grade feed to a 1 – 2 Mt/yr mill at Kalman.

We have a Spec BUY recommendation on MDS

Speculative Buy

Beer & Co is not able to make an informed of value at this time, but we are confident that a valuable project will be defined this year, and that its value will be much greater than the current \$6.5m market cap of MDS.

Beer & Co initiates research with a Speculative BUY recommendation

Board and Management

RUSSELL DAVIS, Chairman



Mr Russell Davis, B.Sc (Hons), Dip App Fin, MBA, MAusIMM is a geologist with over 30 years' experience. He has been involved in all aspects of public company management, as the Exploration Director of Gold Road Resources (then Eleckra Mines), of which he remains a non-executive director, and as Managing Director of Syndicated Metals until March 2012. He was a founding Director of both companies, responsible for identifying and acquiring the gold and base metals projects on which these companies are based.

Prior to this, Mr Davis worked on the exploration and development of a range of commodities for a number of international and Australian companies, holding senior positions including Chief Geologist, Exploration Manager and Regional Manager.



ALEXANDER HEWLETT, Managing Director

Alexander Hewlett, BSc, MAusIMM, AICD, is a qualified Geologist graduating from the University of Western Australia. Alex worked as a resource-modelling geologist for CSA Global, before taking on management positions of ASX listed explorers as Managing Director of US Nickel Ltd and Chairperson of Groote Resources Ltd (now Northern Manganese Limited). Alex also periodically consults in a technical capacity for a New York resource focused hedge fund



PATRICK CORR, Non Executive Director

Patrick Corr, LIB, specialises in the laws regulating the companies and securities industries in Australia, with a particular focus on minerals and natural resources. Patrick has extensive knowledge of the legal, regulatory and commercial requirements, as well as the practical considerations, involved in mineral and resource project transactions in international jurisdictions, particularly West Africa.



NADER EL SAYED, Non Executive Director

Nader El Sayed B.Comm, MA, CA, is currently the Chief Executive Officer of Multiplant Holdings, a mining and civil services business based in Western Australia. Nader's previous roles include holding a senior management position with KPMG providing assurance, capital markets and other advisory services to key Australian and international resource companies. Nader brings a wealth of risk management, corporate governance, strategic and financial experience to the Board.

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