

BEACON MINERALS

RESOURCESTOCKS

BACKYARD GOLD FIND IS A SHINING LIGHT

Sometimes it takes a trip around the globe to realise that the biggest opportunities are in your own backyard. At least that is what junior explorer Beacon Minerals has discovered.

WHEN HOMEGROWN junior Beacon Minerals headed to the backblocks of Kyrgyzstan in search of a golden company-maker in 2008, it was in the belief that the grass would be greener on the other side of the world.

The \$14 million market cap company had two local assets under its belt at the time – the Greenvale copper-gold project in Queensland and the Barlee gold project in Western Australia. Sadly neither had provided the boost needed to transform the explorer into a producer.

So managing director Darryl Harris and his small team started an international search. Before long they were offered a package of four opportunities (two copper-gold and two silicon) in Kyrgyzstan that ticked all their boxes.

“We had decided to not place any geographical limits on our search,” Harris said.

“When these assets were presented to us, we realised they held a lot of potential value.

“Right throughout the Commonwealth of Independent States, it is elephant-type country – massive deposits that require lots of money to develop and bring substantial returns.

“The world’s largest open pit

gold mine [owned by Navoi Mining] is located next door in Uzbekistan and the surrounding region is geologically-rich, so we knew that if we could get the finance, it would be a great part of the world to be in.

“The silicon project was particularly attractive as it was going into bankable feasibility stage and we planned to push it fairly quickly to project status.

“It was company-maker package and we were keen to raise funds for the acquisition.”

But when the global crisis reared its head midway during discussions, the financial opportunity became very much an obstacle.

“We were in the process of capital raising and all of a sudden, investors went scurrying back to their corners,” Harris said.

“It became impossible to raise funding for any project, least of all in a region like Kyrgyzstan.

“The program of works was to be quite an expensive venture, revolving around a US-based exploration program and economy at a time when the Australian dollar was very weak.

“We wanted to proceed but there was no way to get around the financial hurdles.

“So we disposed the assets back to the original vendors and returned to our roots.”

With an economy still reeling and just \$200,000 in the bank by the beginning of 2009, Beacon was forced to park its foreign investment ambitions and bring the focus back to its Australian interests.

“We struggled for a while raising small amounts of money here and there to keep the company alive and also to keep up exploration on our tenements,” Harris said.

It was during that phase that the company started to see Barlee in a different light. Its promise of future high-grade discoveries was the impetus for an \$8 million capital raising.

“We had some great hits at Barlee in the early days and our follow-up results have shown high-grade shallow gold intersections,” Harris said.

“We rationalised that it could probably be a company-maker in itself if we could raise some cash and get some of those primary ounces.

“It is a strange feeling to have gone halfway around the world only to realise that what your company needs most has been in your portfolio all along.

“We needed that experience though, in order to approach what we have from a different perspective.”

Harris is pragmatic about the order of events.

“We had done some previous drilling at Greenvale and Barlee and were getting some interesting results but we just were not getting any traction in the market,” he said.

“Gold was not sexy at the time, which did not help our cause.

“We needed to inject more interest into the company and we believed the way to do that was to seek out larger-scale projects overseas.

“We had some great hits at Barlee in the early days and our follow-up results have shown high-grade shallow gold intersections.”

DARRYL HARRIS
BEACON MINERALS

“Circumstances forced us to reconsider that move and now Barlee is our sole focus.”

Located 200km north of Southern Cross in WA's Murchison district, the Barlee gold deposit comprises 400 square kilometres of ground in three tenements considered highly-prospective for gold, uranium and nickel mineralisation.

Beacon's primary target is the Halleys East shear zone. The company released an initial JORC-compliant resource for it in December 2009 – less than 12 months after exploration restarted – of 384,000 tonnes at 6 grams per tonne for an estimated 74,000 ounces gold.

The company is so confident of an imminent gold find that it has applied for a 12sq.km mining lease over Halleys. This will allow a smooth transition to open pit mining and initial cashflows utilising toll treatment, if applicable, by 2012.

With an in situ cash operating cost of around \$380 per ounce (\$580/oz with transportation and handling), Harris believes it will be a highly profitable project.

“This discovery is extremely high grade, it sits at the surface with a simple metallurgy and gold can be produced for very low operating costs,” he said.

“If we find another three or four Halley's East-type deposits, reach our exploration target of more than 250,000oz and look at a standalone processing operation.

“The critical exploration target is between 200,000oz and 250,000oz at which point the construction of a processing plant becomes a viable option, supported by future regional discoveries as we keep exploring.

“The numbers are quite simple – at a production rate of 50,000oz per year and \$1000 profit per ounce, we could spend \$30 million on capital, put more money into the ground and still walk away with more than \$150 million in revenue.

“The big attraction about this area is that it is virginal ground – we are on a greenstone belt, which has never been explored with modern techniques mainly because it is so isolated and has shallow alluvial ground cover.

“Our project is west of the goldfields and not on the historically-prolific Kalgoorlie-Leonora belt.

“If we were closer to Kalgoorlie, we would be tripping over drill holes every 20 metres or so because that area has been so widely explored.

“By contrast, we have 400 square



kilometres of acreage, some of which we have not even walked over yet and to get such good grades from our first prospect is very encouraging.

“We spent most of 2010 doing a lot of regional exploration including soil sampling, RAB aircore drilling for soil anomalies and following up with RC drilling.

“Based on some interesting results from the infill aircore work and a recently completed high resolution airborne geophysical survey, we are now preparing an advanced drilling program into some identified mineralised targets.”

That program, and the remainder of the year's schedule of activity, will be fully-funded by the company's \$4 million bank balance and its recent \$3.5 million investment in ASX-listed Consolidated Tin.

“That cash will probably take us well into next year,” Harris said.

“We run a very lean ship – we do not have massive overheads, we have a small team and our money goes back into exploration.

“There is no substitute for money in the ground and we are confident that we will find gold in this area.

“A prospector before us has already found 1.5 ounce nuggets sticking out of the ground on our property in areas we have not even looked at yet.

“When I joined Beacon, gold was \$US700 an ounce and we had a fairly interesting project under our belt.

“Now at \$US1400 an ounce it is a far better proposition particularly in light of our low cash costs.

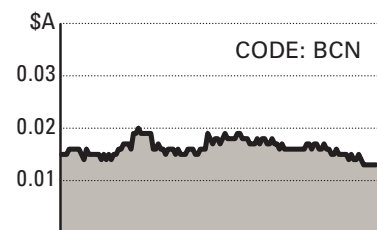
“Sometimes the simplest exploration destinations are the ones that actually seal your fortune.

“We have the direction now, the cash and the right attitude and if we can find the ounces at Barlee, we will certainly have a very rewarding development on our hands.”

– Imelda Cotton

Early morning
drilling in Outback
Western Australia

BEACON MINERALS AT A GLANCE



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MARKET CAPITALISATION

\$A12.94 million (at press time)

QUOTED SHARES ON ISSUE

995,073,400

MAJOR SHAREHOLDERS

Forty Traders Limited 2.5%
Renwick Nominees Pty Ltd 1.5%
Geocrystal Limited 1.5%