



# BEACON ROCK RESEARCH

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## SPECIAL REPORT

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Disclosures 1,2,3,4

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### The Meaning of Life and the Mining Sector

About a month ago I was near Treaty Creek, east of the Eskay Creek Mine, in northeast British Columbia. I was in the right-front passenger seat of a Hughes 500D helicopter attempting to cross over a mountain ridge. The ceiling was low and we could see the horizon above the broad snow covered glacier.

The rails of the helicopter burrowed into the snow, my torso braced in the shoulder harnesses, and we went face down in the snow bank. The plastic nose crumpled loudly and disappeared, pressing me into a protective fetal position, encasing us in the front seat in a white cellophane-like seal. We were freed as momentum carried us into a forward summersault (a maneuver later described as a “double outside rat’s ass in a helicopter”) in a white blur. We came to rest on the passenger side, facing down-slope, the direction from which we had come.

Confused and having no frame of reference, I deduced that, unbelievably, I was in fact in a helicopter crash. My headset came off and the screaming turbine behind my shoulders precipitated the scimitar of detached rotor blades that, by centrifugal force, might soon separate my head from my shoulders. Knowing my time left was likely to be less than a fraction of a second, I found the three most important syllables, “take me Lord.” The engine came to rest, I smelled fuel, and recalled my insurance agent (having failed to sell me accidental death and disability) who had warned me that most fatalities in helicopter crashes result from fire, not from contact with the ground. I bungled with the harness release and scrambled out from under the instrument panel through the shattered wreckage of a sleek plastic windshield.



Within seconds, all four of us stood in front of a disintegrated hulk that a moment before was a perfectly fine million-dollar aircraft. We were in shock from both the crash and the fact that we had all walked away unscathed. I got the worst of it, receiving cuts on my hands from crawling across bits of sharp plastic from the shattered windshield. An hour later, we boarded a rescue helicopter, after having hiked about a mile down the snowfield. After looking at some drill core, we flew to Stewart where I received only eight stitches. On my return to Portland, my wife was relieved to see me. Safe at home, after helping me with my bath, she handed me a towel and asked me if I had considered another line of work. Sharing this experience has been both therapeutic and an opportunity to reflect on what constitutes a life worth living.

**Why I Love My Job**

Seeing projects far from home is more than completing due diligence and getting first-hand perspective on projects. It has been enlightening to appreciate the cultures in remote areas of Canada, Mexico, and elsewhere in the world. It has been awe inspiring to see the Southern Cross and Milky Way in the night sky of the Southern Hemisphere from the pampas of Argentina or the Tasmanian outback. It has been a privilege to walk in the footprints of ancient miners among the gold mines of Virginia City, Nevada, and share the experience of panning for gold on the beaches of Nome, Alaska. While the locales may seem to be the high point, making the acquaintance of the highly intelligent and innovative thinkers who inhabit mining and exploration companies merits the top billing.



**Beaches of Nome  
NovaGold's Rock Creek Project  
Nome, Alaska**

More important than seeing projects, due diligence visits require a significant investment of time, necessary for a full appreciation of management. There is no better use of time for an analyst than to spend it with company management. From this experience, I have concluded that no individual could appreciate the earth with more honest curiosity than a geologist. They willingly embrace failure, a reiterative process of hypothesis and test, to locate and define economic mineralized deposits. The ensuing humility sustains a reverence for the planet and appreciation for the cultures that inhabit remote areas. These curious and innovative individuals go to remote parts of the earth not only to create wealth for investors, but to bring improved living conditions and economic development to forgotten people.



**Exeter Resources Don Sixto Project  
Mendoza Province, Argentina**

Even successful projects may take a decade to bring to production. With only the permission of the prevailing governmental authority, mining companies invest millions in infrastructure, bringing power and supplies, thus providing for higher and healthier living standards. This is done without the guarantee of making a return on capital. While private corporations make this effort far more sustainable than government programs or charity of non-governmental organizations, it is baffling to witness the lack of public appreciation for this good work. The human return on the investment is over and above what is returned to the investor.

**The Work is Important**

The proverb rings true that “there is nothing better than to do your work and call it good.” As the broader markets have recently approached moral collapse, it is a privilege to provide research coverage on an industry built on a unique combination of wealth-creating vision and real assets. Early in the 21<sup>st</sup> century, we may be on the verge of an economic downturn of epic proportions, or at the outset of one of the biggest buying opportunities in a lifetime. It is gratifying to work toward providing information that might assist investors in determining risk and reward in hopes of contributing to more efficient markets and flow of capital.



**Etruscan Resources' Youga Gold Mine  
Burkina Faso, West Africa**

On an even higher level, global economic growth is absorbing resources at an increasing rate which may bring us closer to a worldwide conflagration (even more costly than expensive Iraq-like police actions). Despite well publicized environmental concerns over mining, these arguably pale in comparison when weighed against the economic, social, and environmental costs of war over diminishing resources. Rather than project-stopping regulation, we suggest that a free and efficient market in a stable political system is better able to locate, manage, and recycle resources. Having seen the world, far from bustling cities, it has become apparent to me that the resources of the planet remain untapped.

In opposition to faux environmentalists, the latter day disciples of Thomas Malthus, the metals and mining industry stands alone to build a platform of peaceful and sustained global economic development. Advancement in technology has increased the ability of the mining industry to safely and effectively locate and mine resources as never before. There have been significant advances in technology for protecting the environment. We are no longer limited by technology, but by the moral conviction to locate and mine resources with the highest level of respect for the planet. From this perspective, my personal perspective is that my work is clearly interesting and important, and well worth the risk.



**DISCLOSURES:**

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<b>Moderate</b>	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.
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