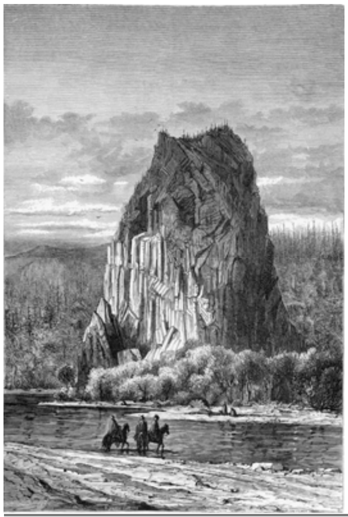

BEACON ROCK RESEARCH

SEPTEMBER 30, 2008

2008 EMERGING PRODUCERS
FALL SEASON - SPECIAL REPORT

www.beaconrockresearch.com **Disclosures 1,2,3,4** **5956 N.W. 213th, Portland, Oregon 97229**

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Emerging Producers Complete Journey of a Thousand Miles with Final Few Steps

The lengthy period of time required to advance a project from discovery to production might be likened to "a journey of a thousand miles commencing with a few steps." We have argued that the value of projects should re-rate upward as they near production. Should metal prices and operating costs remain stable, this should provide a path for patient investors to achieve above average rates of return on their investments. In the past year, despite metals reaching historic levels, increased operating costs and anxious credit markets have not rewarded investors or company management for creating value by advancing up the value curve. This has led to a historic correction in exploration and mining equities and one of the best investment opportunities in the mining sector in years.

Management and investors of exploration and mining companies are frustrated that high metal prices have not translated to higher stock prices. While metal prices typically experienced weaker demand in the spring and summer months, we anticipate seasonally stronger demand for metals may lead to a resumption of interest in the mining sector. The sector should remain of interest due to increased anxiety over potentially inflationary actions of outgoing/incoming administrations and willingness of foreign nations holding U.S. securities. In addition, with a general reduction of confidence in global currencies, we see investor interest in real assets, or companies producing real assets as having greater appeal.

Many of the companies discussed in this report are trading near their 52-week low. Each is either in or approaching production with reduced requirements for financing reducing risk of dilution to shareholders. The potential cash flow is important to fund exploration and development of other projects or complete additional expansion of operations. Several these companies are trading at levels similar to that at the outset of construction, suggesting reduced risk with significant near term upside.

An important part of our thesis is the re-rating of valuations companies experience as they move up the value curve. Typically, the greatest gains for companies in this sector occur at the discovery end of the curve; given tighter credit markets and sustained levels of record metal prices, we believe the opportunity for companies to move from construction to production has become the more interesting investment play on the value curve. We have seen 2008 as important for several companies in our coverage universe to re-rate as they complete their journey of a thousand miles, ending with a few steps.

NovaGold's Rock Creek Mine Now in Production

NovaGold Resources Inc. (AMEX: NG) announced meeting regulatory hurdles and is now commencing gold production at its Rock Creek mine in Nome, Alaska. The Rock Creek mine is the first modern open-pit hard rock mine in the Seward Peninsula, located seven miles north of Nome, the finish line for the Iditarod. We visited the Rock Creek mine in September of 2007 and were thoroughly impressed with the area's mining legacy and opportunity for placer and hard rock gold mining.

The Rock Creek mine is designed to process 7,000 tpd using gravity, flotation and CIL recovery processes producing 100,000 ounces of gold per year at an estimated cost of US$500 per ounce. Management expects to ramp up production during the fourth quarter of this year. The project is expected at current metal prices to generate $25 to $35 million in cash flow annually, important to elevate NovaGold to producer status.

Figure 1 - Ore Pile, Rock Creek Mine, Nome, Alaska
Source: NovaGold

We believe that operations have good potential to proceed unimpeded once the project ramps to full production. NovaGold has stockpiled 450,000 tonnes of ore (two month's feedstock) with adequate opportunity for testing and commissioning individual components. In addition, while weather conditions can be challenging in Nome, the year around project is basically a simple truck and shovel operation. Also, the project is situated in good proximity to labor on the outskirts of Nome, with well developed infrastructure, including power and all weather roads.

NovaGold's Nome properties, including the Rock Creek mine, have a Proven and Probable reserve of 510,000 ounces of gold (with an additional 1.8 million ounces of gold classified as Measured and Indicated and 330,000 classified as Inferred). Management appears confident that it may extend the mine life of the Rock Creek mine to beyond ten years with further exploration and development of the Saddle, Big Hurrah and Nome Gold targets. Altogether, NovaGold's available land for exploration and development in the Nome district is approximately 34,000 hectares.

Donlin Creek and Galore Creek are World Class Assets

Though NovaGold's Rock Creek mine is the company's first operating mine, its two largest projects are the 50-50 partnership with Barrick Gold Corporation (NYSE: ABX) at the Donlin Creek gold project and its 50-50 partnership with Teck Cominco Ltd. (NYSE: TCK) at Galore Creek copper-gold project.

The total resource estimate at Donlin Creek is 31.7 million Measured and Indicated ounces and 4.2 million ounces of Inferred ounces of gold, and should produce 1 million to 1.5 million ounces of gold for a period of 25 to 30 years. Since this resource is a pit constrained estimate, we would anticipate conversion to reserve status with completion of a Feasibility Study scheduled for completion in 1Q09. With construction targeted for 2012, Donlin Creek could become one of the largest gold producing mines in the world.

At NovaGold's Galore Creek copper-gold project, which was suspended last fall pending a comprehensive engineering review, Teck Cominco management has reported encouraging progress and expects to make a new go-forward decision later in 2008 under a modified development plan. We note that the decision in part was due to their conservative long-term metal price assumptions at the time, including copper at $1.50 per pound; by comparison, copper prices have continued to remain firmly above $3.00/lb for a third consecutive year. With a slightly increased long-term copper price assumption and additional engineering optimization we expect Galore Creek to move forward resulting in the potential re-rating of NovaGold's valuation.

Achieving full production at Rock Creek represents a major risk reducing achievement for NovaGold. With cash flow from Rock Creek estimated at between $25 and $35 million, we would anticipate NovaGold will largely be able to meet its cash requirements for development work at both Donlin Creek and Galore Creek through the end of 2009. We believe that industry wide cost pressures that have impacted NovaGold's projects over the past couple of years are abating and may be largely mitigated by increased long-term consensus metal prices. Additionally, with clear 50% ownership in two world-class gold and copper-gold assets, NovaGold appears significantly undervalued relative to the prior failed Barrick takeover attempt at $16 per share. As the Rock Creek mine moves into production, shares of NovaGold appear to be significantly undervalued. We additionally see upcoming development milestones from Galore Creek and Donlin Creek to act as significant near term catalysts.

Etruscan Approaches Cash Flow Breakeven for Both Gold and Diamond Production

Etruscan Resources Inc. (TSX: EET) completed its first gold pour at its Youga Gold Mine in Burkina Faso in mid-June of 2008. They later reported that they expected to reach operating breakeven in August of 2008. We suspect the mine may now be operating closer to full capacity. As designed, the Youga gold mine is capable of processing 83,000 tonnes per month and producing 6,700 ounces of gold monthly.

At current metal prices, we suspect that the Youga mine may be capable of generating several million dollars of cash flow each month, prior to corporate overhead and debt service, which may allow for a more comprehensive exploration program in 2009.

Figure 2 - Youga Gold Mine, Burkina Faso
Source: Etruscan

Etruscan had experienced milling issues in the gravity circuit which have been rectified. They are now mining the A2 West Zone, near the larger A2 Main, which has both a lower strip ratio and higher grades. This should also provide confidence for a more efficient and higher level of production in the near term. Also, management has carefully commissioned the mine operation, relying on manufacturer representatives to ensure stable and increasing operating levels. They have also invested in a back-up drive train stocked as a spare. Power is now provided from diesel generators on site, which will provide back up power after the project is connected with the northern grid of the Volta River Authority by year end.

Presently, the Youga Gold Mine has reserves of 6.6 million tonnes, grading 2.7 g/t gold, and containing 580,000 ounces of gold. The current reserve should provide for a mine life of about 6.6 years. We anticipate that Etruscan is in good position to significantly expand this resource with further exploration of satellite deposits in the Youga Gold Belt, and the Ouaré Zone, 35 kilometres to the northeast. While historic and recent drill results at the Ouaré Zone may define several hundred thousand additional ounces of gold for the Youga Gold Mine, the mineralized area remains open to expansion, and geophysical surveys warrant additional drilling that could lead an even larger resource.

Etruscan Diamonds Increases Alluvial Diamond Resource and Production

Etruscan maintains a 52% interest in Etruscan Diamonds, which recently received an updated NI 43-101 compliant resource estimate on its Blue Gum Diamond Project in South Africa. The resource update on the alluvial diamond deposit was made possible by statistical data gained from successful operations leading to an increase in the total diamond resource, conversion of the resource classification to Indicated from Inferred, and an increase in the average value per carat. This work suggests that the project could be more profitable, but more importantly, it demonstrated the potential for further expansion of the resource and operation, as well as provided insight for the potential of Etruscan Diamonds' land package.

The resource update at Blue Gum resulted in an increase total resource to 40.8 million m³ from 37.4 million m³, with a 24% increase of Indicated resources. The update also concluded an increase in average value to US$606 per carat from US$466 per carat. This indicates that an increase in profitability and longer mine life is likely. Also, additional statistical data provides higher confidence for further resource expansion, as well as structuring effective drill programs.

Figure - 3 - Scrubbers Feeding New Pan Plant Circuit
Source: Etruscan

The current operation at the Tirisano Mine at the Blue Gum Project has a design capacity of 100,000 m³ per month, targeting production of 2,500 carats per month. Break-even for total operations and other expenses is roughly 1,500 carats per month. For the three month period ending August 31, 2008, Etruscan Diamonds mined approximately 150,000 cubic meters yielding 4,099 carats for an overall grade of 2.74 carats per hundred cubic meters and a rough tender average value of US$589 per carat. We suspect that operations at the Tirisano Mine may attain break-even on an operating basis in September of 2008.

Break-even at the Tirisano Mine is important for Etruscan Diamonds to operate on a stand-alone basis. In addition, ongoing operations are important for resource expansion and completing technical reports to support increasing capacity to 260,000 m³ per month. This should allow for a more complete understanding of Etruscan Diamonds' land position as well as increasing the opportunity to spinout the diamond assets should market conditions allow.

Minefinders Now Placing Ore on Pad to Commence Leaching

Minefinders Corporation Ltd. (AMEX: MFN) is nearing production at its gold-silver Dolores project in Chihuahua, Mexico. They have placed a significant amount of ore on the pad and may commence leaching in the next couple weeks with initial production early in 4Q08. When we spoke to management at the Denver Gold Forum, they believed they could still produce over 10,000 ounces of gold and 350,000 ounces of silver in 2008. Though there may still be some slippage in this forecast, it appears that issues with illegal blockades have been sufficiently resolved to initiate production.

Figure - 4 - Stackers Place Ore on Leach Pad
Source: Minefinders

The Dolores project is generally complete with all critical equipment capable of processing 18,000 tpd. An updated base case for Dolores (assuming gold at $675 per ounce and silver $13 per ounce) estimates production of 1.77 million ounces of gold and 64.35 million ounces of silver over a 15.5 year mine life. An economic update utilizing base case assumptions concluded a 0% NPV of $831 million or about $17 per share. Minefinders anticipates cash costs to average between US$400 and US$450 per gold equivalent ounces in 2008. The average cash cost is expected to decrease, as production increases and stabilizes in 2009, to a forecasted average cash cost of US$297 per gold equivalent ounce over the life of the project.

Minefinders is studying the potential of adding a 3,000 tpd flotation mill to enhance recoveries of high-grade ore in the open pit and process additional underground ore to increase production capacity. The current open pit plan and updated economic base case does not include high-grade ore below or up to one kilometer peripheral to the proposed pit. The addition of a flotation circuit may increase recoveries to 90% to 95% for gold and 85% to 90% for silver. Recoveries from the existing 18,000 tpd heap-leach operation are estimated to be 72.25% for gold and 50.8% for silver.

Figure 5 - Commissioning at Dolores After Dark
Source: Minefinders

Minefinders previously reported that the road to the Dolores project has been intermittently blockaded since May of 2008. This consisted of placing a cable across the road and making threatening actions. Out of concern for worker's safety they suspended operations and sought enforcement of laws from state and federal government authorities. Upon receiving written guarantees for safe access from the government, and an increased police presence, Minefinders resumed commissioning and placing ore on the pad. This followed intense lobbying by the company, Ejido members, local community representatives, as well as employees and outside contractors.

We believe that the government has become increasingly aware of the economic importance of the mine for the village of Dolores and State of Chihuahua. They should appreciate the positive influence of an additional legitimate employer in its overall campaign to maintain order in the State of Chihuahua. There are presently about 600 employees and contractors at the Dolores project and operations will draw heavily on the local village and Chihuahua.

Minefinders has made compensation payments to the residents of Dolores and constructed a new village which includes electrical, water and sanitary services not previously available. They have constructed public facilities including a primary school, community center, town offices, medical facility and a church. When we visited the project in the spring of 2008, most of the new residences appeared to be occupied and classes in the new school were in session. In addition, Minefinders has also completed improvements to roads leading to the project and provided capital to local entrepreneurs to provide support services to the project and local village.

We see significant upside for Minefinders and the Dolores project. We remain bullish on metal prices; assuming gold and silver prices of $900 and $17 per ounce, respectively, the economic study estimated a 0% NPV of $1.5 billion. This does not include the possibility of adding a 3,000 tpd flotation circuit or developing its other projects in Sonora. As shares of Minefinders are trading at less than half the 2007 base case alone, it would appear that they are significantly undervalued by the market. As all operations and equipment is new, we suspect a fairly consistent ramp up to full production. Clearly, the most significant risk is the potential for additional disruptions by illegal blockaders. While a blockade would be unfortunate and unnecessary, management has properly engaged government authorities in its efforts to resolve difficulties effectively at the local level.

Mercator to Commence Production in October

We attended Mercator Minerals Ltd.'s (TSX: ML) annual meeting at its Mineral Park Mine near Kingman, Arizona last June We found construction on time and on budget. Management is now commissioning the first stage (25,000 tpd) of its 50,000 tpd copper-molybdenum project, with startup expected in October, and the expectation of reaching breakeven on an operating basis by the end of 2008. The Mineral Park Mine may be one of the lowest cost and lowest risk projects to be put into production in the current metal cycle. With copper and molybdenum prices holding at current levels, given broad based liquidation of mining equities, shares of Mercator may represent one of the most attractive opportunities.

The Mercator construction team has had previous experience together, placing a mine into operation in Nevada. The Mineral Park Mine has previously produced copper-molybdenum concentrate. In acquiring the Mineral Park Mine, Mercator resumed production of cathode copper, and by optimizing existing facilities, produces roughly a million pounds of copper per month.

Management financed the first stage of construction with debt financing and without a hedging requirement. Approximately 40% of the construction required for the second stage was completed in the first stage of construction. As management sold the silver stream, the second stage of construction is now entirely financed. For these reasons the Mineral Park Mine may be characterized as having a low risk profile.

Figure - 6 - Mineral Park Mine, Kingman, Arizona
Source: Analyst

The economics of the Mineral Park Mine are exceedingly robust. As a previously operating open pit mine, the strip ratio is 0.18 to one. At commodity prices of US$1.40 per pound for copper, US$7.50 per pound for molybdenum, and US$7.50 per ounce for silver, the Mineral Park Mine has total estimated Proven and Probable mineral reserves and contained metal of over one billion pounds of copper, 260 million pounds of molybdenum, and 12 million ounces of silver, and an estimated mine life of 25 years. Their pre-feasibility study, assuming metal prices ofUS$1.53 copper, US$10.13 molybdenum, and US$7.50 silver, estimated an after-tax IRR of 51% and NPV of US$426 million with 1.8 year payback of capital. Annual production over the first 10 years is scheduled to average 56.4 million pounds of copper, 10.3 million pounds of molybdenum and 600,000 ounces of silver.

In June of 2008, Mercator sold its life-of-mine silver production to Silver Wheaton Corp. (AMEX: SLW) and received an up-front payment of US$42 million in cash. Upon delivery, Silver Wheaton will pay Mercator an additional payment of the lesser of the silver spot price or US$3.90 per ounce of silver (escalating 1% per year commencing in year four). We view this transaction to be quite positive for shareholders. Silver is a by-product at Mineral Park, accounting for less than 2% of anticipated revenues. It is unlikely that investors give the silver component significant value when assessing Mercator's overall investment potential. Also, Mercator benefits from both the up-front cash payment and an established buyer for the silver over the life of the mine.

Figure - 7 - Mineral Park Mine, Kingman, Arizona
Source: Analyst

The up-front cash payment, prior to commencing production, provides an immediate boost to the expected internal rate of return (IRR). Based on our model, as revised from earlier economic studies, the sale of the silver production may have increased the IRR by as much as 40%. Interestingly, this increase in return occurred while reducing the risk associated with construction. In addition, the ability to order ahead has been shown to keep the project on schedule and reduce construction risk. Also, the availability of funding may allow Mercator to retain key personnel for the seamless construction transition from stage one to stage two.

We have revised our model to account for the US$42 million cash payment by Silver Wheaton. With copper at US$2.15 per pound (the average real price of copper over the prior 130 years) and molybdenum at US$20 per pound, receipt of the Silver Wheaton payment increases the IRR to 131% from 93%. The NPV at an 8% discount rate increases slightly to US$16 per share. Interestingly, with assumptions reflective of current market conditions of US$3.00 per pound copper and US$30 per pound molybdenum, the IRR increases to 189%, and NPV at 8% increases to US$27.95 per share. While each analysis is always suspect to modeling risk, we consider the likelihood of the Mineral Park Mine moving into production with both stages to be very good, and with share prices at current levels to make for a very attractive opportunity.

Acadian Resolved to Meet 2008 Production Guidance

Acadian Mining Corporation (TSX: ADA) management is confident that it is on target to be cash flow positive in 3Q08 and to meet its 2008 sales targets of 30,000 wet metric tonnes (WMT) of zinc concentrate and 12,000 WMT of lead concentrate. This would be a significant accomplishment following its second quarter, which has proven to be the most challenging quarter in company history. Though they experienced unscheduled maintenance costs at the mill and higher fuel costs due to higher levels of pumping water in 3Q08, head grades and production levels are increasing, and with stable metal prices cash flow from Scotia Mine should improve through the end of 2008.

Adverse weather conditions at Scotia Mine in the first half of 2008 led to the shutting down of pumps, and flooding of the pit prevented access to the higher grade ore in 2Q08. This resulted in processing lower grade material from the pit and the stockpile to provide feed for the mine. Higher throughput with lower grade material increased the cash operating cost of producing zinc to C$0.78 per pound in 2Q08, an increase over C$0.72 per pound in 1Q08. Management took numerous steps to resolve issues, including drilling additional dewatering wells and accessing higher grade ore to optimize production in an effort to reduce costs to C$0.55 per pound in 3Q08. These improvements would suggest breakeven operations costs, including overhead, to a resulting overall breakeven cost of about C$0.59 per pound, which remains below current prices for both zinc and lead.

Figure - 8 - Scotia Mine, Nova Scotia
Source: Analyst

Scotia Mine is currently operating at a rate of 2,400 to 2,500 tpd with a goal of reaching capacity of up to 2,700 tpd. The mine continues to experience higher recovery levels for both zinc and lead. Recoveries for zinc and lead of 83% and 86% respectively, are close to targets and further improvements are anticipated. The current resource supplying Scotia Mine should provide feedstock for a mine life of 6.5 years. However, this does not include an additional 1.8 million tonne Inferred resource in the pit area, the recently announced 1.82 million tonne (Measured and Indicated) and 580,000 tonne Inferred resource established for the Getty deposit and the non-compliant uncategorized resource of approximately 500,000 tonnes at Smithfield. In addition, positive drill results indicate further potential for additional zinc-lead mineralization immediately southwest of the mine at Carroll's Farm and Carroll's Corner. We believe this clearly increases the probability of the mine life being extended.

Acadian continues to advance prospective zinc-lead deposits for extending the mine life of Scotia Mine. They have claims that extend over a strike length of approximately 50 kilometers of potentially mineralized host rock similar to the current identified resource. Acadian's primary zinc-lead projects for expanding the resource in the near term include the Carroll's Farm and Carroll's Corner prospects, the Getty deposit (located about 1,500 meters west of Scotia Mine) and the Smithfield deposit, located 34 kilometers to the north of Scotia Mine. Furthermore, the company controls a large highly prospective land position at other locations in Nova Scotia.

Scotia GoldFields and Royal Roads Represent Significant Hidden Assets

Acadian also has significant gold projects in Nova Scotia, including five advanced gold properties with 626,000 ounces of gold classified as Measured and Indicated and 1,011,000 ounce of gold classified as Inferred. Their two primary gold assets include the wholly owned Beaver Dam project and a 50% interest in the Fifteen Mile Stream project. These two projects are located only 18 kilometers apart and are on the same geological structure with disseminated gold mineralization amenable to open pit bulk mining. Fifteen Mile Stream has a strike length of over three kilometers and is open to possible expansion. The Fifteen Mile Stream project has the potential to become the most significant gold deposit in Nova Scotia (one drill hole reported 1.46 g/t gold over 102.9 meters). Acadian's other advanced gold projects include Tangier, Goldenville, and Forest Hill.

Acadian also holds a 29.1% interest in Royal Roads Corp. (TSXVENTURE: RRO) which owns the Daniels Pond and the former Buchans Mine in Newfoundland, Canada. These projects are located in an area that was historically one of the highest producing base metal regions in Canada. In addition, Acadian continues to advance its barite project in Nova Scotia. Barite is an important component in drilling mud for the petroleum industry, a resource now primarily supplied from China.

We consider shares of Acadian to be significantly undervalued. A rebound in precious and base metal prices, with improving production and cash flow at Scotia Mine, and numerous unappreciated assets, provide a level of fundamental value with potentially significant opportunity. To realize this potential Acadian will need to deliver on its production goals and advance its zinc-lead and gold assets in Nova Scotia.

DISCLOSURES:

Beacon Rock Research, LLC provides information and analysis on selected companies, with a focus on small-cap and micro-cap companies.

This report has been written in accordance with current SEC regulations and the Standards of Practice developed by the Chartered Financial Analyst Institute (CFAI). Our research has been conducted by employing analytical practices generally accepted as standard within the analytical industry. In this instance, a comparison of financial strength, a bottom-up earnings projection based on a recovery in the U.S. economy, and relative multiples, were employed. Target prices are calculated on comparative EPS, sales and book value multiples, and our knowledge of small-cap markets when enjoying both a sector and a cyclical rebound. Our conclusions are, by the very nature of forecasting, speculative, but are also reasonable, supportable and consistent.
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Strong Buy	Immediate purchase is recommended. The security is expected to outperform the market over the next six to 12 months.
Buy	Immediate purchase is recommended. The security is expected to outperform the market over the next 12 to 18 months.
Hold	Holding the stock is recommended because the share price's appreciation potential is less than or equal to the market.
Sell	The stock has reached the target price objective and/or conditions have changed sufficiently to alter the outlook for the stock.

EQUITY RISK SYSTEM:

High	The security is more volatile than the market and/or the company is more leveraged than its peer group.
Moderate	The security has about the same volatility as the market and/or the company carries a level of leverage in line with its peer group.
Low	The security is less volatile than the market and/or the company is less leveraged than its peer group.

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