



ANNUAL REPORT 2014

CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Geoffrey Greenhill – Executive Chairman
 Graham McGarry – Managing Director
 Marcus Michael – Executive Director

**COMPANY SECRETARY**

Sarah Shipway

KALGOORLIE OFFICE

144 Vivian Street
 BOULDER WA 6432

REGISTERED OFFICE

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 WEST LEEDERVILLE WA 6007

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E: admin@beaconminerals.com.au

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STOCK EXCHANGE CODES

BCN – Ordinary Shares

BCNO – Listed Options

SHARE REGISTRY

Security Transfer Registrars
 770 Canning Highway
 APPLECROSS WA 6153

P: 08 9315 2333

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SOLICITORS

Steinepreis Paganin

AUDITORS

William Buck Audit (WA) Pty Ltd

CONTENTS**PAGE**

| | |
|---|----|
| Review of Operations | 3 |
| Directors' Report | 5 |
| Statement of Profit or Loss and Other Comprehensive Income | 13 |
| Statement of Financial Position | 14 |
| Statement of Changes in Equity | 15 |
| Statement of Cashflows | 16 |
| Notes to the Financial Statements | 17 |
| Directors' Declaration | 43 |
| Auditor's Independence Declaration | 44 |
| Independent Auditor's Report | 45 |
| Corporate Governance Statement | 47 |
| Mineral Resources and Ore Reserves Statement | 54 |
| Shareholder Information | 55 |
| Mineral Tenement Information | 57 |

HIGHLIGHTS

- Milling agreement with FMR Greenfields Mill Coolgardie finalised.
- \$4.0m Debenture Note issue completed, each debenture note having a face value of \$1.00 each with 100 free attaching options exercisable at \$0.005 on or before 30 September 2015.
- Delivery and processing of the first ore at the FMR Greenfields Mill Coolgardie in April 2014.
- Gold production from Halleys East commences.



Beacon Minerals first Bullion from FMR Investments Greenfields Mill in Coolgardie

After a corporate action to gain control of Beacon in March 2012 and 18 months of government submissions to gain approval to commence mining, the Company is finally seeing the results of the hard work and determination of the Board of Directors and the dedicated teams in Kalgoorlie and Perth to bring the Company's Halleys East gold project into production.

In late November 2011 the current Board of Directors made the decision to step in and assist the long standing shareholders of Beacon Minerals Limited realise the potential of the Company's major asset, the Halleys East gold project, 350 km North West of Kalgoorlie.

Beacon Minerals listed in October 2006 and by 30 June 2014 had issued in excess of \$23m in capital. This capital has been invested on various projects in Australia and overseas. Prior to commencing development of the Halleys East mine in November 2013, approximately \$1.3m of those funds had been capitalised as exploration on Mining Lease M77/1254 where the Halleys East project is located.

In December 2011 the previous Board of the Company made a decision to sell the Halleys East project for \$4.0m in cash and an ongoing royalty and focus on establishing exploration projects in West Africa.

In March 2012 a shareholders meeting was held to determine the sale of the Halleys East project and after a strong campaign against the sale of the asset, the sale was voted down at the general meeting and the current Board of Directors was installed. The new board comprising Executive Chairman Geoff Greenhill, Managing Director Graham McGarry and Executive Director Marcus Michael were appointed on 19 March 2012.

Since replacing the board in March 2012 the new director's sole focus has been on bringing the Halleys East gold project into production.

After raising \$4.0m in debenture notes in November 2013 with a face value of \$1.00 each with 100 free attaching options exercisable at \$0.005 on or before 30 September 2015 to fund the initial mining working capital. The Company was rewarded for the efforts of the Directors, mine staff, consultants and contractors with the Company's first gold being poured in April 2014 from ore milled at FMR Investments Greenfield Mill in Coolgardie Western Australia.

At the completion of the second milling campaign in July 2014, total recovered gold from Halleys East was 5,139 ounces.

Beacon expects to complete the short life Halleys East gold project by Mid-2015.

OTHER OPPORTUNITIES

Several advanced mining projects have been submitted to the Company for review, however Beacon's focus continues to be on production at Halleys East.

The Company confirms its commitment to continue to pursue other opportunities in the minerals sector in Australia and offshore.

The Directors of Beacon Minerals Limited ("Beacon" or "the Company") submit herewith the annual financial report of Beacon Minerals Limited for the period 1 July 2013 to 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names and particulars of the directors of the Company during the financial year and as at the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Geoffrey Greenhill AWASM, MAusIMM

Executive Chairman

Appointed 19 March 2012

Geoffrey Greenhill graduated from the Western Australian School of Mines obtaining an Associateship in Metallurgy in 1973. Mr Greenhill has held various senior metallurgical roles and has designed and commissioned ore processing facilities across Australia. He is highly respected within the mining industry and has a strong track record in creating shareholder value. Mr Greenhill and Mr McGarry have been business partners for 27 years and have had substantial success in developing mining projects in WA, SA, QLD and the NT.

During the past three years he has not served as a director of any other public companies.

Graham McGarry CPA, CD

Managing Director

Appointed 19 March 2012

Graham McGarry is an experienced and seasoned 'hands on' miner, with an impressive track record in turning early stage projects into viable and attractive investment propositions. Mr McGarry spent eight years with Amalg Resources NL as a Managing Director and was responsible for the development of the Eloise Copper Mine in Queensland from 'bare paddock' to an underground mine producing 500,000 tpa of copper/gold ore. Mr McGarry has developed numerous successful mining projects across Australia.

During the past three years he has not served as a director of any other public companies.

Marcus Michael CA, B.Bus

Executive Director

Appointed 19 March 2012

Marcus Michael is a Chartered Accountant with extensive experience in the Australian financial markets including ASX company listings, equity and debt funding, mergers and acquisitions and corporate restructures and recapitalisations.

Marcus is a founding Director of Marshall Michael Pty Ltd, Chartered Accountants. Established in 1994 as a boutique corporate and business advisory, wealth management, tax advisory and financial and management reporting practice, servicing mining and exploration, healthcare and information technology sectors.

Marcus graduated from Curtin University with a Bachelor of Business and is a Member of the Institute of Chartered Accountants.

During the past three years he has served as a director of the following public companies;

| Company | Date of Appointment | Date of Resignation |
|----------------------------|----------------------------|----------------------------|
| Argent Minerals Limited | April 2007 | Not Applicable |
| St George Mining Limited | October 2009 | Not Applicable |
| Cardinal Resources Limited | December 2012 | Not Applicable |

COMPANY SECRETARY

Sarah Shipway was appointed Company Secretary of Beacon Minerals Limited on 19 March 2012. Sarah has a Bachelor of Commerce from Murdoch University and is a member of the Institute of Chartered Accountants in Australia.

DIRECTORS' INTERESTS

At the date of this report, the Directors held the following interests in Beacon Minerals.

| Name | Ordinary Shares | Listed Options |
|--------------------|------------------------|-----------------------|
| Geoffrey Greenhill | 59,863,334 | 92,371,667 |
| Graham McGarry | 85,233,333 | 138,691,667 |
| Marcus Michael | 58,228,333 | 40,761,666 |

SHARE OPTIONS

At the date of this report the Company had on issue 797,702,924 Listed Options, exercisable at \$0.005 on or before 30 September 2015. During the financial year ended 30 June 2014 320,041 options were converted to fully paid ordinary shares.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the development and production of gold from the Halley's East open pit gold mine, Western Australia.

RESULTS AND REVIEW OF OPERATIONS

The result of the entity for the financial year ended 30 June 2014 is an after income tax comprehensive loss of \$7,531,796 (2013: loss of \$1,283,499).

A review of operations of the Company during the year ended 30 June 2014 is provided in the "Review of the Operations" immediately preceding this Directors' Report.

LIKELY DEVELOPMENTS

The Company's focus over the next financial year will be to continue to progress the development of Halley's East and continue to pursue other opportunities in the minerals sector in Australia and offshore. Further commentary on the Company's planned activities over the forthcoming year is provided in the Review of Operations.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have not been any significant changes in the state of affairs of the Company during the financial year, other than those noted in this financial report.

ENVIRONMENTAL ISSUES

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out exploration work.

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

DIRECTORS' MEETINGS

During the financial year, 8 meetings of Directors were held. Attendances by each director during the year were as follows:

| Name | Eligible to attend | Attended |
|-------------|---------------------------|-----------------|
| G Greenhill | 8 | 8 |
| G McGarry | 8 | 8 |
| M Michael | 8 | 8 |

REMUNERATION REPORT – AUDITED

Remuneration policy

The remuneration policy of Beacon Minerals Limited has been designed to align directors' objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates and equity related payments. The Board of Beacon Minerals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Company. All key management personnel are directors of the Company.

The Board's policy for determining the nature and amount of remuneration for Board members is as follows:

- The remuneration policy and setting the terms and conditions for the Executive directors and other senior staff members is developed and approved by the Board based on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice is obtained when considered necessary to confirm that executive remuneration is in line with market practice and is reasonable within Australian executive reward practices.
- Executives receive a base salary (which is based on factors such as length of service and experience) and superannuation.
- Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions within the same industry. Options and performance incentives may be issued and key performance indicators such as profit and production and reserves growth can be used as measurements for assessing executive performance.
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Executive Directors, in consultation with independent advisors, determine payments to the non-executives and review their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual General Meeting and is currently \$250,000 per annum. Fees for non-executive directors are not linked to the performance of the

Company. However, to align Directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Details of directors and executives

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the entity.

| Directors | Position Held as at 30 June 2014 |
|------------------|---|
| G Greenhill | Executive Chairman |
| G McGarry | Managing Director |
| M Michael | Executive Director |

The Company does not have any key management personnel that are not Directors.

Executive Directors' remuneration and other terms of employment are reviewed annually by the executive directors having regard to performance against goals set at the start of the year, relative to comparable information and independent expert advice.

Except as detailed in the Remuneration Report, no director has received or become entitled to receive, during or since the financial year end, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the Remuneration Report, prepared in accordance with the Corporations Regulations, or the fixed salary of a full time employee of the Company.

Remuneration of directors

Remuneration for the financial year ended 30 June 2014.

| | Short Term Benefits | Post Employment Benefits | Long Term Benefits | Equity settled share-based payments | |
|--------------------|----------------------------|---------------------------------|---------------------------|--|----------------|
| Directors | Salary and Fees | Superannuation | Long Service Leave | Shares/Options (i) | Total |
| | \$ | \$ | \$ | \$ | \$ |
| G Greenhill | | | | | |
| 2014 | 90,000 | 8,325 | - | - | 98,325 |
| 2013 | 50,000 | 4,500 | - | - | 54,500 |
| G McGarry | | | | | |
| 2014 | 90,000 | 8,325 | - | - | 98,325 |
| 2013 | 50,000 | 4,500 | - | - | 54,500 |
| M Michael | | | | | |
| 2014 | 90,000 | 8,325 | - | - | 98,325 |
| 2013 | 50,000 | 4,500 | - | - | 54,500 |
| Total | | | | | |
| 2014 | 270,000 | 24,975 | - | - | 294,975 |
| 2013 | 150,000 | 13,500 | - | - | 163,500 |

(i) No options or shares were granted as part of remuneration.

Employment contracts of directors

The Company has entered into an executive services agreement with Mr Geoffrey Greenhill, Mr Graham McGarry and Mr Marcus Michael (collectively the Directors) whereby the Director receives remuneration of \$100,000 per annum plus statutory superannuation. Prior to 1 November 2013 the Directors' received \$70,000 per annum plus statutory superannuation. The Directors' termination provisions are as follows:

| | NOTICE PERIOD | PAYMENT IN LIEU OF NOTICE |
|--|---------------|---------------------------|
| Employer initiated termination: | | |
| - without reason | 0-3 months | 6 months |
| - serious misconduct | 0 months | 0 months |
| Employee initiated termination: | | |
| | 3 months | Not specified |

Equity based remuneration payments

During the financial year ended 30 June 2014 no equity was granted to directors as part of their remuneration.

Ordinary shareholdings of key management personnel

| Directors | Balance at 1 July 2013 | Options exercised during the year | Net other change (i) | Balance at 30 June 2014 |
|--------------------|------------------------|-----------------------------------|----------------------|-------------------------|
| Geoffrey Greenhill | 59,863,334 | - | - | 59,863,334 |
| Graham McGarry | 84,233,333 | - | 1,000,000 | 85,233,333 |
| Marcus Michael | 58,228,333 | - | - | 58,228,333 |
| Total | 202,325,000 | - | 1,000,000 | 203,325,000 |

| Directors | Balance at 1 July 2012 | Options exercised during the year | Net other change (ii), (iii) | Balance at 30 June 2013 |
|--------------------|------------------------|-----------------------------------|------------------------------|-------------------------|
| Geoffrey Greenhill | 10,825,000 | - | 49,038,334 | 59,863,334 |
| Graham McGarry | 20,375,000 | - | 63,858,333 | 84,233,333 |
| Marcus Michael | 6,800,000 | - | 51,428,333 | 58,228,333 |
| Total | 38,000,000 | - | 164,325,000 | 202,325,000 |

(i) On market transaction for cash consideration.

(ii) Acquired under Entitlement Issue Prospectus dated 17 September 2012.

(iii) Acquired under an underwriting agreement with the Company to underwrite shares issued under the Entitlement Issue Prospectus dated 17 September 2012.

Option holdings of key management personnel

| Directors | Balance at 1 July 2013 | Options exercised during the year | Net other change (iv) | Balance at 30 June 2014 |
|--------------------|------------------------|-----------------------------------|-----------------------|-------------------------|
| Geoffrey Greenhill | 42,371,667 | - | 50,000,000 | 92,371,667 |
| Graham McGarry | 46,191,667 | - | 92,500,000 | 138,691,667 |
| Marcus Michael | 40,761,666 | - | - | 40,761,666 |
| Total | 129,325,000 | - | 142,500,000 | 271,825,000 |

| Directors | Balance at 1 July 2012 | Options exercised during the year | Net other change (i), (ii), (iii) | Balance at 30 June 2013 |
|--------------------|-------------------------------|--|--|--------------------------------|
| Geoffrey Greenhill | - | - | 42,371,667 | 42,371,667 |
| Graham McGarry | - | - | 46,191,667 | 46,191,667 |
| Marcus Michael | - | - | 40,761,666 | 40,761,666 |
| Total | - | - | 129,325,000 | 129,325,000 |

- (i) On market transaction for cash consideration.
- (ii) Acquired under Entitlement Issue Prospectus dated 17 September 2012.
- (iv) Acquired under an underwriting agreement with the Company to underwrite shares issued under the Entitlement Issue Prospectus dated 17 September 2012.
- (v) On 11 November 2013 the Company issued the first tranche of Debenture Notes. The face value of each debenture is \$1.00 and for every 1 debenture note issued, the Company granted 100 Listed Options. For the full terms and conditions of the Debenture Notes please refer to Note 16(c).

The Directors' on the 10 September 2012 entered into separate agreements with the Company, whereby the Directors' will underwrite a total of \$600,000 of the shares issued under the Entitlement Issue Prospectus dated 17 September 2012. Under the agreements the Directors' will be entitled to an underwriting fee of 5% of the underwritten amount. Each Director received a fee of \$10,000 under this agreement.

On the 11 November 2013 Graham McGarry, Geoffrey Greenhill and Oceanic Capital Pty Ltd (together the "Related Parties"), which is a Company controlled by the parents of Marcus Michael, through their respective related party entities, participated in the issue of Debenture Notes in the Company. The Related Parties participation was approved at the Company's Annual General Meeting held on 7 November 2013. The face value of each debenture note is \$1.00 and for every 1 debenture note issued, the Company granted 100 listed options. The terms and conditions of the Debenture Notes are detailed in Note 16(c).

The interest payable on the Debenture Notes is 18% per annum. During the year \$109,328 (2013: \$0) was paid or payable to Graham McGarry and \$59,096 (2013: \$0) to Geoffrey Greenhill, through their respective related party entities and \$109,328 (2013: \$0) was paid or payable to Oceanic Capital Pty Ltd. At 30 June 2014 \$8,705 (2013: \$0) interest was payable to Graham McGarry, through his respective related party and Oceanic Capital Pty Ltd and \$4,706 (2013: \$0) interest was payable to Geoffrey Greenhill, through his respective related party entity.

Debenture Note holders were paid a fee of 3% placement fee on the Debenture Notes. The Company paid a placement fee of \$27,750 to Graham McGarry and \$25,000 to Geoffrey Greenhill, through their respective related party entities and \$27,750 to Oceanic Capital Pty Ltd.

On 22 October 2013 the Company announced that Lamerton Pty Ltd, a company related to Graham McGarry, had provided an unsecured loan facility to Beacon of \$200,000. No fees were payable to Lamerton Pty Ltd in relation to the facility and interest on the facility was levied at the prevailing overdraft interest rate charged by the bank and reimbursed to Lamerton Pty Ltd at cost.

McVerde Minerals Pty Ltd, of which Graham McGarry and Geoffrey Greenhill are Directors, provided equipment hire to the Company on ordinary commercial terms. Amounts that have been paid or payable total \$1,119,792 (2013: \$0). At 30 June 2014 \$245,341 (2013: \$0) was payable to McVerde Minerals.

Mr Michael is a director and has a beneficial interest in Marshall Michael Chartered Accountants. Staff of Marshall Michael Pty Ltd, including the Company Secretary Sarah Shipway, has provided corporate secretarial, accounting, bookkeeping and general administrative services during the year. Amounts that have been paid or are payable total \$109,696 (2013: \$71,988). At 30 June 2014 \$4,227 (2013: \$4,276) was payable to Marshall Michael Chartered Accountants.

END OF REMUNERATION REPORT

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer or agent of the Company shall be indemnified out of the property of the entity against any liability incurred by him in his capacity as Officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

During the year the Company agreed to pay an annual insurance premium of \$8,880 (2013: \$7,260) in respect of directors' and officers' liability and legal expenses' insurance contracts, for directors, officers and employees of the Company. The insurance premium relates to:

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and what ever the outcome.
- Other liabilities that may arise from their position, with the exception of conduct involving a willful breach of duty.

SHARE OPTIONS

Unissued shares

The Company at 30 June 2014 had 797,702,924 options on issue, the options are exercisable at \$0.005 on or before 30 September 2015.

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

EVENTS SUBSEQUENT TO REPORTING DATE

Since the year ended 30 June 2014 to the date of this report the Company has received approximately \$3,863,000 from the sale of gold.

Other than above no matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations, or the state of the affairs of the Company in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2014 has been received, forms part of the directors' report and can be found on page 44 of the annual report.

NON-AUDIT SERVICES

The Company's auditor, William Buck Audit (WA) Pty Ltd, did not provide any non-audit services to the Company during the financial year ended 30 June 2014.

Signed in accordance with a resolution of the directors made pursuant to s 298(2) of the Corporations Act 2001.

On behalf of the directors.



GEOFFREY GREENHILL

Executive Chairman

Dated this 29 September 2014

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

| Australian Dollar (\$) | Note | 30 JUNE 2014 \$ | 30 JUNE 2013 \$ |
|--|-------|-----------------------|-----------------------|
| Gold sales | | 2,526,430 | - |
| Interest revenue | | 31,756 | 26,333 |
| REVENUE | | 2,558,186 | 26,333 |
| Cost of goods sold | 4(a) | (4,877,039) | - |
| GROSS PROFIT/(LOSS) | | (2,318,853) | 26,333 |
| Other income | 3 | 224,508 | 16,970 |
| Administration expenses | | (393,693) | (311,510) |
| Exploration and development expenditure written off | 12 | (4,312,388) | (1,015,292) |
| Finance costs | 4(b) | (731,370) | - |
| LOSS FROM BEFORE INCOME TAX | | (7,531,796) | (1,283,499) |
| Income tax refund/(expense) | 5 | - | - |
| LOSS AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY | | (7,531,796) | (1,283,499) |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that may be reclassified to profit or loss: | | | |
| Revaluation of other financial assets to fair value | 18(b) | (4,200) | (17,449) |
| Income tax relating to components of other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE LOSS | | (7,535,996) | (1,300,948) |
| TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF THE COMPANY | | (7,353,996) | (1,300,948) |
| LOSS PER SHARE | | | |
| Basic and diluted | 19 | (0.0051) | (0.0010) |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

| Australian Dollar (\$) | Note | 30 JUNE 2014 \$ | 30 JUNE 2013 \$ |
|--|-------|-------------------------|-------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 20(a) | 372,177 | 803,290 |
| Trade and other receivables | 7 | 158,039 | 16,665 |
| Other assets | 8 | 729,669 | 278,563 |
| Inventory | 9 | 2,154,143 | - |
| TOTAL CURRENT ASSETS | | <u>3,414,028</u> | <u>1,098,518</u> |
| NON CURRENT ASSETS | | | |
| Other financial assets | 10 | 722,256 | 745,124 |
| Plant and equipment | 11 | 245,488 | 202,352 |
| Exploration and evaluation expenditure | 12 | 87,637 | 5,402,705 |
| Development expenditure | 13 | 1,208,721 | - |
| TOTAL NON CURRENT ASSETS | | <u>2,264,102</u> | <u>6,350,181</u> |
| TOTAL ASSETS | | <u>5,678,130</u> | <u>7,448,699</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | 932,739 | 166,912 |
| Provisions | 15 | - | 17,500 |
| TOTAL CURRENT LIABILITIES | | <u>932,739</u> | <u>184,412</u> |
| NON CURRENT LIABILITIES | | | |
| Borrowings – debenture notes | 16 | 4,000,000 | - |
| Provisions | 15 | 136,000 | - |
| TOTAL NON CURRENT LIABILITIES | | <u>4,136,000</u> | <u>-</u> |
| TOTAL LIABILITIES | | <u>5,068,739</u> | <u>184,412</u> |
| NET ASSETS | | <u>609,391</u> | <u>7,264,287</u> |
| EQUITY | | | |
| Issued Capital | 17 | 23,766,550 | 23,464,950 |
| Reserves | 18 | 468,858 | (106,442) |
| Accumulated losses | | (23,626,017) | (16,094,221) |
| TOTAL EQUITY | | <u>609,391</u> | <u>7,264,287</u> |

The above statement of financial position should be read in conjunction with the accompanying notes

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

| Australian Dollar (\$) | ISSUED CAPITAL \$ | SHARE OPTION RESERVE \$ | FAIR VALUE RESERVE \$ | ACCUMULATED LOSSES \$ | TOTAL EQUITY \$ |
|--|-------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------|
| BALANCE AT 1 JULY 2013 | 23,464,950 | - | (106,442) | (16,094,221) | 7,264,287 |
| Total comprehensive loss | - | - | (4,200) | (7,531,796) | (7,535,996) |
| Shares issued during the year | 300,000 | - | - | - | 300,000 |
| Options exercised during the year | - | 579,500 | - | - | 579,500 |
| Share issue expense | 1,600 | - | - | - | 1,600 |
| BALANCE AT 30 JUNE 2014 | 23,766,550 | 579,500 | (110,642) | (23,626,017) | 609,391 |
| BALANCE AT 1 JULY 2012 | 21,958,170 | - | (88,993) | (14,810,722) | 7,058,455 |
| Total comprehensive loss | - | - | (17,449) | (1,283,499) | (1,300,948) |
| Shares issued during the year | 1,592,118 | - | - | - | 1,592,118 |
| Share issue expense | 32 | - | - | - | 32 |
| Transfer from share option and equity benefits reserves | (85,370) | - | - | - | (85,370) |
| BALANCE AT 30 JUNE 2013 | 23,464,950 | - | (106,442) | (16,094,221) | 7,264,287 |

The above statement of changes in equity should be read in conjunction with the accompanying notes

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

| Australian Dollar (\$) | Note | 30 JUNE 2014 \$ | 30 JUNE 2013 \$ |
|---|-------|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipt from the sale of gold | | 2,526,430 | - |
| Expenditure on mining interest | | (99,559) | - |
| Payments to suppliers and employees | | (5,086,361) | (452,202) |
| Interest received | | 32,003 | 28,998 |
| Other – GST refund | | 58,607 | 25,071 |
| Income tax refund | | - | 314,161 |
| Net cash outflows from operating activities | 20(b) | (2,568,880) | (83,972) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of plant and equipment | | 818 | - |
| Proceeds from the sale of listed investments | | 42,129 | 21,018 |
| Proceeds/(payments) from performance bonds | | 246,054 | (239,283) |
| Purchase of plant and equipment | | (180,451) | (184,290) |
| Payments for deferred exploration expenditure | | (1,416,696) | (626,651) |
| Net cash outflows from investing activities | | (1,308,146) | (1,029,206) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares net of capital raising costs | | 1,632 | 1,506,748 |
| Proceeds from the issue of debenture notes net of financing costs | | 3,444,281 | - |
| Loans from related parties: | | | |
| - Proceeds from borrowings | | 200,000 | - |
| - Repayment of borrowings | | (200,000) | - |
| Net cash inflows from financing activities | | 3,445,913 | 1,506,748 |
| Net decrease in cash and cash equivalents | | (431,113) | 393,570 |
| Cash and cash equivalents at the beginning of the financial year | | 803,290 | 409,720 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | 20(a) | 372,177 | 803,290 |

The above statement of cash flows should be read in conjunction with the accompanying notes

1 CORPORATE INFORMATION

The financial report of Beacon Minerals Limited (“Beacon” or “the Company”) for the year 1 July 2013 to 30 June 2014 was authorized for issue in accordance with a circular resolution of the directors on 29 September 2014.

Beacon is a Company limited by shares, incorporated in Australia. The Company’s shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activity of the Company are described in the Directors’ Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of Preparation of the Financial Report*

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations of the AASB. Except for the cashflow information, the financial report has also been prepared on a accruals basis and is based on historical costs.

For the purposes of preparing the financial statements, the Company is a for-profit entity. The financial report is presented in Australian dollars.

(b) *Going Concern*

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

The Company has recorded a net accounting loss of \$7,531,796 and net operating cash outflows of \$2,568,880 for the year ended 30 June 2014.

The conditions indicate a material uncertainty that may cast significant doubt that the Company’s ability to continue as a going concern.

The Directors’ believe it is appropriate to prepare the financial report on a going concern basis due to the following:

- As the Company successfully converted the Halley East Project into a producing mine site during the year. Based on internal management and expert reports, the Company reasonably believes that future cash inflows will be generated from further successful exploitation of the Halleys East project;
- Subsequent to 30 June 2014 the Company has received approximately \$3,863,00 from the sale of gold and has further gold assets on hand which can be sold as required to provide working capital to the Company as needed; and
- The Company incurred significant ‘start up’ expenditures during the year ended 30 June 2014 in order to convert the Halleys East project to a producing mine site. These costs contributed to higher operational cash outflows during the year ended 30 June 2014 and will not recur in future reporting periods.

The funds generated during the year from the sale of gold assets and the issuing of debentures, together with expected cash inflows from further successful exploitation of the Halleys East project will be used to meet the ongoing working capital requirements of the Company.

Should the Company be unable to achieve the matters set out above, there is a material uncertainty whether the Company will be able to continue as a going concern and therefore, whether the Company will be able to realise their assets and extinguish their liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification or liabilities that might be necessary should the Company not continue as a going concern.

(c) Adoption of new and revised standards

New Standards and Interpretations adopted in 2013/2014

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- AASB 13: Fair Value Measurement; and
- AASB 119: Employee Benefits.

Accounting Standard and Interpretation

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'.

The Company has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

Application of this standard has not impacted on the financial statements of the Company. *AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'.*

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs.

All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus.

Application of AASB 119 Employee Benefits has not impacted on the financial statements for the year ended 30 June 2014.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review the Directors do not expect there will be a material impact, of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to the Company's accounting policies.

(d) Statement of compliance

Compliance with AASB ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (“IFRS”).

(e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed as part of financing costs in the period incurred. Borrowing costs consists of interest and other costs than an entity incurs in connection with the borrowing of funds.

(f) Income Tax

Current income tax refunded/(expensed) charged to profit or loss is tax refundable/(payable). Those amounts recognised are expected to be recovered from/(paid to) the relevant taxation authority.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither that accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all the deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are not recognised in equity and not in profit or loss.

(g) Exploration and evaluation expenditure

Exploration and evaluation expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

The cost of acquisition of an area of interest and exploration expenditure relating to that area of interest are carried forward as an asset in the statement of financial position in the year in which they are incurred, where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - a. the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternately, by its sale; or
 - b. exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise economically recoverable reserves.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that their carrying amount exceeds their recoverable amount and where this is the case and impairment loss is recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in the previous year.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

(h) Development expenditure

Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Exploration and evaluation expenditure is reclassified to development expenditure once the technical feasibility and commercial viability of extracting the related mineral resource is demonstrable. Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the mine on a units-of-production basis.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations are dealt with on a prospective basis.

(i) Fair Value of Assets and Liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting

period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Company selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Company are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Company would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Company recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

(j) Cash and cash equivalents

Cash and cash equivalents comprises of cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Company's statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of

amounts previously written off are credited against other expenses in the statement of comprehensive income.

(l) Inventories

Gold bullion, gold in circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product.

Cost is determined by the weighted average method and comprises of direct purchase costs and an appropriate portion of fixed and variable overhead costs.

(m) Employee benefits

Short-term employee benefits

Provision is made for the Company's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Company's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Defined contribution superannuation benefits

All employees of the Company other than those that receive defined benefit entitlements received defined contribution superannuation entitlements, for which the Company pays the fixed superannuation guarantee contribution (currently 9.25% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of the employee's defined contribution entitlements are recognised as an expense when they become payable. The Company's obligation with respect the employees' defined contribution entitlements is limited to its obligation for unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Company's statement of financial position.

(n) Impairment of assets

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. As asset's recoverable amount is the higher of its fair value; less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systemic basis over its remaining useful life.

(o) Earnings per share

Basic earnings per share is calculated as net loss attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

(p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash Flows are included in the statement of cash flows on a net basis. The GST components of cash flows arising from investing and financial activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(q) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of profit or loss and other comprehensive income.

(r) Financial Instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes party to the contractual provisions of the financial instrument. A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity. A financial liability is removed from the statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and financial liabilities classified as held for trading are measured at fair value through profit or loss.

Upon initial recognition a financial asset or financial liability is designated as at fair value through profit or loss when:

- (a) an entire contract containing one or more embedded derivatives is designated as a financial asset or financial liability at fair value through profit or loss;
- (b) doing so results in more relevant information, because either:
 - (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing gains or losses on them on different bases; or
 - (ii) a Company of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to key management personnel.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are not designated as at fair value through profit or loss.

A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.

Financial assets not measured at fair value comprise:

- (a) loans and receivables being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest rate method;
- (b) held-to-maturity investments being non-derivative financial assets with fixed or determinable payments and fixed maturity that will be held to maturity. These are measured at amortised cost using the effective interest method; and,
- (c) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. These are measured at cost together with derivatives that are linked to and must be settled by the delivery of such investments.

Available-for-sale financial assets are non-derivative financial assets, which are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or financial assets as at fair value through profit or loss.

A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity (except for impairment losses and foreign exchange gains or losses) until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Regular way purchases of financial assets are accounted for as follows:

- financial assets held for trading – at trade date
- held-to-maturity investments – at trade date
- loans and receivables – at trade date
- available-for-sale financial assets – at trade date

Except for the following all financial liabilities are measured at amortised cost using the effective interest rate method:

- (a) financial liabilities at fair value through profit or loss and derivatives that are liabilities measured at fair value; and
- (b) financial liabilities that arise when a transfer of financial asset does not qualify for derecognition or are accounted for using the continuing involvement approach.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or uncollectability.

(s) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such costs include the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

The cost of acquired assets also includes the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow or resources required to settle the obligation or from changes in the discount rate.

Where parts of an item of plant and equipment have different lives, they are accounted for as separate items (major components) of plant and equipment.

Depreciation

Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

Plant and equipment – 2-7 years

Motor vehicles – 2-5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of profit or loss and other comprehensive income in the cost of sales line item.

Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income in the year the asset is derecognised.

(t) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(u) Debenture Notes

Debenture notes are initially recognised at fair value, net of transaction costs incurred. Debenture notes are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the debenture notes using the effective interest method. Fees paid for the debenture notes are capitalised as a prepayment and amortised over the period of the facility to which it relates.

Debenture notes are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Debenture notes are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The key terms of the debenture notes are included in note 16(c).

(v) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

Site rehabilitation

The Company recorded the present value of the estimated costs of legal and constructive obligations to restore operating locations in the period in which the obligation is incurred. The nature of rehabilitation activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, and reclamation and revegetation of affected areas. The provision is a best estimate of the present value of the expenditure required to settle the rehabilitation obligation at the reporting date, based on current legal requirements and technology.

(w) Contributed equity

Ordinary shares and options are classified as contributed equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(x) Revenue

Revenue is recognised and measured at fair value of the consideration received or receivable to the extent that it is probably that the economic benefit will flow to the entity and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised

Gold Sales

Revenue is recognised when there has been a transfer of risks and rewards from the Company to an external party, no further processing is required by the Company, quality and quantity of the goods has been determined with reasonable accuracy, the selling price is fixed or determinable, and collectability is probable.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(y) Significant accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Exploration and evaluation costs carried forward

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the directors. In conducting the review, the recoverable amount has been assessed by reference

to the higher of 'fair value less costs to sell' and 'value in use'. In determining value in use, future cash flows are based on:

- Estimates of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Estimated production and sales levels;
- Estimate future commodity prices;
- Future costs of production;
- Future capital expenditure; and/or
- Future exchange rates.

Variations to expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which in turn could impact future financial results.

Impairment of available-for-sale financial assets

The Company follows the guidance of AASB 139 *Financial Instruments: Recognition and Measurement* to determine when an available-for-sale financial asset is impaired. The determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investments is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Rehabilitation obligations

The Company assesses site rehabilitation liabilities annually. The provision is recognised based on an assessment of the estimated costs of closure and reclamation of the areas using internal information concerning environmental issues in the exploration and previously mined areas, together with input from various environmental consultants. Significant estimation is required in determining the provision for site rehabilitation as there are many factors that may affect the timing and ultimate costs to rehabilitate sites where mining and/or exploration activities have previously taken place. These factors include future development/exploration activity, changes in the costs of goods and services required for restoration activity and changes to the legal and statutory framework. These factors may result in future actual expenditure differing from the amounts currently provided.

(z) Comparative information

Comparative information has been amended where necessary to ensure compliance with current year disclosures.

3 OTHER INCOME

| | 30 JUNE 2014 | 30 JUNE 2013 |
|------------------------------------|-----------------------|----------------------|
| | \$ | \$ |
| Gain on sale of listed investments | 23,462 | 12,048 |
| Fuel tax rebates | 147,596 | - |
| Other | 53,450 | 4,922 |
| | <u>224,508</u> | <u>16,970</u> |

4 EXPENSES
(a) Cost of Goods Sold

| | 30 JUNE 2014 | 30 JUNE 2013 |
|---|------------------|--------------|
| | \$ | \$ |
| Costs of production | 6,733,943 | - |
| Royalties | 73,526 | - |
| Depreciation of mine plant and equipment | 102,225 | - |
| Amortisation of exploration and development costs | 121,488 | - |
| Closing inventory | (2,154,143) | - |
| | <u>4,877,039</u> | <u>-</u> |

(b) Finance costs

| | 30 JUNE 2014 | 30 JUNE 2013 |
|---------------|----------------|--------------|
| | \$ | \$ |
| Finance costs | 731,370 | - |
| | <u>731,370</u> | <u>-</u> |

5 INCOME TAX
(a) Prima facie income tax benefit at 30% on loss from ordinary activities is reconciled to the income tax provided in the financial statements

| | 30 JUNE 2014 | 30 JUNE 2013 |
|---|--------------|--------------|
| | \$ | \$ |
| Loss before income tax | (7,531,796) | (1,283,499) |
| Income tax calculated at 30% | (2,259,538) | (385,050) |
| Tax effect of; | | |
| - Expenses not allowed | 4,119 | 785 |
| - Temporary differences | 136,394 | 111,363 |
| - Section 40-880 deduction | (39,095) | (43,419) |
| Deferred tax asset not brought to account | 2,158,120 | 316,321 |
| Income tax attributable to operating losses | <u>-</u> | <u>-</u> |

(b) Deferred tax assets

The potential deferred tax asset arising from the tax losses and temporary differences have not been recognised as an asset because recovery of tax losses is not yet probable.

| | 30 JUNE 2014 | 30 JUNE 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| Australian accumulated tax losses | 6,670,458 | 4,512,345 |
| Provisions net of prepayments | (267,498) | 9,968 |
| Deferred exploration expenditure | (388,908) | (1,620,812) |
| Section 40-880 deduction | 23,639 | 62,734 |
| Unrecognised deferred tax assets relating to the above temporary differences | <u>6,037,691</u> | <u>2,964,235</u> |

The benefits will only be obtained if;

- (i) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised.
- (ii) The Company continues to comply with the conditions in deductibility imposed by the Law; and
- (iii) No change in tax legislation adversely affected the Company in realising the benefits from the deductions or the losses.

6 AUDITOR'S REMUNERATION

Amounts received or due and receivable by the Company's Auditors;

| | 30 JUNE 2014 | 30 JUNE 2013 |
|---|---------------|---------------|
| | \$ | \$ |
| Auditing and review of the Company's financial statements | 20,640 | 23,750 |
| | <u>20,640</u> | <u>23,750</u> |

7 RECEIVABLES AND OTHER ASSETS

Trade and Other Receivables

| | 30 JUNE 2014 | 30 JUNE 2013 |
|------------------|----------------|---------------|
| | \$ | \$ |
| Current | | |
| Other receivable | 35,214 | 2,267 |
| GST refund | 122,825 | 14,398 |
| | <u>158,039</u> | <u>16,665</u> |

Other receivable includes amounts outstanding for Government rebates of \$33,194 (2013: \$0) and accrued interest of \$2,020 (2013: \$2,267).

GST amounts are non-interest bearing and have repayment terms applicable under the relevant government authorities

8 OTHER ASSETS

| | 30 JUNE 2014 | 30 JUNE 2013 |
|---------------------|----------------|----------------|
| | \$ | \$ |
| Short term deposits | 20,624 | 266,677 |
| Prepayments | 18,181 | 11,886 |
| Advance payment | 184,264 | - |
| Borrowing costs | 506,600 | - |
| | <u>729,669</u> | <u>278,563</u> |

9 INVENTORY

| | 30 JUNE 2014 | 30 JUNE 2013 |
|----------------|------------------|--------------|
| | \$ | \$ |
| At cost | | |
| Ore stockpiles | 2,154,143 | - |
| | <u>2,154,143</u> | <u>-</u> |

10 OTHER FINANCIAL ASSETS

| | 30 JUNE 2014 | 30 JUNE 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Investment in listed shares (available-for-sale assets) | | |
| At fair value | 722,256 | 745,124 |

Available-for-sale-assets consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

11 PLANT AND EQUIPMENT

| | 30 JUNE 2014 | 30 JUNE 2013 |
|----------------------------------|----------------|----------------|
| | \$ | \$ |
| Plant and Equipment | | |
| At cost | 268,836 | 158,621 |
| Less: accumulated depreciation | (99,143) | (19,560) |
| Total plant and equipment | 169,693 | 139,061 |

| | 30 JUNE 2014 | 30 JUNE 2013 |
|--------------------------------|---------------|---------------|
| | \$ | \$ |
| Motor Vehicles | | |
| At cost | 108,478 | 73,331 |
| Less: accumulated depreciation | (32,683) | (10,040) |
| Total motor vehicles | 75,795 | 63,291 |

| | 30 JUNE 2014 | 30 JUNE 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Plant and equipment | | |
| Carrying amount at the beginning of the year | 139,061 | 4,297 |
| Additions | 110,214 | 146,050 |
| Disposals | - | - |
| Depreciation expense | (79,582) | (11,286) |
| Total carrying amount at end of the year | 169,693 | 139,061 |

| | 30 JUNE 2014 | 30 JUNE 2013 |
|---|---------------|---------------|
| | \$ | \$ |
| Motor Vehicles | | |
| Carrying amount at the beginning of the year | 63,291 | - |
| Additions | 35,147 | 73,331 |
| Disposals | - | - |
| Depreciation expense | (22,643) | (10,040) |
| Total carrying amount at end of the year | 75,795 | 63,291 |

| | | |
|----------------------------------|----------------|----------------|
| Total plant and equipment | 245,488 | 202,352 |
|----------------------------------|----------------|----------------|

12 EXPLORATION AND EVALUATION EXPENDITURE

| | 30 JUNE 2014 | 30 JUNE 2013 |
|--|---------------|------------------|
| | \$ | \$ |
| Exploration and evaluation – at cost | | |
| Balance at the beginning of the year | 5,402,705 | 5,910,857 |
| Expenditure incurred | 327,529 | 507,140 |
| Expenditure written off (i) | (4,312,388) | (1,015,292) |
| Transferred to development expenditure (Note 13) | (1,330,209) | - |
| | 87,637 | 5,402,705 |

(i) During the year the Company relinquished EL77/1297 (2012: ELA77/1364, ELA77/1392, E77/1711, E77/1712 and E77/1714).

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation on sale of the respective area.

13 DEVELOPMENT EXPENDITURE

| | 30 JUNE 2014 | 30 JUNE 2013 |
|---|-------------------------|---------------------|
| | \$ | \$ |
| Halleys East | | |
| Balance at beginning of period | - | - |
| Transferred from exploration and evaluation expenditure | 1,330,209 | - |
| Amortisation expense | (121,488) | - |
| Balance at reporting date | <u>1,208,721</u> | <u>-</u> |

14 TRADE AND OTHER PAYABLES

| | 30 JUNE 2014 | 30 JUNE 2013 |
|--------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Trade and other payables | <u>932,739</u> | <u>166,912</u> |
| | <u>932,739</u> | <u>166,912</u> |

Trade and other payables amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are yet to be paid. The amounts are unsecured and are usually paid within 30 days of recognition.

15 PROVISIONS

| | 30 JUNE 2014 | 30 JUNE 2013 |
|---------------------------|-----------------------|----------------------|
| | \$ | \$ |
| Current | | |
| Employee entitlements (i) | <u>-</u> | <u>17,500</u> |
| | <u>-</u> | <u>17,500</u> |
| Non Current | | |
| Rehabilitation (ii) | <u>136,000</u> | <u>-</u> |
| | <u>136,000</u> | <u>-</u> |

(i) Provision for Employee Entitlements

Refer to Note 2(m) for the relevant accounting policy and a discussion of the significant estimates and assumptions applied in the measurement of this provision.

(ii) Provision for Rehabilitation

| | 30 JUNE 2014 | 30 JUNE 2013 |
|--|-----------------------|---------------------|
| | \$ | \$ |
| Balance at beginning of reporting period | - | - |
| Provisions made during the year | 136,000 | - |
| Provisions used during the year | - | - |
| Provisions reversed during the year | - | - |
| | <u>136,000</u> | <u>-</u> |

Nature and Purpose of Provision for Rehabilitation

The nature of rehabilitation activities include dismantling and removing structures, rehabilitating mines, reclamation and revegetation of affected areas. Additional disturbances or changes in rehabilitation cost estimates will be recognised as additional or changes to the corresponding asset and rehabilitation liability when incurred.

16 BORROWINGS – DEBENTURE NOTES

| | | 30 JUNE 2014 \$ | 30 JUNE 2013 \$ |
|--|-----------------------|---------------------|---------------------|
| (a) Total non-current secured liabilities | | | |
| Debtenture notes | | 4,000,000 | - |
| | | 4,000,000 | - |
| | Interest rates | 30 JUNE 2014 | 30 JUNE 2013 |
| | % | \$ | \$ |
| (b) Maturity dates | | | |
| 11 November 2015 | 18% | 3,050,000 | - |
| 18 November 2015 | 18% | 850,000 | - |
| 31 December 2015 | 18% | 100,000 | - |
| | | 4,000,000 | - |

(c) Terms and Conditions of Debtenture Notes

On the 31 December 2013 the Company announced that it had completed the issue of \$4.0 million Debtenture Notes to sophisticated and professional investors.

The key terms of the Debtenture Issue are as follows:

- (a) the face value of each Debtenture (“Debtentures”) will be \$1.00 and each Debtenture Holder must subscribe for a minimum of 100,000 Debtentures which will have a total face value of \$100,000 (“Minimum Subscription”);
- (b) for every one Debtenture that is issued to a Debtenture Holder, the Company will grant that Debtenture Holder 100 Options, the Options will be issued on the same term and conditions of those already on issue. The maximum number of Options to be issued under the Debtenture Issue is 400,000,000;
- (c) the Debtentures will not be listed on the ASX;
- (d) the term of the Debtentures is 24 months from the date of issue (“Term”), and the Company holds the right to exercise an early repayment option which may be exercised no less than 18 months from the date of issue (“Early Repayment”);
- (e) the interest rate payable on the Debtentures is 18% per annum. Interest will be payable on the paid-up face value of the Debtentures and calculated on a daily basis. Interest will be payable to the Debtenture Holders 6 months after the date they are issued with Debtentures and thereafter every 3 months until the end of the Term, or upon Early Repayment (together the “Record Dates”);
- (f) Interest will be paid no later than 30 days after the relevant Record Date;
- (g) the Debtentures will be secured by the Company granting a Mortgage over Mining Lease 77/1254 in favour of a Security Trustee acting on behalf of all the Debtenture Holders (“Security Trustee”);
- (h) the Debtentures will not entitle a Debtenture Holder to any voting rights in the Company;
- (i) the Company must repay the subscription price in full in relation to any Debtenture Issue, including accrued but unpaid interest, on the earlier of the following;
 - (i) the end of the Term;
 - (ii) Early Repayment; or

- (iii) within 30 days on the occurrence of an event of default that has not been remedied;
- (j) events of default (“Event of Default”) include (but are not limited to) the following:
 - (i) an external administrator being appointed over any of the assets of the Company and not being removed;
 - (ii) the Company being in liquidation or under administration;
 - (iii) a material change being made to the Constitution of the Company;
 - (iv) a failure to pay interest owed to a Debenture Holder occurring within 7 days of its due date; and
 - (v) other events of default typical of this type of transaction occurring; and
- (k) the Company has 30 days to remedy any Event of Default which occurs pursuant to the Debenture Issue.

17 ISSUED CAPITAL

Issued and paid up capital

| | 30 JUNE 2014 | 30 JUNE 2013 |
|--|-------------------|-------------------|
| | \$ | \$ |
| At the beginning of reporting year | 23,464,950 | 21,958,170 |
| Shares issued during the year (i), (ii) | 300,000 | 1,592,118 |
| Shares issued pursuant to exercise of options | 1,600 | 32 |
| Transaction costs | - | (85,370) |
| At reporting date 1,493,429,242 (30 June 2013: 1,393,109,196) | 23,766,550 | 23,464,950 |
| fully paid ordinary shares | 23,766,550 | 23,464,950 |

- (i) On 14 September 2012 the Company announced a 2 for 5 non-renounceable entitlement issue of shares at an issue price of \$0.004 per share. The entitlement issue was fully subscribed for.
- (ii) On 9 July 2013 the Company issued 100,000,000 ordinary shares, at an issue price of \$0.003 per share, to Duketon Consolidated Pty Ltd as consideration for the acquisition of the 20% interest in the Halleys East Gold Project.

Movement in Ordinary Shares

| | Number | Number |
|---|----------------------|----------------------|
| At the beginning of reporting year | 1,393,109,196 | 995,073,426 |
| Shares issued during the year (i), (ii) | 100,000,000 | 398,029,370 |
| Shares issued pursuant to exercise of options | 320,046 | 6,400 |
| At reporting date | 1,493,429,242 | 1,393,109,196 |

- (i) On 14 September 2012 the Company announced a 2 for 5 non-renounceable entitlement issue of shares at an issue price of \$0.004 per share.
- (ii) On 9 July 2013 the Company issued 100,000,000 ordinary shares, at an issue price of \$0.003 per share, to Duketon Consolidated Pty Ltd as consideration for the acquisition of the 20% interest in the Halleys East Gold Project.

The Company does not have authorised capital or par value in respect of its issued capital.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

Capital Management

The Board's policy in relation to capital management is to regularly and consistently monitor future cash flows against expected expenditures for a rolling period of up to 12 months in advance. The Board determines the Company's needs for additional funding by way of either share issues or loan funds depending on market conditions at the time. The Board defines working capital in such circumstances as its excess liquid funds over liabilities, and defines capital as being the ordinary share capital of the Company.

There were no changes in the Company's approach to capital management during the year.

The Company is subject to externally imposed capital requirements.

18 RESERVES

(a) Option Reserves

| | 30 JUNE 2014 | 30 JUNE 2013 |
|--|----------------|--------------|
| | \$ | \$ |
| At the beginning of reporting year | - | - |
| Options issued pursuant to Debenture Notes (iii) | 579,500 | - |
| Transaction costs | - | - |
| At reporting date | 579,500 | - |

| | 2014 | 2013 |
|--|--------------------|--------------------|
| | Number | Number |
| At the beginning of the reporting period | 398,022,970 | - |
| Issued during the year (ii), (iii) | 400,000,000 | 398,029,370 |
| Exercised during the year | (320,046) | (6,400) |
| At reporting date | 797,702,924 | 398,022,970 |

- (i) Each option entitles the holder to subscribe to one share at an issue price of \$0.005 on or before 30 September 2015.
- (ii) On 14 September 2012 the Company announced a 2 for 5 non-renounceable entitlement issue of shares at an issue price of \$0.004 per share. 1 for 1 free option was attached to new shares acquired under the entitlement issue. The entitlement issue was fully subscribed for.
- (iii) The Company granted Debenture Holders 100 options for every 1 Debenture Note issued, for further details please see note 13.

| | 2014 | 2013 |
|--|----------|-----------|
| | Number | Number |
| At the beginning of the reporting period | - | 150,000 |
| Expiry of options | - | (150,000) |
| At reporting date | - | - |

- (iv) Each option entitled the holder to subscribe to one share at an issue price of \$0.27 on or before 1 August 2012. The options lapsed on the 1 August 2012.

(b) Fair Value Reserve (i)

| | 30 JUNE 2014 | 30 JUNE 2013 |
|--|------------------|------------------|
| | \$ | \$ |
| At the beginning of the reporting period | (106,442) | (88,993) |
| Revaluation of listed investments | (4,200) | (17,449) |
| | (110,642) | (106,442) |

- (i) The fair value reserve records the movement in the market value of the investment in listed shares held by Company.

| (c) Reserves | 30 JUNE 2014 | 30 JUNE 2013 |
|---------------------------------|----------------|------------------|
| | \$ | \$ |
| Option reserve (Note 18(a)) | 579,500 | - |
| Fair value reserve (Note 18(b)) | (110,642) | (106,442) |
| At reporting date | 468,858 | (106,442) |

19 LOSS PER SHARE

| | 30 JUNE 2014 | 30 JUNE 2013 |
|--|-----------------|-----------------|
| | \$ | \$ |
| Basic loss per share after income tax attributable to members of the Company | (0.0051) | (0.0010) |
| Basic loss per share | (0.0051) | (0.0010) |

| | | |
|---|--------------------|--------------------|
| Earnings used in calculation of total diluted earnings per share | (7,531,796) | (1,283,499) |
| Earnings used in the calculation of diluted earnings per share | (7,531,796) | (1,283,499) |

| | Number | Number |
|--|----------------------|----------------------|
| Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share | 1,490,964,793 | 1,261,855,716 |
| Weighted average number of ordinary shares for diluted earnings per share | 1,490,964,793 | 1,261,855,716 |

20 NOTES TO THE STATEMENT OF CASH FLOWS
(a) Reconciliation of cash and cash equivalents

| | 30 JUNE 2014 | 30 JUNE 2013 |
|------------------------|----------------|----------------|
| | \$ | \$ |
| Current - Cash at bank | 372,177 | 803,290 |
| | 372,177 | 803,290 |

(b) Reconciliation of cash flows from operations with loss after income tax

| | 30 JUNE 2014 | 30 JUNE 2013 |
|---|--------------------|-----------------|
| | \$ | \$ |
| Loss after income tax | (7,531,796) | (1,283,499) |
| Non cashflows from loss | | |
| Depreciation of plant and equipment | 102,255 | 1,262 |
| Exploration and development expenditure written off | 3,806,347 | 1,015,292 |
| Gain on sale of investment | 23,400 | 26,419 |
| (Increase) /decrease in assets | | |
| - Trade and other receivables | 141,374 | 302,615 |
| - Other assets | (380,275) | (6,400) |
| - Inventory | 2,154,142 | - |
| Increase / (decrease) in liabilities | | |
| - Trade and other payables | (765,827) | (139,661) |
| - Provisions | (118,500) | - |
| Net cash outflows from operating activities | (2,568,880) | (83,972) |

(c) **Non cash financing and investing activities**

- (i) On 9 July 2013 the Company issued 100,000,000 ordinary shares, at an issue price of \$0.003 per share, to Duketon Consolidated Pty Ltd as consideration for the acquisition of the 20% interest in the Halleys East Gold Project.

21 SHARE BASED PAYMENTS

- (i) On 9 July 2013 the Company issued 100,000,000 ordinary shares, at an issue price of \$0.003 per share, to Duketon Consolidated Pty Ltd as consideration for the acquisition of the 20% interest in the Halleys East Gold Project.
- (ii) The Company agreed and approved at the Annual General Meeting held on 7 November 2013 to issue 100 options for every 1 Debenture Note issued to Debenture holders. The Options are exercisable at \$0.005 on or before 30 September 2015. The Company issued 400,000,000 options under this agreement. Using the Black & Scholes option model and based on the assumption below the Options were ascribed the following value:

| Class of Options | Number of Options | Valuation Date | Market Price of Shares | Exercise Price | Expiry Date | Risk Free Interest Rate | Volatility (discount) | Indicative Value per Option |
|------------------|-------------------|----------------|------------------------|----------------|-------------|-------------------------|-----------------------|-----------------------------|
| Options | 305,000,000 | 11.11.2013 | \$0.003 | \$0.005 | 30.09.15 | 2.53% | 110% | \$0.0013 |
| Options | 85,000,000 | 18.11.2013 | \$0.004 | \$0.005 | 30.09.15 | 2.53% | 110% | \$0.0020 |
| Options | 10,000,000 | 31.12.2013 | \$0.003 | \$0.005 | 30.09.15 | 2.53% | 110% | \$0.0013 |

22 KEY MANAGEMENT PERSONNEL

(a) **Details of key management personnel**

Directors and Executives

Geoffrey Greenhill – Executive Chairman
 Graham McGarry – Managing Director
 Marcus Michael – Executive Director

(b) **Compensation of key management personnel**

| | 30 JUNE 2014 | 30 JUNE 2013 |
|--|-----------------------|-----------------------|
| | \$ | \$ |
| Short term employment benefits | | |
| Salary, fees and leave | 270,000 | 150,000 |
| Non-monetary | 8,880 | 7,260 |
| Post employment benefits | | |
| Superannuation | 24,975 | 13,500 |
| Total key management personnel compensation | <u><u>303,855</u></u> | <u><u>170,760</u></u> |

(c) **Other transactions and balances with Key Management Personnel**

The Directors' on the 10 September 2012 entered into separate agreements with the Company, whereby the Directors' will underwrite a total of \$600,000 of the shares issued under the Entitlement Issue Prospectus dated 17 September 2012. Under the agreements the Directors' will be entitled to an underwriting fee of 5% of the underwritten amount. Each Director received a fee of \$10,000 under this agreement.

On the 11 November 2013 Graham McGarry, Geoffrey Greenhill and Oceanic Capital Pty Ltd (together the "Related Parties"), which is a Company controlled by the parents of Marcus Michael, through their respective related party entities, participated in the issue of Debenture Notes in the Company. The Related Parties participation was approved at the Company's Annual General Meeting held on 7 November 2013. The face value of each debenture note is \$1.00 and for every 1 debenture note issued, the Company granted 100 listed options. The terms and conditions of the Debenture Notes are detailed in Note 16(c).

The interest payable on the Debenture Notes is 18% per annum. During the year \$109,328 (2013: \$0) was paid or payable to Graham McGarry and \$59,096 (2013: \$0) to Geoffrey Greenhill, through their respective related party entities and \$109,328 (2013: \$0) was paid or payable to Oceanic Capital Pty Ltd. At 30 June 2014 \$8,705 (2013: \$0) interest was payable Graham McGarry, through his respective related party and Oceanic Capital Pty Ltd and \$4,706 (2013: \$0) interest was payable to Geoffrey Greenhill, through his respective related party entity.

Debenture Note holders were paid a fee of 3% placement fee on the Debenture Notes. The Company paid a placement fee of \$27,750 to Graham McGarry and \$25,000 to Geoffrey Greenhill, through their respective related party entities and \$27,750 to Oceanic Capital Pty Ltd.

On 22 October 2013 the Company announced that Lamerton Pty Ltd, a company related to Graham McGarry, had provided an unsecured loan facility to Beacon of \$200,000. No fees were payable to Lamerton Pty Ltd in relation to the facility and interest on the facility was levied at the prevailing overdraft interest rate charged by the bank and reimbursed to Lamerton Pty Ltd at cost.

McVerde Minerals Pty Ltd, of which Graham McGarry and Geoffrey Greenhill are Directors, provided equipment hire to the Company on ordinary commercial terms. Amounts that have been paid or payable total \$1,119,792 (2013: \$0). At 30 June 2014 \$245,341 (2013: \$0) was payable to McVerde Minerals.

Mr Michael is a director and has a beneficial interest in Marshall Michael Chartered Accountants. Staff of Marshall Michael Pty Ltd, including the Company Secretary Sarah Shipway, has provided corporate secretarial, accounting, bookkeeping and general administrative services during the year. Amounts that have been paid or are payable total \$109,696 (2013: \$71,988). At 30 June 2014 \$4,227 (2013: \$4,276) was payable to Marshall Michael Chartered Accountants.

23 COMMITMENTS AND CONTINGENCIES

(a) Commitment

Mineral exploration commitment

In order to maintain the current rights of tenure to exploration tenements, the Company has the following discretionary exploration expenditure requirements.

| | 30 JUNE 2014 | 30 JUNE 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Not later than one year | 30,000 | 278,969 |
| Later than one year but not later than five years | 148,500 | - |
| Later than five years | - | - |
| | <u>178,500</u> | <u>278,969</u> |

24 EVENTS SUBSEQUENT TO BALANCE DATE

Since the year ended 30 June 2014 to the date of this report the Company has received approximately \$3,863,000 from the sale of gold.

Other than above no matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations, or the state of the affairs of the Company in future financial years.

25 FINANCIAL RISK MANAGEMENT**(a) Interest Rate Risk**

The Company's exposure to interest rate risk, which is the risk that the financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

Based on the cash and cash equivalents balances at 30 June 2014 a 1% movement in interest rates would increase/decrease the loss for the year before taxation by \$5,923 (2013: \$16,619).

(b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(c) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any allowance for doubtful debts, as disclosed in the statement of financial position and notes to the financial report.

The Company does not have any material credit risk exposure to any single debtor or Company of debtors under financial instruments entered into by the Company.

(d) Fair value of financial instruments

The Company measures and recognises the following asset at fair value on a recurring basis after initial recognition:

- available-for-sale financial assets

The Company does not subsequently measure any liabilities at fair value on a non-recurring basis.

Fair Value Hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

| Level 1 | Level 2 | Level 3 |
|--|--|---|
| Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. | Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. | Measurements based on unobservable inputs for the asset or liability. |

Valuation techniques

The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Company are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Company’s assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|-------------------------------------|----------------|---------------|---------------|----------------|
| 2014 | | | | |
| Available-for-sale financial assets | 722,256 | - | - | 722,256 |
| | 722,256 | - | - | 722,256 |
| 2013 | | | | |
| Available-for-sale financial assets | 745,124 | - | - | 745,124 |
| | 745,124 | - | - | 745,124 |

(e) Financial risk management policies

The Company’s financial instruments consist mainly of deposits with recognised banks, investment in bank bills up to 90 days, accounts receivable and accounts payable. Liquidity is managed, when sufficient funds are available, by holding sufficient funds in a current account to service current obligations and surplus funds invested in bank bills. The Directors analyse interest rate exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The main risks the Company is exposed to through its financial instruments is the depository banking institution itself, holding the funds, and interest rates. The Company's credit risk is minimal as the Company has no significant financial assets other than cash and term deposits.

(f) Commodity price risk

Commodity price risk arises from fluctuations in market prices of gold. The Company has not entered into any forward commodity price contracts as at 30 June 2014 and is currently exposed to commodity price risk on future sales. The Company monitors market expectations on future commodity prices and considers entering into longer term contracts or commodity swaps or put options positions if necessary to manage the risk in a manner consistent with its risk management objectives.

(g) Foreign Currency Risk

The Company is not exposed to any foreign currency risk as at 30 June 2014.

(h) Market Price Risk

Exposure to market risk arises on financial assets recognised at the end of the reporting period whereby a change in market price will affect future cash flows or the fair value of the financial asset.

The financial asset which primarily exposes the Company to market rate risk is listed investments.

26 SEGMENT REPORTING

For management purposes, the Company is organised into one main operating segment, which involves the exploration and development of minerals in Australia. All of the Company's activities are interrelated, and discrete financial information is reported to the Board as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment.

The financial results from this segment are equivalent to the financial statements of the Company as a whole.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these financial statements.

In the opinion of the Directors of Beacon Minerals Limited ("the Company")

- (a) The financial statements and the notes and the additional disclosures included in the directors' report (designated as audited) of the Company are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year ended that date; and
 - (ii) Complying with Australian Accounting Standards, and:
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (b) The financial statements and notes comply with International Financial Reporting Standards as disclosed in Note 2 (d).

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Board



Geoffrey Greenhill
Executive Chairman

Dated this 29 September 2014
Perth, Western Australia

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF BEACON MINERALS LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2014 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit WA Pty Ltd
ABN 67 125 012 124

Conley Manifis

Conley Manifis
Director

Dated this 29th day of September, 2014

**CHARTERED ACCOUNTANTS
& ADVISORS**

Level 3, 15 Labouchere Road
South Perth WA 6151
PO Box 748
South Perth WA 6951
Telephone: +61 8 6436 2888
williambuck.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEACON MINERALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Beacon Minerals Limited (the Company) on pages 13 to 43, which comprises the statement of financial position as at 30 June 2014, the statement of profit of loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(d), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

CHARTERED ACCOUNTANTS & ADVISORS

Level 3, 15 Labouchere Road
South Perth WA 6151

PO Box 748
South Perth WA 6951

Telephone: +61 8 6436 2888

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEACON MINERALS LIMITED
(CONT)***Auditor's Opinion*

In our opinion:

- a) the financial report of Beacon Minerals Limited on pages 13 to 43 is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(d).

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2(b) in the financial report which indicates the company incurred a loss of \$7,531,796 and a net operating cash outflow of \$2,568,880 for the year ended 30 June 2014. These conditions, along with other matters set forth in note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 11 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Beacon Minerals Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Beacon Minerals Limited for the year ended 30 June 2014 included on Beacon Minerals Limited web site. The company's directors are responsible for the integrity of the Beacon Minerals Limited web site. We have not been engaged to report on the integrity of Beacon Minerals Limited web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.



William Buck Audit WA Pty Ltd
ABN 67 125 012 124



Conley Manifis
Director

Dated this 29th day of September, 2014

This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Principles and Recommendations**).

The Board of the Company currently has in place a Corporate Governance Plan which has been posted in a dedicated corporate governance information section of the Company's website at www.beaconminerals.com.

PRINCIPLES AND RECOMMENDATIONS

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

- 1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions. Compliant: Yes

The Directors monitor the business affairs of the Company on behalf of Shareholders and have adopted a Corporate Governance Plan which is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct. The Company's Corporate Governance Plan includes a Board Charter, which discloses the specific responsibilities of the Board.

The Company's Corporate Governance Plan is available on the Company's website at www.beaconminerals.com.

- 1.2 Companies should disclose the process for evaluating the performance of senior executives. Compliant: Yes

The Company does not yet have any senior executives apart from the Board. However, if the Company appoints senior executives in the future, the Board will monitor the performance of those senior executives including measuring actual performance of senior executives against planned performance.

The Board has adopted a policy to assist in evaluating the performance of senior executives, which is contained in Schedule 6 of its Corporate Governance Plan (Disclosure - Performance Evaluation).

Given the current size and structure of the Board, the Board has not established a separate nomination committee to oversee the performance evaluation of the senior executives.

Until a nomination committee is established, the Board will undertake the obligations of the nomination committee in connection with evaluating the performance of senior executives in accordance with Schedule 6 of its Corporate Governance Plan.

- 1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1. Compliant: Yes

The Company will explain any departures from Principles and Recommendations 1.1 and 1.2 (if any) in its future annual reports, including whether a performance evaluation for senior executives (if any exist at that time) has taken place in the reporting period and whether it was in accordance with the process disclosed.

The Company has not undertaken any performance evaluation of any directors in the last reporting period.

The Company has adopted a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board may delegate responsibility for the day-to-day operations and administration of the Company to the chief executive officer (if appointed).

The Board Charter is contained in Schedule 1 of the Company's Corporate Governance Plan and the Nomination Committee Charter is contained in Schedule 5 of the Company's Corporate Governance Plan.

2. STRUCTURE THE BOARD TO ADD VALUE

2.1 A majority of the Board should be independent directors. Compliant: No

Currently the Company has no independent directors.

The Company's Corporate Governance Plan outlines that the majority of the Board will be comprised of non-executive directors, and where practical, at least 50% of the Board will be independent. However, the Board considers that the Company is not currently of a size to justify the expense of an appointment of a majority of independent directors. The current Board structure presently consists of an Executive Chairman, a Managing Director and an Executive Director.

The Board believes that each of the Directors can make, and do make, quality and independent judgements in the best interests of the Company. Any Director who has a conflict of interest in relation to a particular item of business must declare their conflict and abstain from voting or participating in Board deliberations to which a conflict of interest relates.

2.2 The chair should be an independent director. Compliant: No

Geoffrey Greenhill is the Executive Chairman and is a not an Independent Director.

The Company's Corporate Governance Plan provides that the Chairman, where practical, should be a non-executive Director.

The Board considers that the Company is not currently of a size to require an independent Chairman. This will be reviewed as the Company develops.

2.3 The roles of chair and chief executive officer should not be exercised by the same individual. Compliant: Yes

The Company's Chairman is Geoffrey Greenhill and the Managing Director is Graham McGarry.

The Company's Corporate Governance Plan provides, where practical, that the chief executive officer should not be the Chairman of the Company during his term as chief executive office or in the future.

2.4 The Board should establish a nomination committee. Compliant: No

Given the structure of the Board, the Board has not established a separate nomination committee.

Matters typically dealt with by such a committee are dealt with by the Board. The Board may also seek independent advice to assist with the identification process.

2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors. Compliant: No

The Company will put a formal process in place as and when the Company's level of operations justifies it. Currently, the Board undertakes the obligations of the nomination committee in connection with evaluating the performance of the Board, its committees and individual directors, and will continue to do so until a nomination committee is established.

- 2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.
Compliant: Yes

A description of the skills and experience of each of the current Directors is included on the Company's website at www.beaconminerals.com.

Given the current size and structure of the Board, the Company has not fully complied with Principle 2 of ASX Corporate Governance Council Principles and Recommendations. However, it will seek to do so as it develops and the Board grows.

The Board Charter includes a statement that the Board may seek independent professional advice at the Company's expense.

The Board has not established a nomination committee and its functions are carried out by the Board.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

- 3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the Company's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Compliant: Yes

The Company's Code of Conduct, which is included in Schedule 2 of the Company's Corporate Governance Plan, aims to encourage the appropriate standards of conduct and behaviour of the directors, officers and employees of the Company.

- 3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measureable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them. Compliant: Yes

The Company's Diversity Policy, which is included in schedule 10 of the Company's Corporate Governance Plan, recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Diversifying includes, but not limited to, gender, age, ethnicity and cultural background.

- 3.3 Companies should disclose in each annual report the measureable objectives for achieving diversity set by the Board in accordance with the diversity policy and progress in achieving them. Compliant: No

Due to the limited number of employees, the Company has not yet set measurable objectives for achieving gender diversity. The Company will consider establishing measurable objectives as it develops.

- 3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board. Compliant: Yes

| | 2014 | Percentage |
|---------------------------------|------|------------|
| Women on the Board | - | 0% |
| Women in Senior Management Role | 2 | 40% |
| Women Employees | 3 | 24% |

- 3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3. Compliant: Yes.

The Board will include in the Annual Report each year:

- measurable objectives (if any) set by the Board;
- progress against the objectives; and
- the proportion of women employees in the whole organisation at senior management and at Board level.

The Company will explain any departures from CG Principles and Recommendations 3.1, 3.2, 3.3 and 3.4 in the Corporate Governance Statement and its future annual reports.

4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

- 4.1 The Board should establish an audit committee. Compliant: No

A formal Audit and Risk Committee Charter has been adopted by the Company, which is contained in Schedule 3 of the Company's Corporate Governance Plan.

The Board considers that the Company's affairs are not currently of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of an audit committee and a nomination committee. The Board considers that, at this stage, no efficiencies or other benefits would be gained by establishing a separate audit committee or a separate nomination committee.

- 4.2 The audit committee should be structured so that it:

- consists only of non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not chair of the Board;
- has at least three members.

Compliant: No

Refer to 4.1 above.

- 4.3 The audit committee should have a formal charter. Compliant: Yes

A formal Audit and Risk Committee Charter has been adopted by the Company, which is contained in Schedule 3 of the Company's Corporate Governance Plan.

- 4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4. Compliant: Yes

The Company does not have an audit committee. The Board carries out the duties of the audit committee.

The Company will explain any departures from the CG Principles and Recommendations 4.1, 4.2 and 4.3 (if any) in its future annual reports.

5. MAKE TIMELY AND BALANCED DISCLOSURE

- 5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. Compliant: Yes.

The Company's Continuous Disclosure Policy, which is contained in Schedule 7 of the Company's Corporate Governance Plan, is designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

- 5.2 Companies should provide the information indicated in Guide to Reporting on Principle 5. Compliant: Yes.

The Company will provide an explanation of any departures from CG Principle and Recommendation 5.1 in its future annual reports.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

- 6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. Compliant: Yes.

The Company has adopted a Shareholder Communications Strategy, contained in Schedule 11 of the Company's Corporate Governance Plan, which aims to ensure that the shareholders of the Company are informed of all major developments affecting the Company's state of affairs.

The strategy provides that information will be communicated to shareholders through:

- a) the Annual Report which is available on the Company's website;
- b) the Interim Financial Report which is placed on the Company's website;
- c) the quarterly reports which are placed on the Company's website;
- d) disclosures and announcements made to the ASX, copies of which are placed on the Company's website;
- e) notices and explanatory memoranda of Annual General Meetings (AGM) and Extraordinary General Meetings (EGM), copies of which are placed on the Company's website;
- f) the Chairman's address and the Managing Director's address made at the AGMs and the EGMs, copies of which are placed on the Company's website;
- g) the Company's website on which the Company posts all announcements which it makes to the ASX; and
- h) the auditor's lead engagement partner being present at the AGM to answer questions from shareholders about the conduct of the audit and the preparation and content of the Auditor's Report.

- 6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6. Compliant: Yes

The Company will provide an explanation of any departures from CG Principle and Recommendation 6.1 (if any) in its future annual reports.

7. RECOGNISE AND MANAGE RISK

- 7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. Compliant: Yes and No.

Given the current size and structure of the Board, the Board has not established a separate audit committee. However the Audit and Risk Committee Charter contained in the Company's Corporate Governance Plan sets out the Company's policies for the oversight and management of material business risks.

The Board will carry out the duties of the audit committee in accordance with the formal terms of reference set out in the Company's Corporate Governance Plan.

The Board is responsible for determining the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

- 7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. Compliant: Yes.

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business in addition to those identified by the Audit and Risk Committee (once established). Key operational risks and their management will be recurring items for deliberation at Board Meetings.

- 7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. Compliant: Yes.

The Board has received assurance from the chief executive officer and chief financial officer (or their equivalents) at the relevant time.

- 7.4 Companies should provide the information indicated in Guide to Reporting on Principle 7. Compliant: Yes.

The Company will provide an explanation of any departures from CG Principles and Recommendations 7.1, 7.2 and 7.3 (if any) in its future annual reports.

8. REMUNERATE FAIRLY AND RESPONSIBLY

- 8.1 The Board should establish a remuneration committee. Compliant: No.

A formal Remuneration Committee Charter has been adopted by the Company, which is contained in Schedule 4 of the Company's Corporate Governance Plan. However, given the current size and structure of the Board, the Board has not established a separate remuneration committee.

This will be reviewed as the Company's circumstances change.

Until a Remuneration Committee is established, the Board will carry out the duties of the Remuneration Committee in accordance with the formal terms of reference of the Remuneration set out in the Company's Corporate Governance Plan.

8.2 The remuneration committee should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent director; and
- has at least three members.

Compliant: No

Refer to 8.1 above.

8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. Compliant: Yes

Executive Directors remuneration packages may comprise of:

- fixed salary;
- performance based bonuses;
- participation in any share/option scheme; and
- statutory superannuation.

8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8. Compliant: Yes.

The Company will provide an explanation of any departures from CG Principles and Recommendations 8.1, 8.2 and 8.3 (if any) in its future annual reports.

The following table sets out Beacon Minerals Limited ore reserves as at 30 June 2014.

| Project | Commodity Type | Category of Ore Reserve | 30 June 2014 | 30 June 2013 | Geographical Location |
|----------------|-----------------------|--------------------------------|---|---------------------|------------------------------|
| Halleys East | Gold | Probable Ore Reserve | 33,200t @ 12.9g/t gold and 13,800oz of contained gold | - | Australia |

The Company has engaged Mincomp to complete the annual review of Mineral Resources and Ore Reserves. Minecomp is an independent mining engineering consulting practice located in Kalgoorlie Western Australia. Minecomp maintains best in class industry standard governance arrangements and internal controls with respect to the calculation of ore reserves.

JORC 2012 Mineral Resources and Ore Reserve Statement - Competent Person Statement

The information in the Mineral Resources and Ore Reserves Statement is based on information compiled by Gary McCrae, Mining Engineer and full time employee of Minecomp Pty Ltd. The information in the Mineral Resources and Ore Reserve Statement is based on, and fairly represents, information and supporting documentation prepared by Mr McCrae. Mr McCrae is a corporate member the Australasian Institute of Mining and Metallurgy. Mr McCrae has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Resources Committee, the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Mineral Council of Australia." The Mineral Resources and Ore Reserves Statement as a whole is approved by Mr McCrae in the form in which it appears.

1. Distribution of holders at 29 September 2014

As at 29 September 2014 the distribution of shareholders was as follows:

Ordinary shares

| Size of holding | Number of holders |
|------------------|-------------------|
| 1 – 1,001 | 26 |
| 1,001 – 5,000 | 22 |
| 5,001 – 10,000 | 18 |
| 10,001 – 100,000 | 296 |
| 100,001 and over | 1,111 |
| Total | 1,473 |

2. Voting Rights

There are no restrictions to voting rights attached to the ordinary shares. On a show of hands every member present in person will have one vote and upon a poll, every member present or by proxy will have one vote each share held.

3. Substantial shareholders

The names of the substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act 2001 are;

| Shareholder | Shares held | Percentage of Interest % |
|-------------------------|-------------|--------------------------|
| Oceanic Capital Pty Ltd | 106,200,333 | 7.62% |
| Graham McGarry | 73,233,333 | 5.26% |

4. Top 20 Shareholders

The names of the 20 largest shareholders as at 29 September 2014 who hold 39.60% of the fully paid ordinary shares of the Company were as follows;

| Class | Number |
|---|-------------|
| Oceanic Capital PL | 113,696,510 |
| Lamerton PL | 54,155,000 |
| Geoda PL | 50,530,000 |
| Duketon Consolidated PL | 50,000,000 |
| Riverfront Nom PL <MCM Fam A/C> | 45,428,333 |
| Duketon Consolidated PL | 40,803,993 |
| Amalgamated Diaries Ltd | 34,860,000 |
| Yarandi Inv PL <Griffith Fam No 2> | 30,000,000 |
| Lamerton PL <Mac's S/F A/C> | 21,745,000 |
| Sykes John Barrie + A E <JB & AE Skyes S/F> | 18,000,000 |
| Cullen Laurence Gerrard | 16,000,000 |
| St Barnabas Inv PL <St Barnabas S/F A/C> | 15,687,500 |
| Alexander Bryan William | 15,400,000 |
| Confederate Motors PL | 13,000,000 |
| Michael Marcus + Kathryn <Riverfront S/F A/C> | 12,800,000 |
| Tre PL <Time Road Super A/C> | 12,800,000 |
| Wise Daniel Paul <Ark Inv A/C> | 12,584,501 |
| Kurucu Yusuf <A N K Fam A/C> | 12,000,000 |
| BE Copymart PL | 11,000,000 |
| Greenwood Andrw | 10,836,247 |

5. Top 20 Option holders

The names of the 20 largest option holders as at 29 September 2014 who hold 80.88% of the options of the Company were as follows;

| Class | Number |
|---|---------------|
| Oceanic Capital PL | 161,434,401 |
| Lamerton PL | 95,570,000 |
| Greenhill Geoffrey + G <Greenhill S/F A/C> | 50,000,000 |
| Lamerton PL | 40,455,000 |
| Geoda PL | 39,705,000 |
| Sykes John Barrie + A E <JB & AE Sykes S/F> | 33,000,000 |
| Riverfront Nom PL <MCM Fam A/C> | 29,961,666 |
| Flue Holdings PL | 25,000,000 |
| Pollara PL <Pollara A/C> | 25,000,000 |
| Yarandi Inv PL <Griffith Fam No 2> | 24,000,000 |
| St Barnabas Inv PL <St Barnabas S/F> | 18,687,500 |
| St Barnabas Inv PL <Melvista Fam A/C> | 16,750,855 |
| Topweal PL <Hart S/F A/C> | 13,000,000 |
| Wise Daniel Paul <Ark Inv A/C> | 12,000,000 |
| Michael Marcus + K M <Riverfront S/F A/C> | 10,800,000 |
| Ladyman Super PL | 10,000,000 |
| Wittenoom Charles <Pepa Superannuation> | 10,000,000 |
| Denrene PL | 10,000,000 |
| Baring Nom PL <Price Fam Inv A/C> | 10,000,000 |
| Cornelius Seamus | 10,000,000 |

Beacon Minerals Limited mineral interests at 29 September 2014

| PROJECT/LOCATION | TENEMENT | REGISTERED HOLDER | INTEREST |
|----------------------------|-----------------|--------------------------|-----------------|
| Barlee, Western Australia | E77/1713 | Beacon Minerals Limited | 100% |
| Barlee, Western Australia | M77/1254 | Beacon Minerals Limited | 100% |
| Barlee, Western Australia | L11/0243 | Beacon Minerals Limited | 100% |
| Barlee, Western Australia | L30/0057 | Beacon Minerals Limited | 100% |
| Barlee, Western Australia | L29/0124 | Beacon Minerals Limited | 100% |
| Youanmi, Western Australia | E57/0946 | Beacon Minerals Limited | 100% |

