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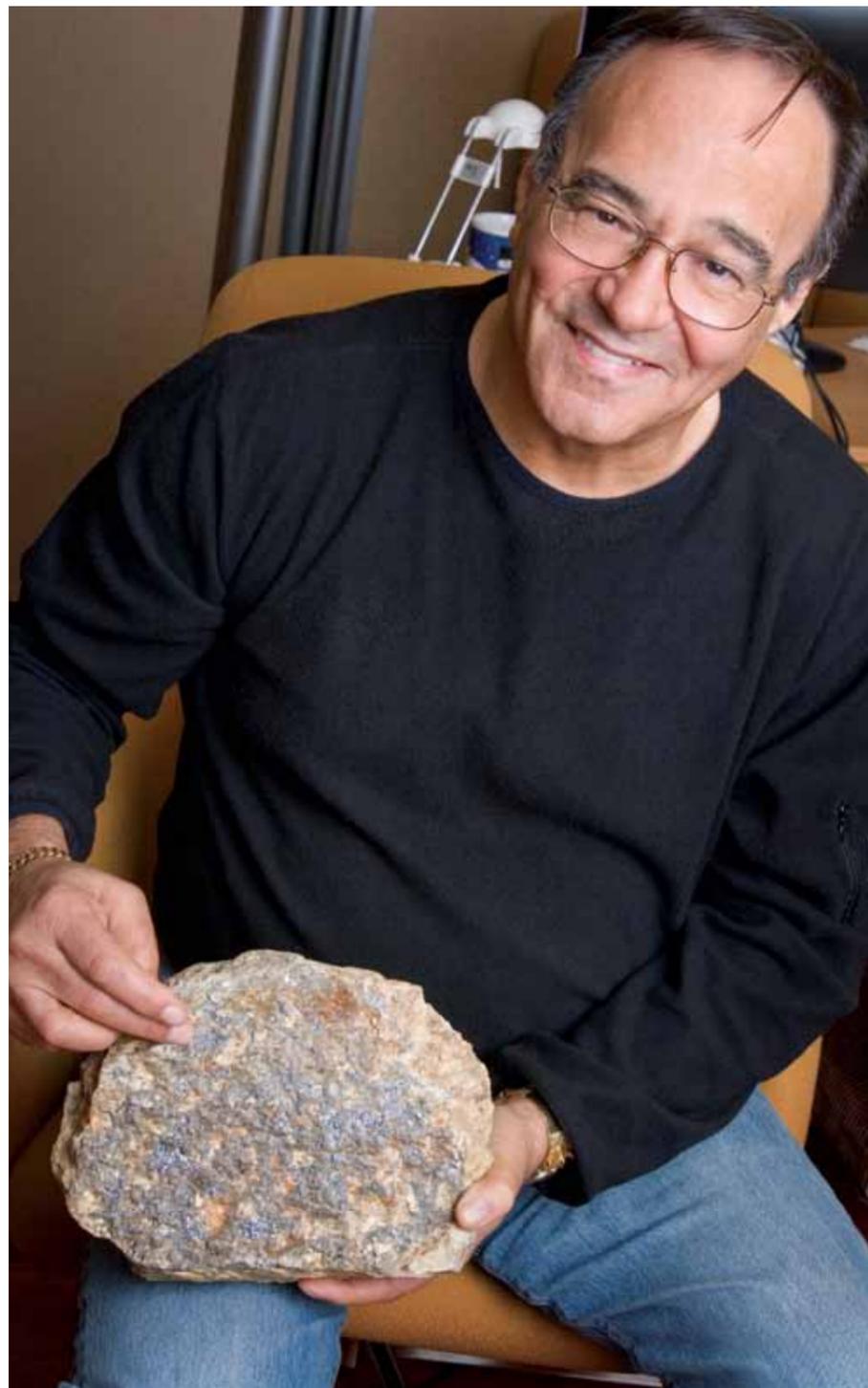
LARRY REAUGH: Mine Finder

By Kate Richardson

Larry Reaugh has been called a lucky mine finder for years. It is possible that his reputation is the result of 44 years of experience in the mining business, including 17 years of practical work in exploration, development and operation of mining properties, followed by 27 years of running public companies. Still, Larry admits that luck plays a part. "You can use all the technical data you can get your hands on, but anything can happen to offset the target from where you think it might be," Larry says. "So even with expertise and experience, luck is a definite plus." Larry has the optimism and faith, the ability to take risks, the wisdom and experience, and the contacts with respected professionals to make himself a lucky mine-finder several times over. He is credited with several producing mines and has raised more than \$160M for the exploration and development of mining properties.

For instance, Larry began looking for molybdenum in 1995. He suspected that the overlooked metal was due for a substantial comeback. He was right. His Ruby Creek Molybdenum project is about to become the world's first large open pit primary molybdenum mine operation to be brought into production in the last 25 years.

With an 18-month lead over competitors, Adanac Molybdenum Corporation is in an enviable position. The Ruby Creek property has an up-to-date (2006) bankable feasibility study with application for permits required



to operate a mine currently in process with the British Columbia government. Larry picked up the property in 2000. He had been in the area looking to stake for tungsten and, checking more thoroughly became aware that the old Adanac property was open ground. Previously owned by major mining companies that had poured \$35M (in today's dollars) into exploration, development and feasibility engineering studies during the 60's and 70's, the property had been released back to the province during a time of severely eroded commodity prices. After investing another \$15M and one and a half years to bring the property to its present state of development, Adanac plans to begin construction this summer. Production will be approximately 12 million pounds of molybdenum per year, which, at present day prices of US\$26 per pound, will generate a cash flow of US\$312M per year at a cash cost of US\$80M. Payback is three years and the company will eventually have 240 full-time employees for a minimum of 20 years operation.

"Demand for this versatile metal is increasing at rate of four to five percent per year," Larry says. "That equates to fifteen to twenty million pounds of new molybdenum requirements each year. Existing operations can only supply up to 400 million pounds, slightly less than the demand last year and, I predict, a lot less than future demand. Simply put, demand for moly is outpacing supply and we are in a good position to benefit from that demand." In the next ten years, Larry estimates that several new mines producing molybdenum, zinc, copper and nickel will be in place, able to meet growing demand. The demand for metals is especially acute in countries like China, a country the size of the United States that is developing at a blistering pace. Metals are used in building infrastructure, such as pipelines, bridges and freeways and China will need a supply for the next 20 years. Prices will stabilize, Larry predicts, but never drop to the old lows of the last decade.

Larry is buoyant about the Ruby Creek project because of the extraordinary number of current and potential uses for

the metal. With high anti-corrosive properties and the ability to create significantly increased strength, the fastest growing use for molybdenum is in stainless steel. It is used in the oil industry for oil and gas pipelines and for the massive drill stems used in drilling offshore oil wells. It is also used as a catalyst to desulphurize oil and gas at the refinery. It has a high melting point of 2800 degrees Centigrade. Larry also sees potential for molybdenum in the automobile industry. One manufacturer already uses it to increase strength and decrease weight in automobile frames. As a lubricant, molybdenum is used in the moving parts of cars. It can be added to oils where it fills the pores, creating less wear and smoother operation. It can even be used in plasma televisions and computer chips.

On the other side of the world, Goldrea Resources Corp. is focusing on completing the acquisition of the operating Daye Gold Mine in Shandong Province, China. Goldrea, along with Tortuga Merchants Inc., plans to have ownership in three producing gold mines in China within two years. Larry's "luck" in acquiring this mine is a result of his awareness of the tremendous untapped wealth of unexploited gold in China. The Chinese system of mining exploited surface resources. The geology of the deposits that Larry investigated showed similarity to other properties he owns in Nevada, so he knew the potential. He also understood the critical importance of having strong representation

and relationships with reliable Chinese nationals to make things happen in China. "Without that, you may as well stay home," Larry says.

After meeting in Canada with several Chinese operators, Larry met Richard Shao. A Ph.D. metallurgist and professor at Beijing University, Richard had options on several properties in China. Larry selected the existing open pit mining operation in Shandong province and, initially on a handshake pending his geologist's report, the deal was done. The project moved forward at a quick pace. "The level of our partners in China allows us to progress rapidly," Larry says.



“In record time, we had our approvals from the municipal, provincial and federal governments, and our business licence. We got on the ground fully in 2005.” Since operating costs are 15 to 25 percent of similar costs in Canada, the company completed 66,000 feet of drilling in two years. It identified an indicated resource of 331,000 ounces, with an inferred resource of 275,000 ounces. Geologist Paul Blair, recently hired as Chief Operating Officer for Goldrea, has worked in China before and is experienced in operating mines. The first order of business is to complete the acquisition of the mine, expected in the third quarter of this year. An agreement has been reached with the municipal government and negotiations are proceeding at the federal level after a recent rules change.

Since the mining so far has been all open pit, there is clear potential for much more. “There’s more than enough for in excess of ten years on the Daye mine,” Larry says. “The product, at the end of the day, is gold. Costs are \$220 to \$225 an ounce, and gold is selling for \$680 an ounce. I think China is the next big gold rush.”

Larry’s passion is to find new mines. Sitting in boardrooms and handling

administration are activities he prefers to leave to others. With his leadership acumen, he has developed the capacity to choose experienced and knowledgeable directors and managers with specific expertise in engineering, geology, administration and finance for his companies. Their professional skills round out his efforts and make sure the companies are on the right track. “At the end of the day, it’s a team effort,” Larry says. “As a leader, you have to have the vision and know how to move the vision through.”

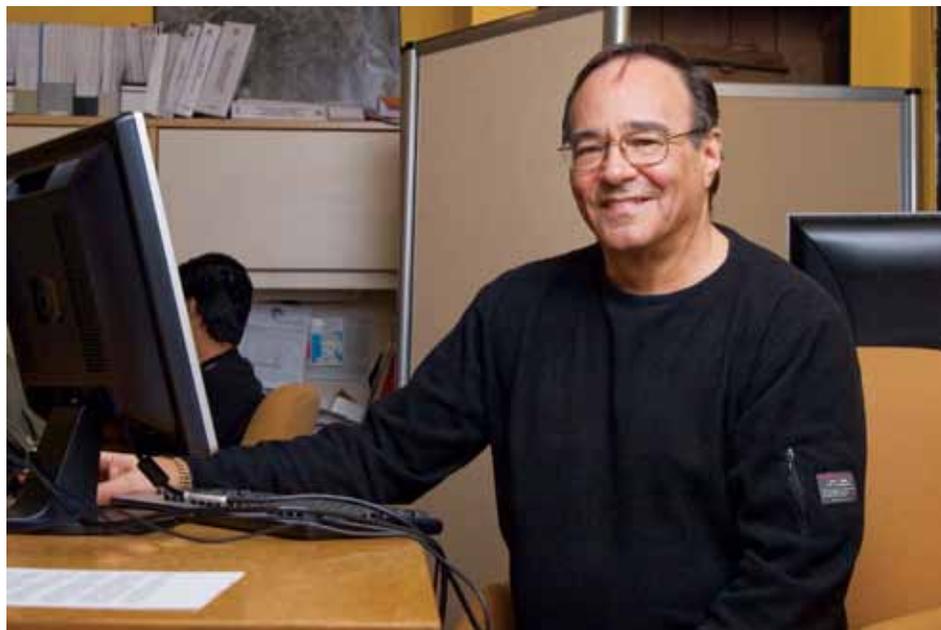
Larry learned the value of a team effort and a “hands-off” approach to management during his time working for Bethlehem Copper. “My biggest learning curve was understanding how to be the kind of multi-tasking manager who assigns responsibility for various tasks and then lets them do the job,” Larry says. “I like good managers on my projects who keep me in the loop and are able to do so in a few minutes of each day. If you don’t let them do their jobs, you become the problem rather than the solution.” He recalls that Tom Liss, then general manager of Bethlehem Copper, made Larry the safety engineer of the mine at a time when the mine had the worst safety record in the industry. It was

a tremendous responsibility for the young employee, but Tom let Larry figure it out. “I realized immediately that policing had minimal results,” Larry said. “So I followed Tom’s example and put the responsibility out to various departments to supervise and train employees properly. The results were immediate and we won a safety award in my first year on the job.”

To this day, Larry values safety on his projects and in 2005 won the Safety in Exploration Award from the Association of Mineral Exploration in BC for operating without a lost work day in the calendar year. And to this day, he appoints managers for various operating aspects of his exploration and development work and then, with constant contact, he stands aside and lets them do the job they were hired for.

Being able to find properties of merit, develop good management teams and finance risky ventures, along with the ability to set and meet realistic goals are the solid attributes and abilities that have made Larry Reaugh and his companies successful for many years. Add the unpredictable element of luck and it’s an unbeatable combination.

Adanac trades on the Toronto Venture Exchange under ticker symbol AUA and Goldrea trades under the ticker symbol GOR.



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