# BEACON MINERALS LIMITED

ABN 64 119 611 559

2018 ANNUAL REPORT

**CORPORATE DIRECTORY**

**BOARD OF DIRECTORS**
Geoffrey Greenhill – Executive Chairman
Graham McGarry – Managing Director
Sarah Shipway – Non-Executive Director

**COMPANY SECRETARY**
Sarah Shipway

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**AUDITORS**
William Buck Audit (WA) Pty Ltd

**CONTENTS** **PAGE**

Dear Fellow Shareholders

On behalf of the Board of Directors, I am pleased to present Beacon Minerals Limited's Annual Report for the financial year ended 30 June 2018 – a year where the Company has made enormous progress.

The Jaurdi Gold Project has achieved several significant milestones in a very short period of time, including the pre-feasibility study and various mining approvals. The Company is working towards gold production in Q1 2019.

The Pre-Feasibility Study confirmed the Jaurdi Gold Project to be a technically and economically viable project with considerable upside.

We are well positioned to bring the Jaurdi Gold Project into production with the Company seeking shareholder approval for the issue of $18m in debentures at a shareholder general meeting in October 2018.

We continue to work diligently in this new and exciting gold environment and we will continue to explore the "high priority" exploration targets that have been identified from previous high level exploration activities.

Beacon's success is a result of the outstanding team of individuals working with the Company, I would like to sincerely thank all our employees for their contribution and to this success and of course, our investors and shareholders for their continued support.

Our commitment to creating value to shareholders is firm and I look forward to sharing further success with you all in the coming year.

**Geoffrey Greenhill**
**Executive Chairman**

Beacon Minerals Limited (ASX:BCN) (Beacon or Company) is pleased to present its review of operations for the year ended 30 June 2018.

**HIGHLIGHTS**

- **Pre-Feasibility Study Results for the Jaurdi Gold Project (Subsequent to the year-end)**
  - Pre-Feasibility study results confirm Jaurdi Gold Project to be a technically and economically viable project at a 500,000tpa processing capacity;
  - Processing an estimated 2.5Mt @ 1.9g/t (148koz)[2] will deliver 126koz of recovered gold.
  - Pre-production capital cost of $21.4M;
  - Pre-production payback period 11 months;
  - Ore Reserves provide a mine life of 5 years which is likely to increase with the inclusion of the Black Cat Resources and exploration upside;
  - Forecast Life of Mine (LOM) revenue $208.5M and surplus operating cash flow of $98.4M at $1,650/oz. gold price[1];
  - Development of one shallow, low strip ratio open pit provides a low mining cost with an extremely low pre-stripping cost;
  - LOM operating cash cost (C1) of A$830/oz[3];
  - LOM All-In-Sustaining Cost (AISC) of A$870/oz[4];
  - NPV A$70.49M (before tax);
  - IRR of 75% (before tax);
  - Carried forward Australian tax losses of approximately $17M up to and including 30 June 2017.

- **Tenement Update**
  - During the year the Company continued to consolidate its tenement holding in relation to the Jaurdi Gold Project.

- **Approvals Update**
  - Approvals Received for Beacon's Jaurdi Gold Project pave the way for planned moblisation and mining acitivities commencing Q3 2018

- **Corporate**
  - Non-Renounceable Entitlement Issue completed
  - $18m Debentures to be Issued to bring Jaurdi Gold Project into Production (subsequent to year end)

[1] Based on production of 148,000oz at $US1,200 gold price, A$/US$ exchange rate of $0.73. All amounts in A$ unless otherwise stated.
[2] 100% of the material in the mine plan is classified as an Ore Reserve.
[3] C1 operating costs include all mining, processing costs and royalties.
[4] AISC includes C1 costs plus refining and sustaining capital.
**Differences may occur due to rounding.*

**PRE-FEASIBILITY STUDY RESULTS FOR THE JAURDI GOLD PROJECT***

Subsequent to the year end the Company was pleased to announce the completion of its PFS for the Jaurdi Gold Project. The PFS demonstrated an economically and technically viable project with considerable upside.

The key financial parameters are tabled below:

| Key Financial Parameter* | A$1,650 oz |
|---|---|
| **NPV** (A$M) | $70.49m |
| **Revenue** (A$M)[1] | $208.5m |
| **Operating Costs** (A$M) | $89.5m |
| **Royalties** | $15.5m |
| **Cashflow** (A$M) | $98.4m |
| **Initial Capital Costs** (A$M) | $21.4m |
| **Sustaining Capital Costs (A$M)** | $5.0m |
| **EBITD** (A$M) | $103.5m |
| **C1 Cash Cost** (A$oz) | $830 |
| **AISC** (A$oz) | $870 |
| **IRR** (%) | 75.04% |
| **Payback (months)** | 11 months |

1. Includes year 5 Lost Dog mill feed will be supplemented with approx. 30,000 tonnes from the Black Cat North open pit to fill the mill to its 500,0000 tpa capacity.

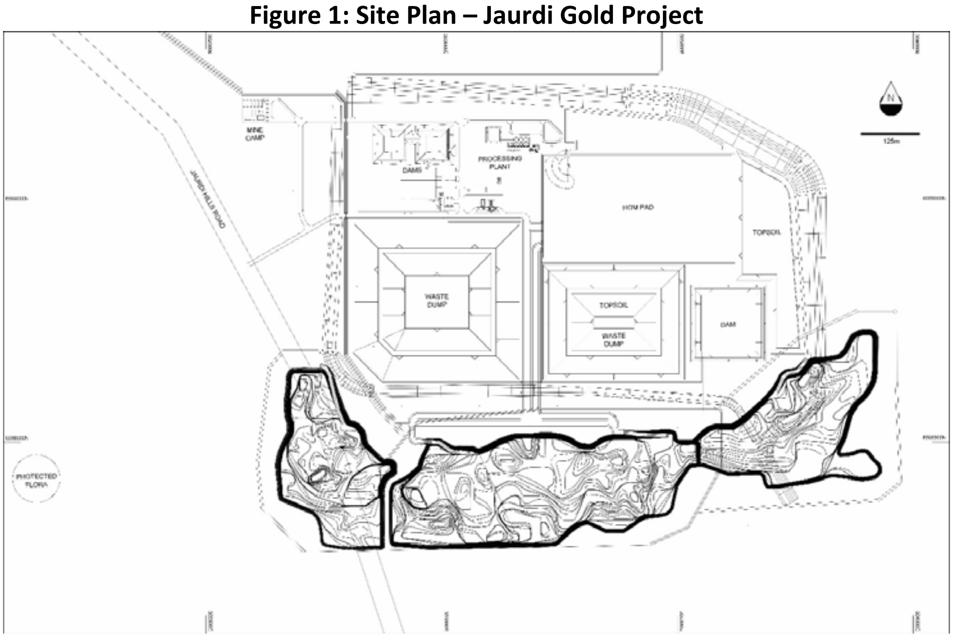
The Company engaged Minecomp Pty Ltd ("Minecomp"), a Kalgoorlie based company, to carry out the PFS at the Jaurdi Gold Project ("Jaurdi Project"), producing a high level mining and processing schedule.

The PFS investigates the potential economic viability of the Jaurdi Project on the mining and on-site treatment of the Lost Dog Resource.

Independent JORC 2012 estimates of the Mineral Resource at the Jaurdi Project by BM Geological Services (BMGS) total 2.88Mt @ 1.8g/t for 163.1koz of contained gold (refer ASX Announcement 12 July 2017).

The PFS envisages an open pit mine that will deliver material to a new, 500,000tpa capacity carbon-in-pulp (CIP) gold treatment facility at the Jaurdi Project.

**Figure 1: Site Plan – Jaurdi Gold Project**



The open pit will be mined utilizing conventional open pit methods with 90t hydraulic excavator, a fleet of articulated dump trucks and ancillary mining equipment.

The mining strategy is focused on delivering an appropriate blend of ore to the process plant so as to optimise plant recoveries and throughput.

The TSF strategy is based upon depositing tailings into the voids left by open pit mining.

First gold production, based upon the PFS production forecast, is expected in the first half of 2019.

The following results relates to the work carried out by Mr Gary McCrae from Minecomp. All outputs relating to these works are dated May 2018.

**Mineral Resource**
The Jaurdi Project overlies a portion of the Bali Monzo granite immediately adjacent to the Jaurdi Hills-Dunnsville greenstone sequence. The gold mineralisation is hosted in either a bleached, siliceous siltstone or an interbedded clay and siltstone unit.

The Mineral Resource was estimated by BMGS and announced by the Company in June 2017, see Table 1.

**Table 1 – Lost Dog Mineral Resource**

| Classification | Tonnes (Kt) | Au g/t (g/t) | Au (k0z) |
|---|---|---|---|
| Measured | 30 | 1.6 | 1.5 |
| Indicated | 2,752 | 1.8 | 158.4 |
| Inferred | 101 | 1.0 | 3.2 |
| **Total** | **2,883** | **1.8** | **163.1** |

Calculations have been rounded to the nearest 1,000t, 0.1g/t grade and 100 ounces

*For further details see JORC Code 2012 Edition – Table Report Template Sections 1, 2, 3 starting on page 194 of the report attached to the Appendix of ASX announcement dated 29 August 2018.*

**Mining and Metallurgical Factors and Assumptions**
Mining at the Jaurdi Project is to be performed using conventional open pit mining techniques. Mining equipment will comprise articulated dump trucks, matching 90t hydraulic excavator with additional ancillary equipment rounding out the fleet.

Beacon envisages that load and haul activities will be undertaken by owner miner operators using a mixture of owned and dry hired equipment. All drill and blast and grade control drilling will be undertaken by contractors. All technical and managerial direction will be provided by Beacon.

The Lost Dog, June 2017 Resource was imported into Whittle pit optimisation software. The optimisation analysis included inputs from Beacon's Executive Directors and external consultants. These input parameters comprised contractor estimates based upon experience and were inclusive of all on-site operating costs. Where applicable these costs, were reflective of the use of articulated trucks and matching equipment. Milling costs were reflective of treatment at an on-site milling facility.

The metallurgical recovery used in this study is based upon testwork conducted by ALS Metallurgy Perth, Bureau Veritas Kalgoorlie and the results of a 4,625t trial parcel of Lost Dog ore processed at a nearby custom milling facility. The 85% recovery used is at the lower end of the range of recoveries established from the testwork.

Geotechnical parameters utilised were based upon the recommendations of Tim Green of Green Geotechnical.

The orebody geometries (shallow, flat lying and nominally 1,200m long, 180m wide and 12m thick) resulted in the application of a mining dilution factor of 2% at 0.00g/t and a mining recovery of 98%. Given these orebody dimensions no allowances were made for minimum mining widths.

Optimisation analysis was conducted for a gold price range of A$1,000/oz to A$2,000/oz in A$50/oz increments, with $1,650/oz considered to be the "Base Case" gold price.

Inferred Resources were assigned a grade of 0.00g/t and hence categorized as waste material throughout the course of this study.

A state royalty of 2.5% is payable on the average monthly price as advised by the DMIRS Royalties Branch. No allowance has been made for the exemption of this royalty on the first 2,500 ounces produced in each financial year.

A third-party royalty of $80/oz recovered is also payable.

**Mine Design and Ore Reserve**

Open pit mining methods are well known and widely used in the local mining industry. The design was focused on maximizing profitability from the optimised Whittle shells. The optimum and most profitable outcome was to design the pit ramp to single lane at a 1 in 6 gradient which suited the 40t articulated dump truck fleet. This ramp configuration being one which Beacon management has had significant historical exposure to.

The detailed open pit mine design produces a Maiden Ore Reserve of:

**Table 2 – Jaurdi Project Ore Reserve**

| Ore Reserve Category | Tonnes | Au (g/t) | Au (oz) |
|---|---|---|---|
| Proved | 27,000 | 1.6 | 1,400 |
| Probable | 2,443,000 | 1.9 | 147,100 |
| **Total** | **2,470,000** | **1.9** | **148,500** |

Notes:

- Calculations have been rounded to the nearest 1,000t, 0.1g/t grade and 100 ounces
- **For further details see JORC Code 2012 Edition – Table Report Template Sections 1, 2, 3 and 4 starting on page 194 of the report attached to the Appendix of ASX announcement dated 29 August 2018.**

For the purpose of the Ore Reserve Estimate, a marginal cut-off grade of 0.6g/t was calculated based upon an assumed gold price of Au$1,650/oz and the applicable Western Australian State Government and 3rd Party Royalties, ore/waste cost differentials, processing and haulage costs and metallurgical recovery.

**Ore Processing**

Beacon have acquired many of the key processing components for the construction of a 500,000tpa processing plant. Major equipment acquired to date is as follows:

- SAG mill – 1500kW, 4m x 6m;
- Ball mill – 450kW, 3m x 4m;
- Adsorption tanks – 6 x 200m$^3$;
- Leach tank agitators and superstructure to suit 3 x 630m$^3$ tanks;
- Radial stacker – 35m;
- Coarse ore bin and feeder;
- MCC switch rooms; and
- Process slurry pumps.

The process plant general arrangement is shown in Figure 2 and the process flow diagram for the 0.5Mtpa processing plant is illustrated in Figure 3. All main elements that comprise the processing plant are typical of conventional CIP plants operating throughout the WA Goldfields. The treatment circuit has been designed to produce a grind of P100 106µm and a leach retention time of 15 hours. The Company has made a financial provision for an additional Leach Tank if required.

**Figure 2: Process Plant Arrangement**

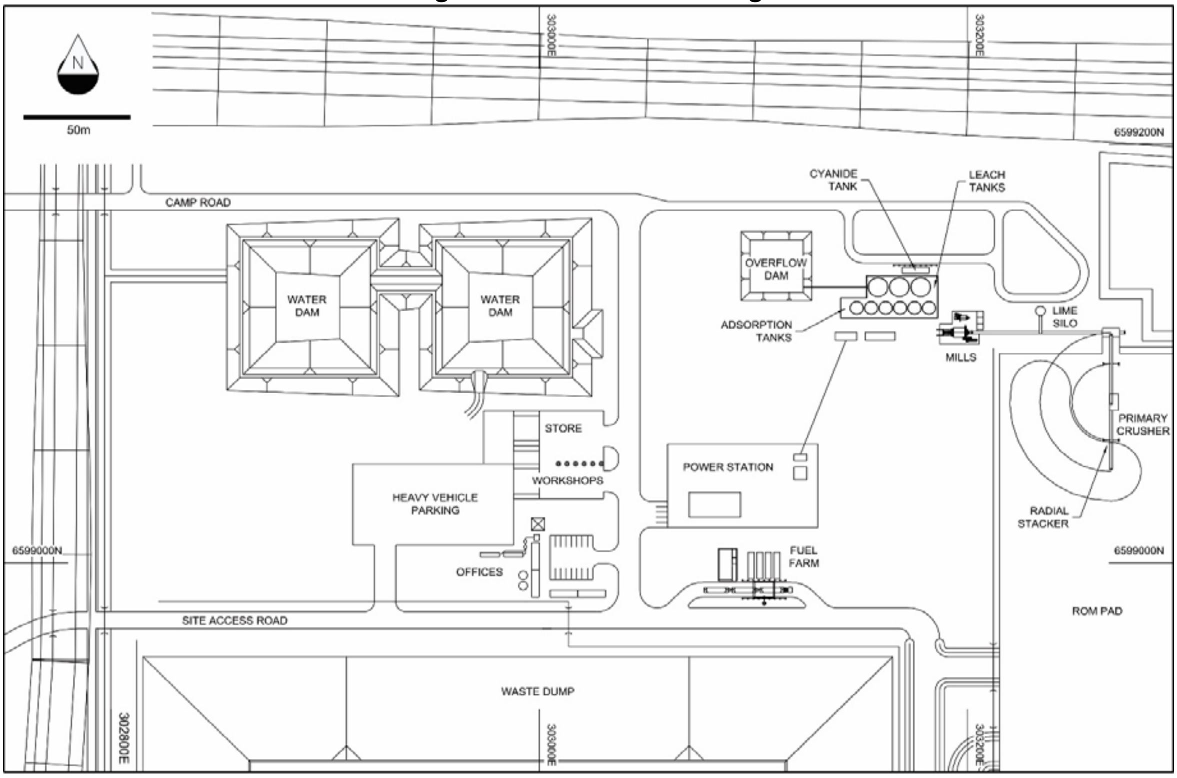
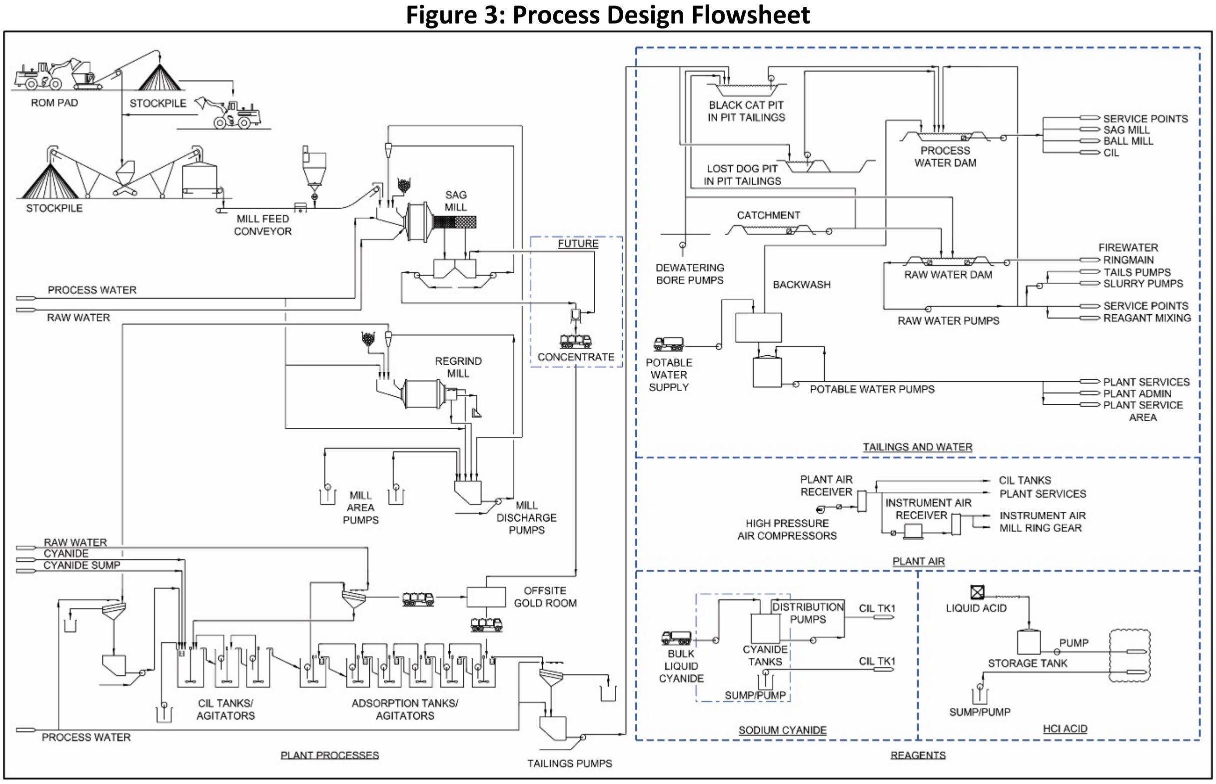



**Figure 3: Process Design Flowsheet**



**Tailings Storage Facility (TSF)**

The TSF strategy is based on backfilling the void left by open pit mining. The open pit will be mined in panels and engineered retaining walls will be constructed to provide tailings disposal cells. Initially the Black Cat Pit will be utilised as a tailings facility until Panel 1 of the Lost Dog open pit has been prepared. The estimated tailings capacity of the Black Cat and Lost Dog open pits is 5,000,000 tonnes.

**Production Target**

The detailed open pit mine design has been used to schedule a potential production profile for the Jaurdi Project.

**Table 3 – Jaurdi Project Design Physicals**

| Mining Reserve | Total Volume | Stripping Ratio | Ounces Recovered | C1 – Cash Cost per Ounce |
|---|---|---|---|---|
| 2.47 Mt @1.9g/t | 4.44Mbcm | 1.9:1 | 126,300 | $830 |

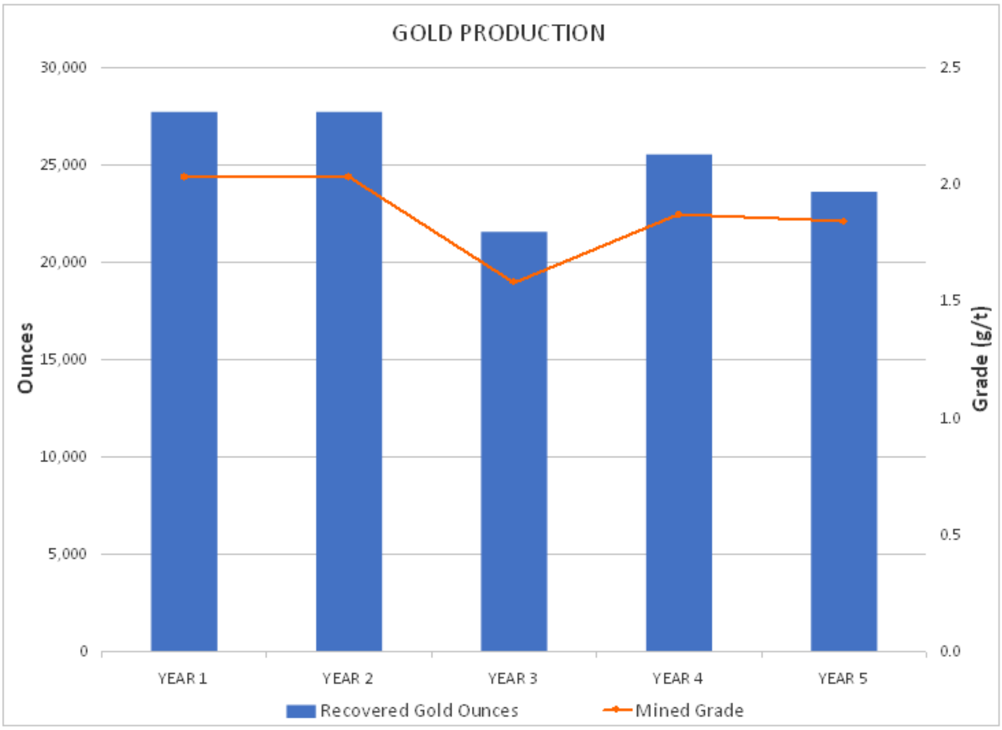
A simplified, high level global scoping level production schedule based upon the open pit mine design physicals has been completed for the Jaurdi Project. The main constraint applied to the production schedule is the 500,000tpa capacity of the processing plant. The maximum pit depth (32.5 metres) and the low strip ratio (average 1.9:1) enables the mining and processing schedules to be run in parallel which minimises the working capital expense.

**Table 4 – Production Target Schedule**

| Key Parametrers | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|---|---|---|---|---|---|---|
| Waste Tonnes | 620,000 | 620,000 | 700,000 | 1,290,000 | 1,800,000 | **5,030,000** |
| Mined Ore Tonnes | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | **2,500,000** |
| Mined Gold Grade | 2.0 | 2.0 | 1.6 | 1.9 | 1.7 | **1.9** |
| Processing Input Tonnes | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | **2,500,000** |
| Recovered Gold Ounces | 27,790 | 27,790 | 21,580 | 25,500 | 23,830 | **126,490** |

*Note: Year 5 Lost Dog mill feed will be supplemented with approx. 30,000 tonnes from the Black Cat North open pit to fill the mill to its 500,000 tpa capacity.*

**Figure 4: Gold Production (Annual)**



**Capital Costs**

Capital costs have been estimated as follows:

**Table 5 – Estimated Capital Costs**

| Estimated Capital Costs | (A$M) |
|---|---|
| Expenditure to Date | 5.6 |
| Processing Plant Construction | 14.0 |
| Waste Pre-Strip | 1.8 |
| Sustaining Capital | 5.0 |
| **Total** | **26.4** |

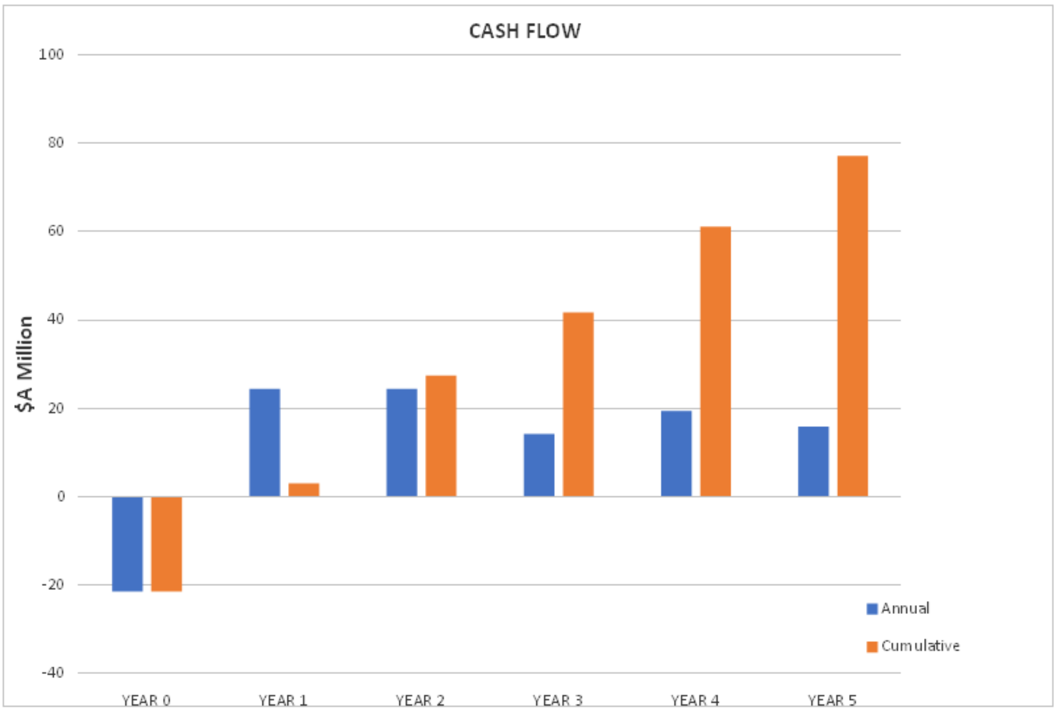
**Financial Analysis**

A high level financial analysis was undertaked on the Jaurdi Project using cost inputs provided by Beacon and work undertaken for this mining study. Upfront capital of AU$21.4M ($5.6m actual expenditure to date and $15.8m estimated pre-production construction) was included in the financial analysis to account for the acquisition, relocation and refurbishment of a second hand processing plant with a nominal 0.5Mtpa throughput and other Project start-up costs. Sustaining capital of AU$1.0m/year was also included.

**Table 6: Production Target Cashflow**

| Annual Production Financials ($M) | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|---|---|---|---|---|---|---|---|
| **Mining Cost** | - | 3.3 | 3.3 | 3.5 | 5.3 | 6.7 | **22.1** |
| **Grade Control Cost** | - | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | **1.5** |
| **Variable Processing Cost** | - | 12.5 | 12.5 | 12.5 | 12.5 | 12.5 | **62.5** |
| **General and Adminsitration Cost** | - | 0.7 | 0.7 | 0.7 | 1.0 | 1.3 | **4.4** |
| **Royalties** | 0.9 | 2.6 | 3.4 | 2.6 | 3.1 | 2.9 | **15.5** |
| **Capital Cost** | 21.4 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | **26.4** |
| **Revenue** | - | 45.8 | 45.8 | 35.6 | 42.1 | 39.2 | **208.5** |
| **Cashflow** | - | 25.4 | 24.6 | 15.0 | 18.9 | 14.5 | **98.4** |
| **Discounted Cashflow** | (22.30) | 24.85 | 23.55 | 14.05 | 17.32 | 13.01 | **70.48** |

**Figure 5: Production Target Cashflow**



**Pre-production Activities**
Pre-production activities at Jaurdi would include the following;

- Identification and development of a process water borefield (completed);
- Mining fleet mobilisation (completed);
- Construction of offices, workshops/store and camp (completed);
- Clearing, grubbing and stockpiling of top-soil and wood mulch (partially completed);
- Relocation of Lawlers plant items purchased in February 2018 (completed);
- The construction of processing plant (on-going);
- Preparation of the ROM pad (partially completed); and
- Construction of the TSF tailings line and decant water line to the Black Cat open pit (on-going).

**Project Finance**
The financing required to acquire, explore, construct and commission the Jaurdi Gold Project is as follows:

- Actual total expenditure to date - $5.6M;
- Estimated pre-production construction - $15.8M.

**Risks and Opportunities**
Key risks identified during the PFS work include, but are not limited to:
- Access to project funding;
- Adverse movements in the United States gold price;
- Adverse movements in the USD:AUD exchange rates; and
- Not achieving the processing production rates and metallurgical recovery rates.

**Key opportunities identified during the PFS work include, but are not limited to:**
- Achieving higher mill throughput rates. The installed SAG Mill power is in excess of the power requirements for a 500ktpa plant installation;
- Improved metallurgical recovery; and
- Expansion of the resource base via exploration success and/or acquisitions.

**TENEMENT UPDATE**

During the year the Company continued to consolidate its tenement holding in relation to the Jaurdi Gold Project with the completion of the below:

- The Company completed the acquisition of two mining leases, M16/34 and M16/115, from Flinders Exploration Limited and JH Mining Limited. The two mining leases are within 4kms of the Jaurdi Gold Project.
- Beacon signed an Option to Purchase Agreement with Australian Live-Stock Suppliers Pty Ltd to acquire P16/2925 and P16/2926.
- The Company exercised its option to purchase Exploration Licence 16/469. The tenement is contiguous with Mining Lease 16/529 and contains over 9,000 ounces of the Lost Dog mineral resource.

**APPROVALS UPDATE**

During the year the Company was pleased to announce that approval had been received from the Department of Mines, Industry Regulation and Safety (“DMIRS”) for the Mining Proposal and Mine Closure Plan for Beacon’s wholly owned Jaurdi Gold Project.

The Company has now received the necessary approvals required for the Jaurdi Gold Project to begin mining activities in Q3 2018.

**Table 1: Status of Key Approval/Licence Documents**

| Approval Document | Approval Department | Status |
|---|---|---|
| Works Approval and Licence Application | DWER[1] | Approved |
| The Mining Proposal | DMIRS[2] | Approved |
| The Mine Closure Plan | DMIRS | Approved |
| The Project Management Plan | DMIRS | Approved |
| The Dangerous Goods Licence | DMIRS | Approved |
| The Explosives Storage Licence | DMIRS | Approved |

1. Western Australian Department of Water and Environmental Regulation (DWER)
2. Department of Mines, Industry Regulation and Safety (DMIRS)

**CORPORATE UPDATE**

**Non-Renounceable Entitlement Issue**

On 10 July 2017 the Company announced a 1 for 3 non-renounceable entitlement issue at $0.015 to raise approximately $7.5 million before costs. Shareholders who subscribe for the offer also received 1 free attaching option for every new share subscribed for, exercisable at $0.025 with an expiry date 18 August 2022.

The Offer was fully underwritten by Patersons Securities Limited who acted as Lead Manager and Underwriter to the Issue. The Entitlement Issue was made pursuant to the Prospectus dated 10 July 2017.

Directors' Graham McGarry and Geoff Greenhill agreed to take up their full entitlements totalling approximately $772,000 and also were sub-underwriters to the issue for a total of $1.948m.

The funds raised under the Entitlement Issue were applied to the progress of the Jaurdi Gold Project, including but not limited to exploration and sterilisation drilling, water bore testing, heritage and site surveys, metallurgical testwork, geotechnical evaluation, pit design, resource evaluation and contingent expenses. Additional funds were also used to acquire certain capital items.

**Debenture Issue**

On the 3 September 2018 the Company announced that it had received firm commitments to raise $18 million via a debenture issue to professional and sophisticated investors. The debenture issue was heavily oversubscribed. The Company will seek shareholder approval in accordance with section 195(4) of the Corporations Act 2001 Cth at a general meeting to be held on 4 October 2018.

Directors Graham McGarry and Geoff Greenhill and persons associated with them ("Related Parties") have committed to subscribe for $4.6m of the Debenture Issue.

Details in relation to the proposed debenture issue are contained in the Company's notice of meeting dated 29 August 2018.

The Directors of the Company caution that although the proposed debenture issue is in its final transactional documentation stage and a portion of the Issue is subject to shareholder approval, there is no guarantee that the raising of funds under the proposed Debenture Issue will be successful.

***Pre-Feasiblity Parameters – Cautionary Statement**

The PFS is based on Proved and Probable Ore Reserves derived from Measured and Indicated Mineral Resources respectively. No Inferred Mineral Resource was included in the estimation of Ore Reserves. The PFS was prepared to an overall level of accuracy of +10%/-5%. It is based on material assumptions outlined elsewhere in this announcement and in Appendix 1 Material Assumptions PFS. The Company has concluded it has a reasonable basis for providing the forward-looking statements included in this announcement.

**Competent Persons Statement**

The information in this report that relates to the Ore Reserves is based on information compiled by Mr Gary McCrae, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. The estimated ore reserves and/or mineral resources underpinning the production target have been prepared by Mr McCrae in accordance with the requirements in Appendix 5A (JORC Code). Mr McCrae is a full-time employee of Minecomp Pty Ltd. Mr McCrae has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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". Mr McCrae consents to the inclusion in the report of the matters based on his information in the form and context in which is appears.

The report contains information extracted from the following reports, which are available on the Company's website at www.beaconminerals.com.au.

- 29 August 2018 Pre-Feasibility Study Results for the Jaurdi Gold Project

The Company confirms that it is not aware of any new information or data that materially affects the results included in any original market announcements referred to in this report and that no material change in the results has occurred. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

**Disclaimer**

This ASX announcement (Announcement) has been prepared by Beacon Minerals Limited ("Beacon" or "the Company"). It should not be considered as an offer or invitation to subscribe for or purchase any securities in the Company or as an inducement to make an offer or invitation with respect to those securities. No agreement to subscribe for securities in the Company will be entered into on the basis of this Announcement.

This Announcement contains summary information about Beacon, its subsidiaries and their activities which is current as at the date of this Announcement. The information in this Announcement is of a general nature and does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in Beacon.

By its very nature exploration for minerals is a high risk business and is not suitable for certain investors. Beacon's securities are speculative. Potential investors should consult their stockbroker or financial advisor. There are a number of risks, both specific to Beacon and of a general nature which may affect the future operating and financial performance of Beacon and the value of an investment in Beacon including but not limited to economic conditions, stock market fluctuations, gold price movements, regional infrastructure constraints, timing of approvals from relevant authorities, regulatory risks, operational risks and reliance on key personnel.

Certain statements contained in this announcement, including information as to the future financial or operating performance of Beacon and its projects, are forward-looking statements that:

- may include, among other things, statements regarding targets, estimates and assumptions in respect of mineral reserves and mineral resources and anticipated grades and recovery rates, production and prices, recovery costs and results, capital expenditures, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions;

- are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Beacon, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies; and,
- involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements.

Beacon disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise. The words ‘believe’, ‘expect’, ‘anticipate’, ‘indicate’, ‘contemplate’, ‘target’, ‘plan’, ‘intends’, ‘continue’, ‘budget’, ‘estimate’, ‘may’, ‘will’, ‘schedule’ and similar expressions identify forward-looking statements.

All forward looking statements made in this announcement are qualified by the foregoing cautionary statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

No verification: Although all reasonable care has been undertaken to ensure that the facts and opinions given in this Announcement are accurate, the information provided in this Announcement has not been independently verified.

The Directors of Beacon Minerals Limited ("Beacon" or "the Company") submit herewith the annual financial report of Beacon Minerals Limited and its subsidiaries ("the Group") for the period 1 July 2017 to 30 June 2018. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report is as follows:

**DIRECTORS**

The names and particulars of the directors of the Group 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 35 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 company.

**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 company.

Mr Greenhill and Mr McGarry are the executives in charge of the day to day management of the Group's activities.

**Sarah Shipway** CA, B.Com
Non-Executive Director
Appointed 11 June 2015

Sarah Shipway was appointed Non-Executive Director on 11 June 2015 and was appointed Company Secretary on 19 March 2012. Ms Shipway has a Bachelor of Commerce from Murdoch University and is a member of Chartered Accountants Australia and New Zealand.

Ms Shipway is the director in charge of corporate governance and statutory reporting activities.

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

| Company | Date of Appointment | Date of Resignation |
|---|---|---|
| St George Mining Limited | 11 June 2015 | Not Applicable |

**COMPANY SECRETARY**

Sarah Shipway was appointed Company Secretary on 19 March 2012. For details relating to Sarah Shipway, please refer to the details on directors above.

**DIRECTORS' INTERESTS**

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

| Name | Ordinary Fully Paid Shares | Listed Options |
|---|---|---|
| Geoffrey Greenhill | 113,311,239 | 53,447,905 |
| Graham McGarry | 147,039,186 | 52,559,061 |
| Sarah Shipway | 3,389,333 | 847,333 |

**SHARE OPTIONS**

At the date of this report the Group had 503,490,321 options on issue. During the year 5,000,000 Unlisted Options, exercisable at $0.025 on or before 5 May 2019 were issued. No Options were exercised during the financial year ended 30 June 2018.

**PRINCIPAL ACTIVITIES**

The principal activity of the Group is mineral exploration and development in Western Australia.

**RESULTS AND REVIEW OF OPERATIONS**

The result of the consolidated entity for the financial year ended 30 June 2018 is an after income tax loss of $4,161,027 (2017: after income tax profit $1,601,707).

A review of operations of the Group during the year ended 30 June 2018 is provided in the "Review of the Operations" immediately preceding this Directors' Report.

**LIKELY DEVELOPMENTS**

The consolidated entity's focus over the next financial year will be on its key project, the Jaurdi Gold Project. 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 Group during the financial year, other than those noted in the "Review of Operations" immediately preceding this Directors' Report.

**ENVIRONMENTAL ISSUES**

The Company's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance are identified either by external compliance audits or inspections by relevant government authorities. There have been no known breaches of environmental laws and regulations by the Company during the financial year.

**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, 5 meetings of Directors were held. Attendances by each director during the year were as follows:

| Name | Eligible to attend | Attended |
|---|---|---|
| G Greenhill | 5 | 5 |
| G McGarry | 5 | 5 |
| S Shipway | 5 | 5 |

**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 fixed remuneration which is assessed on an annual basis. The remuneration policy does not provide a performance linked component.

The Board of Beacon Minerals Limited believes the remuneration policy to be appropriate. All key management personnel are directors of the Group.

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

- Executives receive a base salary and superannuation. 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 for time, commitment and responsibilities. The Executive Directors, 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 Group. 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 | Title | Date of Appointment | Date of Retirement |
|---|---|---|---|
| G Greenhill | Executive Chairman | 19 March 2012 | Not Applicable |
| G McGarry | Managing Director | 19 March 2012 | Not Applicable |
| S Shipway | Non-Executive Director | 11 June 2015 | Not Applicable |

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

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

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 Group 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 Group.

***Remuneration of directors***

Remuneration for the financial year ended 30 June 2018.

| | 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** | | | | | |
| 2018 | 120,833 | 10,622 | - | - | **131,455** |
| 2017 | 58,333 | 5,542 | - | - | **63,875** |
| **G McGarry** | | | | | |
| 2018 | 120,833 | 10,622 | - | - | **131,455** |
| 2017 | 58,333 | 5,542 | - | - | **63,875** |
| **S Shipway** | | | | | |
| 2018 | 48,204 | - | - | - | **48,204** |
| 2017 | 22,914 | - | - | - | **22,914** |
| **Total** | | | | | |
| **2018** | **289,870** | **21,244** | **-** | **-** | **311,114** |
| **2017** | **139,580** | **11,084** | **-** | **-** | **150,664** |

(i) No options or shares were granted as part of remuneration.
(ii) No performance based remuneration was paid during the current or previous year.

***Employment contracts of directors***

The Group has entered into an executive services agreement with Mr Geoffrey Greenhill and Mr Graham McGarry (collectively the Directors) whereby each Director receives remuneration of $150,000 per annum plus statutory superannuation from January 2018, prior to January 2018 remuneration for each Director was $50,000 per annum plus statutory superannuation. The Directors' termination provisions are as follows:

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

The Group has entered into an executive service agreement with Ms Sarah Shipway, whereby Ms Shipway is paid a fee of $125 per hour for services rendered to the Company. Ms Shipway's termination provisions are as follows:

| | NOTICE PERIOD | PAYMENT IN LIEU OF NOTICE |
|---|---|---|
| Employer initiated termination: | | |
| - without reason | 3 months | 3 months |
| - serious misconduct | 0 months | 0 months |
| Employee initiated termination: | 3 months | 3 months |

***Equity based remuneration payments***

During the financial year ended 30 June 2018 no equity was granted to directors as part of their remuneration.

***Ordinary shareholdings of key management personnel***

| Directors | Balance at 1 July 2017 | Options exercised during the year | Net other change (ii) | Balance at 30 June 2018 |
|---|---|---|---|---|
| Geoffrey Greenhill | 59,863,334 | - | 53,447,905 | 113,311,239 |
| Graham McGarry | 94,480,125 | - | 52,559,061 | 147,039,186 |
| Sarah Shipway | 2,542,000 | - | 847,333 | 3,389,333 |
| **Total** | **156,885,459** | **-** | **106,854,299** | **263,739,758** |

| Directors | Balance at 1 July 2016 | Options exercised during the year | Net other change (i) | Balance at 30 June 2017 |
|---|---|---|---|---|
| Geoffrey Greenhill | 59,863,334 | - | | 59,863,334 |
| Graham McGarry | 85,937,376 | - | 8,542,749 | 94,480,125 |
| Sarah Shipway | 2,542,000 | - | - | 2,542,000 |
| **Total** | **148,342,710** | **-** | **8,542,749** | **156,885,459** |

(i) On market transaction for cash consideration.
(ii) Issued under the Entitlement Issue Prospectus dated 10 July 2017.

***Option holdings of key management personnel***

| Directors | Balance at 1 July 2017 | Options exercised during the year | Net other change (i) | Balance at 30 June 2018 |
|---|---|---|---|---|
| Geoffrey Greenhill | - | - | 53,447,905 | 53,447,905 |
| Graham McGarry | - | - | 52,559,061 | 52,559,061 |
| Sarah Shipway | - | - | 847,333 | 847,333 |
| **Total** | **-** | **-** | **106,854,299** | **106,854,299** |

(i) Issued under Non-Renounceable Entitlement Issue Prospectus dated 10 July 2017.

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 $52,827 (2017: $11,660). At 30 June 2018 $31,377 (2017: $0) was payable to McVerde Minerals.

Mangelsdorf Engineering Pty Ltd, of which Graham McGarry and Geoffrey Greenhill are directors, provided manufacturing and repairs to equipment and general engineering maintenance to the Company on ordinary commercial terms. Amounts that have been paid or payable total $6,034 (2017: $0). At 30 June 2018 $0 (2017: $0) was payable to Mangelsdorf Engineering.

On 10 July 2017 Graham McGarry and Geoffrey Greenhill each entered into agreements with the Company, whereby the Directors' would each underwrite a total of 99,698,064 of the shares issued under the Entitlement Issue Prospectus dated 10 July 2017. Under the agreements the Directors' were entitled to an underwriting fee of 4%, of the underwritten amount. Graham McGarry and Geoffrey Greenhill each received a fee of $59,818 under their agreement.

**Company Performance**
The table below shows the performance of the Group as measured by the Group's revenue, profits/(loss), share price and EPS over the last five years. Remuneration of Key Management Personnel is not dependent on the performance of the Company.

| | 2014<br>$ | 2015<br>$ | 2016<br>$ | 2017<br>$ | 2018<br>$ |
|---|---|---|---|---|---|
| Revenue | 2,558,186 | 13,508,884 | 2,958,285 | 7,533,762 | 84,213 |
| Net profit/(loss) | (7,535,996) | 5,257,100 | (1,897,256) | 1,601,707 | (4,161,660) |
| Share price 30 June | 0.003 | 0.003 | 0.004 | 0.020 | 0.017 |
| EPS (cents per share) | (0.0051) | 0.3414 | (0.1234) | 0.1071 | (0.2138) |

**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 Group 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 Group 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 Group agreed to pay an annual insurance premium of $25,113 (2017: $11,284) in respect of directors' and officers' liability and legal expenses' insurance contracts, for directors, officers and employees of the Group. 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.

No indemnity has been obtained for the auditor of the Group.

**SHARE OPTIONS**

***Unissued shares***

The Group at 30 June 2018 had 583,490,321 options on issue.

**CORPORATE GOVERNANCE STATEMENT**

Beacon Minerals Limited is committed to ensuring that its policies and practices reflect a high standard of corporate governance. The Board has adopted a comprehensive framework of Corporate Governance Guidelines.

The Group's Corporate Governance Statement can be viewed at http://beaconminerals.com.au/corporate-governance.

## EVENTS SUBSEQUENT TO REPORTING DATE

On 26 August 2018 the Company announced its Pre-Feasibility Study (PFS) Results for the Jaurdi Gold Project. The PFS demonstrated an economically and technically viable project with considerable upside.

On 3 September 2018 the Company announced that it had received firm commitments to raise $18 million via a debenture issue to professional and sophisticated investors. Details of the debenture issue are located in the Notice of Meeting dated 29 August 2018.

On 26 September 2018 80,000,000 Unlisted Options were exercised in the Company.

On 26 September 2018 20,000,000 Unlisted Options exercisable at $0.025 on or before 1 August 2021 were issued in the Company.

Other than the 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 Group, the results of those operations, or the state of the affairs of the consolidated entity in future financial years.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2018 has been received, forms part of the directors' report and can be found on page 48 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 Group during the financial year ended 30 June 2018.

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 28 September 2018

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

| Australian Dollar ($) | Note | 30 JUNE 2018 $ | 30 JUNE 2017 $ |
|---|---|---|---|
| Gold sales | | - | 7,464,202 |
| Interest revenue | | 84,213 | 69,560 |
| **REVENUE** | | **84,213** | **7,533,762** |
| Cost of goods sold | 4(a) | - | (4,045,678) |
| **GROSS PROFIT/(LOSS)** | | | **3,488,084** |
| Other income | 3 | 3,892 | - |
| Administration expenses | | (433,105) | (756,638) |
| Exploration and development expenditure written off | | (3,815,027) | (1,129,739) |
| **PROFIT/(LOSS) BEFORE INCOME TAX** | | **(4,161,027)** | **1,601,707** |
| Income tax refund/(expense) | 5 | - | - |
| **PROFIT/(LOSS) AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY** | | **(4,161,027)** | **1,601,707** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Other comprehensive income | | - | - |
| **TOTAL COMPREHENSIVE PROFIT/(LOSS)** | | **-** | **1,601,707** |
| **TOTAL COMPREHENSIVE PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE GROUP** | | **(4,161,027)** | **1,601,707** |
| **EARNINGS/(LOSS) PER SHARE** | | | |
| Basic earnings/(loss) per share | 16(a) | (0.2138) | 0.1071 |
| Diluted earnings/(loss) per share | 16(b) | (0.2054) | 0.1056 |

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 30 JUNE 2018**

| Australian Dollar ($) | Note | 30 JUNE 2018 $ | 30 JUNE 2017 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 17(a) | 2,950,369 | 934,920 |
| Trade and other receivables | 7 | 76,249 | 29,974 |
| Other assets | 8 | 1,361,827 | 1,358,327 |
| **TOTAL CURRENT ASSETS** | | **4,388,445** | **2,323,221** |
| | | | |
| **NON CURRENT ASSETS** | | | |
| Plant and equipment | 9 | 1,579,727 | 79,360 |
| **TOTAL NON CURRENT ASSETS** | | **1,579,727** | **79,360** |
| | | | |
| **TOTAL ASSETS** | | **5,968,172** | **2,402,581** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 11 | 582,234 | 286,447 |
| Provisions | | 3,926 | - |
| **TOTAL CURRENT LIABILITIES** | | **586,160** | **286,447** |
| | | | |
| **TOTAL LIABILITIES** | | **586,160** | **286,447** |
| | | | |
| **NET ASSETS** | | **5,382,012** | **2,116,134** |
| | | | |
| **EQUITY** | | | |
| Issued Capital | 12 | 31,128,999 | 23,776,759 |
| Reserves | 13 | 348,325 | 273,660 |
| Accumulated losses | 15 | (26,095,312) | (21,934,285) |
| **TOTAL EQUITY** | | **5,382,012** | **2,116,134** |

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 30 JUNE 2018**

| Australian Dollar ($) | ISSUED CAPITAL $ | SHARE OPTION RESERVE $ | ACCUMULATED LOSSES $ | TOTAL EQUITY $ |
|---|---|---|---|---|
| **BALANCE AT 1 JULY 2017** | **23,776,759** | **273,660** | **(21,934,285)** | **2,116,134** |
| Total comprehensive income | - | - | (4,161,027) | (4,161,027) |
| Shares issued during the year | 7,857,331 | - | - | 7,857,331 |
| Options issued during the year | - | 74,665 | - | 74,665 |
| Share issue expense | (505,091) | - | - | (505,091) |
| **BALANCE AT 30 JUNE 2018** | **31,128,999** | **348,325** | **(26,095,312)** | **5,382,012** |
| | | | | |
| **BALANCE AT 1 JULY 2016** | **23,776,759** | **-** | **(19,797,315)** | **3,979,444** |
| Total comprehensive (loss) | - | - | 1,601,707 | 1,601,707 |
| Shares issued during the year | - | - | - | - |
| Options issued during the year | - | 273,660 | - | 273,660 |
| Dividend Paid | - | - | (3,738,667) | (3,738,667) |
| **BALANCE AT 30 JUNE 2017** | **23,776,759** | **273,660** | **(21,934,285)** | **2,116,134** |

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 30 JUNE 2018**

| Australian Dollar ($) | Note | 30 JUNE 2018 $ | 30 JUNE 2017 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipt from the sale of gold | | - | 7,464,202 |
| Expenditure on mining interests | | (3,038,395) | (2,559,697) |
| Payments to suppliers and employees | | (352,454) | (470,449) |
| Interest received | | 80,896 | 69,823 |
| GST and fuel tax rebates received | | (35,578) | (24,084) |
| **Net cash inflows/(outflows) from operating activities** | 17(b) | **(3,345,531)** | **4,479,795** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of plant and equipment | | (1,591,260) | (261) |
| **Net cash outflows from investing activities** | | **(1,591,260)** | **(261)** |
| | | | |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of shares | | 7,477,331 | - |
| Payments for issue of shares | | (505,091) | |
| Payments for term deposits | | (20,000) | - |
| Payment of dividend | | - | (3,738,677) |
| **Net cash inflows/(outflows) from financing activities** | | **6,952,240** | **(3,738,677)** |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **2,015,449** | **740,857** |
| | | | |
| Cash and cash equivalents at the beginning of the financial year | | 934,920 | 194,063 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR** | 17(a) | **2,950,369** | **934,920** |

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

## 1 CORPORATE INFORMATION

The consolidated financial report of Beacon Minerals Limited ("Beacon" or "the Company") and its consolidated entities ("consolidated entity" or "group") for the year 1 July 2017 to 30 June 2018 was authorized for issue in accordance with a circular resolution of the directors on 28 September 2018.

The Company is a for profit entity for financial reporting purposes under Australian Accounting Standards

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 consolidated entity 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, Accounting Standards and Interpretations and complies with other requirements of the law. The financial report also complies with the International Financial Report Standards. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

### *(b) 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").

### *(c) 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 Group has recorded a loss of $4,161,027 and a net operating cash outflows of $3,345,531 for the year ended 30 June 2018.

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:

- The Company has received firm commitments to raise $18 million via a debenture issue to professional and sophisticated investors. The Company is seeking shareholder approval for the debenture issue on 4 October 2018;
- The Company has incurred significant "start-up" expenditure during the year in order to bring the Jaurdi Gold Project into production in Q1 2019. These costs contributed to high cash operating outflow during the year ended 30 June 2018; and
- The Company is expected to be in production in Q1 2019.

The funds generated from the issuing of debenture will be used to meeting ongoing expenses incurred by the Company.

### *(d) Principles of Consolidation*

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Beacon Minerals Limited and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in note 25.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

### *(e) 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. Significant accounting estimates and judgements include site rehabilitation in note 2(o).

### *(f) Revenue*

Revenue is recognised and measured at fair value of the consideration received or receivable to the extent that it is probable 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 Group to an external party, no further processing is required by the Group, 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.

### *(g) 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.

***(h) 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 Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group 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 Group. 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 profit or loss and other 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 profit or loss and other comprehensive income.

***(i) 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.

***(j) 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 of an asset begins when the asset is available for use.

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 reporting 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.

***(k) Impairment of assets***

The Group assesses at each reporting 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 Group makes an estimate of the asset's recoverable amount. An 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, 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 reporting 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.

***(l) Exploration and evaluation expenditure***

Exploration and evaluation expenditure on areas of interest are expensed as incurred. Costs of acquisition will normally be expensed but will be assessed on a case by case basis and may be capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

### *(m) 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.

### *(n) Trade and other payables*

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group 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.

### *(o) Provisions*

Provisions are recognised when the Group 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 Group 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.

*Site rehabilitation*
The Group is not at a stage to record 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. When recorded 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.

### *(p) Contributed equity*

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

### *(q) Earnings per share*

Basic earnings per share is calculated as net profit/(loss) attributable to members of the Group, 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.

As at 30 June 2018 80,000,000 options on issue (2017: 80,000,000 options) had a dilutive effect on the EPS. The effect of these options is dilutive on the earnings per share calculation as the exercise price of the options is below the average market value for the year.

### *(r) 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 Group's statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### *(s) Share based payments*

The Company may provide benefits to in the form of share-based payment transactions, whereby services are rendered or assets purchased in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value of these payments is determined using a Black-Scholes option pricing model.

### *(t) Employee benefits*

*Short-term employee benefits*
Provision is made for the Group'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 Group'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 Group'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 Group other than those that receive defined benefit entitlements received defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.50% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of the employee's define contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect the employees' defined contribution entitlements is limited to its obligation for an 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 Group's statement of financial position.

### *(u) Adoption of new and revised standards*

The Group has consistently applied the following accounting policies to all periods presented in the financial statements. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

***(v) Comparative information***

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

## 3 OTHER INCOME

| | 30 JUNE 2018 $ | 30 JUNE 2017 $ |
|---|---|---|
| Fuel tax rebates | 3,892 | - |
| | **3,892** | **-** |

## 4 EXPENSES

### (a) Cost of Goods Sold

| | 30 JUNE 2018 $ | 30 JUNE 2017 $ |
|---|---|---|
| Opening inventory | - | 3,698,446 |
| Costs of production | - | 41,504 |
| Royalties | - | 305,728 |
| Closing inventory | - | - |
| | **-** | **4,045,678** |

## 5 INCOME TAX

### (a) Prima facie income tax benefit at 27.5% on profit/(loss) from ordinary activities is reconciled to the income tax provided in the financial statements

| | 30 JUNE 2018 $ | 30 JUNE 2017 $ |
|---|---|---|
| Profit/(loss) before income tax | (4,161,027) | 1,601,707 |
| Income tax calculated at 27.50% (2017: 30%) | (1,144,282) | 480,512 |
| | | |
| Tax effect of; | | |
| - Expenses not allowed | (158) | 246 |
| - Temporary differences | 315,996 | 1,106,923 |
| - Section 40-880 deduction | 34,585 | (5,122) |
| Recoupment of tax losses | 793,859 | (1,582,559) |
| Deferred tax asset not brought to account | - | - |
| **Income tax attributable to operating losses** | **-** | **-** |

**(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 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| Australian accumulated tax losses | 4,180,979 | 6,117,453 |
| Provisions net of prepayments | (348,896) | (394,172) |
| Deferred exploration expenditure | - | - |
| Section 40-880 deduction | 161,162 | 5,122 |
| **Unrecognised deferred tax assets relating to the above temporary differences** | **3,993,245** | **5,728,403** |

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 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| Auditing and review of the Company's financial statements | 19,940 | 19,020 |
| | **19,940** | **19,020** |

## 7 RECEIVABLES AND OTHER ASSETS

**Trade and Other Receivables**

| | 30 JUNE 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| **Current** | | |
| Accrued interest | 5,004 | 1,385 |
| GST refund | 71,245 | 28,589 |
| | **76,249** | **29,974** |

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

## 8 OTHER ASSETS

| | 30 JUNE 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| Short term deposits | 40,000 | 20,302 |
| Prepayments (i) | 1,321,079 | 1,337,625 |
| Other current assets | 748 | 400 |
| | **1,361,827** | **1,358,327** |

(i) Includes $900,000 pre-paid royalty to Fenton and Martin Mining Developments Pty Ltd for Mining Lease M16/529 and $400,000 pre-paid royalty to Mr Steven Argus and Zephyr Mining Pty Ltd, the holders of exploration licence E16/469.

## 9 PLANT AND EQUIPMENT

| | 30 JUNE 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| **Plant and Equipment** | | |
| At cost | 1,665,187 | 112,426 |
| Less: accumulated depreciation | (107,713) | (63,608) |
| **Total plant and equipment** | **1,557,474** | **48,818** |

| | 30 JUNE 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| **Motor Vehicles** | | |
| At cost | 100,713 | 100,713 |
| Less: accumulated depreciation | (78,460) | (70,171) |
| **Total motor vehicles** | **22,253** | **30,542** |

| **Plant and equipment** | 30 JUNE 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| Carrying amount at the beginning of the year | 48,818 | 22,226 |
| Additions | 1,552,761 | 38,500 |
| Disposals | - | (7,818) |
| Depreciation expense | (44,105) | (4,090) |
| **Total carrying amount at end of the year** | **1,557,474** | **48,818** |

| **Motor Vehicles** | 30 JUNE 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| Carrying amount at the beginning of the year | 30,542 | 42,080 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation expense | (8,289) | (11,538) |
| **Total carrying amount at end of the year** | **22,253** | **30,542** |
| **Total plant and equipment** | **1,579,727** | **79,360** |

## 10 EXPLORATION AND EVALUATION EXPENDITURE

| | 30 JUNE 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| Exploration and evaluation – at cost | | |
| Balance at the beginning of the year | - | 6,270 |
| Expenditure incurred | - | - |
| Expenditure written off (i) | - | (6,270) |
| | - | - |

(i) During the prior year the Group relinquished L77/243 and exploration expenditure was written off as incurred.

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.

## 11 TRADE AND OTHER PAYABLES

| | 30 JUNE 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| Trade and other payables | 582,234 | 286,447 |
| | **582,234** | **286,447** |

Trade and other payables amounts represent liabilities for goods and services provided to the Group 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.

## 12 ISSUED CAPITAL

**Issued and paid up capital**

| | 30 JUNE 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| At the beginning of reporting year | 23,776,759 | 23,776,759 |
| Shares issued during the year | 7,857,331 | - |
| Shares issued pursuant to exercise of options | - | - |
| Transaction costs | (505,091) | - |
| **At reporting date 2,013,961,284 (30 June 2017: 1,495,470,963) fully paid ordinary shares** | **31,128,999** | **23,776,759** |

| **Movement in Ordinary Shares** | **Number** | **Number** |
|---|---|---|
| At the beginning of reporting year | 1,495,470,963 | 1,495,470,963 |
| Shares issued during the year | 518,490,321 | - |
| **At reporting date** | **2,013,961,284** | **1,495,470,963** |

The Group 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 Group 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.

On 18 August 2017, the Company completed a Non-Renounceable Entitlement Issue made pursuant to the Prospectus dated 10 July 2017. The Entitlement Issue offered 498,490,321 New Shares and 498,490,321 Free Attaching Option, to raise $7,477,354 before costs, on the basis of:

- One (1) New Share for every three (3) Shares held by Shareholders on the Record Date at an issue price of $0.015 per New Share; and
- One (1) Free Attaching Option for every one (1) New Share issued.

On 4 September 2017 20,000,000 fully paid ordinary shares were issued to Flinders Exploration Limited and JH Mining Limited to acquire two mining leases, M16/34 and M16/115.

**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 Group'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 Group.

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

## 13 RESERVES

### (a) Option Reserves

***Nature and Purpose of Reserves***

The share option reserve is used to record the value of option-based payments.

| | 30 JUNE 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| At the beginning of reporting year | 273,660 | - |
| Expiry of options | - | - |
| Transaction costs | - | - |
| Issued during the year 18(i) | 74,665 | 273,660 |
| **At reporting date** | **348,325** | **273,660** |

| **Movement in $0.025 17 August 2022 Listed Options** (i) | **2018<br>Number** | **2017<br>Number** |
|---|---|---|
| At the beginning of the reporting period | - | - |
| Expired during the year | - | - |
| Issued during the year (ii) | 498,490,321 | - |
| **At reporting date** | **498,490,321** | **-** |

(i) Each option entitles the holder to subscribe to one share at an issue price of $0.025 on or before 17 August 2022.

(ii) Issued under the Non-Renounceable Entitlement Issue made pursuant to the Prospectus dated 10 July 2017

| **Movement in $0.004 31 January 2022 Unlisted Options** (i) | **2018<br>Number** | **2017<br>Number** |
|---|---|---|
| At the beginning of the reporting period | 80,000,000 | - |
| Expired during the year | - | - |
| Issued during the year | - | 80,000,000 |
| **At reporting date** | **80,000,000** | **80,000,000** |

(i) Each option entitles the holder to subscribe to one share at an issue price of $0.004 on or before 31 January 2022.

| **Movement in $0.025 5 May 2019 Unlisted Options** (i) | **2018<br>Number** | **2017<br>Number** |
|---|---|---|
| At the beginning of the reporting period | - | - |
| Expired during the year | - | - |
| Issued during the year | 5,000,000 | - |
| **At reporting date** | **5,000,000** | **-** |

(i) Each option entitles the holder to subscribe to one share at an issue price of $0.025 on or before 5 May 2019.

## 14 DIVIDEND

| | 30 JUNE 2018 $ | 30 JUNE 2017 $ |
|---|---|---|
| Dividend paid: | | |
| Unfranked ordinary dividend of $0 (2017: $0.0025) per share | - | 3,738,677 |
| | **-** | **3,738,677** |

On 29 September 2016, the directors declared an unfranked dividend of $0.0025 per share to holders of fully paid ordinary shares and was paid to shareholders on 3 November 2016.

## 15 ACCUMULATED LOSSES

| | 30 JUNE 2018 $ | 30 JUNE 2017 $ |
|---|---|---|
| Accumulated losses at the beginning of the year | (21,934,285) | (19,797,315) |
| Gain/(Loss) for the year | (4,161,027) | 1,601,707 |
| Dividend paid | - | (3,738,677) |
| | **(26,095,312)** | **(21,934,285)** |

## 16 EARNINGS/(LOSS) PER SHARE

### (a) Basic Earnings Per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

| | 30 JUNE 2018 $ | 30 JUNE 2017 $ |
|---|---|---|
| Earnings/(Loss) used in calculation of total basic earnings per share | (4,161,027) | 1,601,707 |
| **Earnings/(Loss) used in the calculation of diluted earnings per share** | **(4,161,027)** | **1,601,707** |

| | Number | Number |
|---|---|---|
| Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share | 1,945,831,004 | 1,495,470,963 |
| Basic earnings/(loss) per share after income tax attributable to members of the Company | (0.2138) | 0.1071 |
| **Basic earnings/(loss) per share** | **(0.2138)** | **0.1071** |

On 18 August 2017, the Company completed a Non-Renounceable Entitlement Issue made pursuant to the Prospectus dated 10 July 2017. The Entitlement Issue offered 498,490,321 New Shares and 498,490,321 Free Attaching Options.

**(b) Diluted Earnings Per Share**

As at 30 June 2018 the Company had 80,000,000 options on issue (30 June 2017: 80,00,000) the effect of these options are dilutive on the earnings per share calculation.

The earnings used in the calculation of diluted earnings per share is as follows:

| | 30 JUNE 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| Earnings used in calculation of total basic earnings per share | (4,161,027) | 1,601,707 |
| **Earnings used in the calculation of diluted earnings per share** | **(4,161,027)** | **1,601,707** |

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

| | Number | Number |
|---|---|---|
| Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share | 1,945,831,004 | 1,495,470,963 |
| Shares deemed to be issued for no consideration in respect of: | | |
| - Employee options (the options were weighted in the prior year) | 80,000,000 | 21,424,657 |
| **Weighted average number of ordinary shares for diluted earnings per share** | **2,025,831,004** | **1,516,895,620** |
| | | |
| Diluted earnings/(loss) per share after income tax attributable to members of the Company | (0.2054) | 0.1056 |
| **Diluted earnings/(loss) per share** | **(0.2054)** | **0.1056** |

## 17 NOTES TO THE STATEMENT OF CASH FLOWS

**(a) Reconciliation of cash and cash equivalents**

| | 30 JUNE 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| Current - Cash at bank | 2,590,369 | 934,920 |
| | **2,590,369** | **934,920** |

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

| | 30 JUNE 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| Profit/(Loss) after income tax | (4,161,660) | 1,601,707 |
| | | |
| Non cashflows from profit/(loss) | | |
| Depreciation of plant and equipment | 52,394 | 15,628 |
| Exploration and development expenditure written off | - | (6,270) |
| Equity based payments | 454,665 | 273,660 |
| | | |
| (Increase) /decrease in assets | | |
| - Trade and other receivables | (46,275) | (29,168) |
| - Other assets | (3,500) | (1,287,105) |
| - Inventory | - | 3,698,446 |
| | | |
| Increase / (decrease) in liabilities | | |
| - Trade and other payables | 354,919 | 212,897 |
| - Provisions | 3,926 | - |
| **Net cash inflows from operating activities** | **(3,345,531)** | **4,479,795** |

## 18 EQUITY BASED PAYMENTS

(i) On 4 September 2017 the Company issued 20,000,000 fully paid ordinary shares and 5,000,000 Unlisted Options exercisable at $0.025 on or before 5 May 2019 to acquire tenements M16/0034 and M16/115.

Using the Black & Scholes option model and based on the assumptions below, the Unlisted 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 |
|---|---|---|---|---|---|---|---|---|
| Unlisted Options | 5,000,000 | 05.05.2017 | $0.020 | $0.025 | 05.05.2019 | 2.21% | 169% | $0.015 |

(ii) On 3 January 2017 the Company agreed to issue 80,000,000 Unlisted Options exercisable at $0.004 on or before 31 January 2022 to Mr Alex McCulloch.

Using the Black & Scholes option model and based on the assumptions below, the Unlisted 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 |
|---|---|---|---|---|---|---|---|---|
| Unlisted Options | 80,000,000 | 03.01.2017 | $0.004 | $0.004 | 31.01.2022 | 2.17% | 155.70% | $0.0034 |

## 19 KEY MANAGEMENT PERSONNEL

### (a) Details of key management personnel

**Directors and Executives**
Geoffrey Greenhill – Executive Chairman
Graham McGarry – Managing Director
Sarah Shipway – Non Executive Director

### (b) Compensation of key management personnel

| | 30 JUNE 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| **Short term employment benefits** | | |
| Salary, fees and leave | 289,870 | 139,580 |
| **Post employment benefits** | | |
| Superannuation | 21,244 | 11,084 |
| **Total key management personnel compensation** | **311,114** | **150,664** |

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

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 $52,827 (2017: $11,660). At 30 June 2018 $31,377 (2017: $0) was payable to McVerde Minerals.

Mangelsdorf Engineering Pty Ltd, of which Graham McGarry and Geoffrey Greenhill are directors, provided manufacturing and repairs to equipment and general engineering maintenance to the Company on ordinary commercial terms. Amounts that have been paid or payable total $6,034 (2017: $0).

On 10 July 2017 Graham McGarry and Geoffrey Greenhill each entered into agreements with the Company, whereby the Directors' would each underwrite a total of 99,698,064 of the shares issued under the Entitlement Issue Prospectus dated 10 July 2017. Under the agreements the Directors' were entitled to an underwriting fee of 4%, of the underwritten amount. Graham McGarry and Geoffrey Greenhill each received a fee of $59,818 under their agreement.

## 20 COMMITMENTS AND CONTINGENCIES

### (a) Commitment

**Mineral exploration commitment**

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

| | 30 JUNE 2018<br>$ | 30 JUNE 2017<br>$ |
|---|---|---|
| Not later than one year | 29,647 | 158,625 |
| Later than one year but not later than five years | - | 4,030 |
| Later than five years | - | - |
| | **29,647** | **162,655** |

## 21 EVENTS SUBSEQUENT TO REPORTING DATE

On 26 August 2018 the Company announced its Pre-Feasibility Study (PFS) Results for the Jaurdi Gold Project. The PFS demonstrated an economically and technically viable project with considerable upside.

On 3 September 2018 the Company announced that it had received firm commitments to raise $18 million via a debenture issue to professional and sophisticated investors. Details of the debenture issue are located in the Notice of Meeting dated 29 August 2018.

On 26 September 2018 80,000,000 Unlisted Options were exercised in the Company.

On 26 September 2018 20,000,000 Unlisted Options exercisable at $0.025 on or before 1 August 2021 were issued in the Company.

Other than the 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 consolidated entity, the results of those operations, or the state of the affairs of the consolidated entity in future financial years.

## 22 FINANCIAL RISK MANAGEMENT

### (a) Interest Rate Risk

The Group'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 2018 a 1% movement in interest rates would increase/decrease the profit/(loss) for the year before taxation by $5,470 (2017: $9,349).

The consolidated entity regularly analyses its interest rate exposure and considers the cost of equity as an alternative to debt.

### (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 Group's short, medium and long-term funding and liquidity management requirements. The Group 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 reporting 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 Group has a material credit exposure to a single debtor and has adopted the policy of dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults.

### (e) Financial risk management policies

The Group'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 Group is exposed to through its financial instruments is the depository banking institution itself, holding the funds, and interest rates. The Group's credit risk is minimal as the Group 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 Group has not entered into any forward commodity price contracts as at 30 June 2018 and is currently exposed to commodity price risk on future sales. The Group 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 consisted with its risk management objectives.

**(g) Sensitivity**

The table below summarises the impact of increases/decreases of the gold price on the Group's post-tax profit for the year. The analysis is based on the assumption that the gold price had increased/decreased by AUD$100 per ounce (2017: increased/decreased by AUD$100 per ounce with all other variables held constant).

| **Index** | **Impact on post-tax profit** | |
|---|---|---|
| | **2018** | **2017** |
| Gold price – increase A$100 | - | 532,935 |
| Gold price – decrease A$100 | - | (532,935) |

**(h) Foreign Currency Risk**

The Group is not exposed to any foreign currency risk as at 30 June 2018.

## 23 RELATED PARTIES

The Company has two 100% owned subsidiaries disclosed in note 25. At 30 June 2018 the balance due from the subsidiaries were:

| **Australian Dollar ($)** | **30 JUNE 2018** | **30 JUNE 2017** |
|---|---|---|
| | **$** | **$** |
| Beacon Mining Pty Ltd | 7,647,436 | 2,596,045 |
| Beacon Mining Services Pty Ltd | 36,939 | - |
| | **7,684,375** | **2,596,045** |

These amounts comprise of funds provided by the parent company for exploration activities.

Related party transactions between the Group and other related parties are disclosed in note 19(c).

## 24 SEGMENT REPORTING

For management purposes, the Group is organised into one main operating segment, which involves the exploration and development of minerals in Australia. All of the Group'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 Group as one segment.

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

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

*Major Customers*
The Group supplies to a single external customer for gold sales who accounts for 100% of the external revenue.

## 25 SUBSIDIARIES

The parent entity, Beacon Minerals Limited, has a 100% interest in Beacon Mining Pty Ltd and Beacon Mining Services Pty Ltd. Beacon Minerals is required to make all the financial and operating policy decisions for these subsidiaries.

| Subsidiaries of Beacon Minerals Limited | Country of Incorporation | Percentage owned % | |
|---|---|---|---|
| | | 2018 | 2017 |
| Beacon Mining Pty Ltd | Australia | 100% | 100% |
| Beacon Mining Services Pty Ltd | Australia | 100% | - |

## 26 PARENT COMPANY DISCLOSURE

### (a) Financial Position as at 30 June

| Australian Dollar ($) | 30 JUNE 2018 | 30 JUNE 2017 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| Current assets | 3,082,991 | 989,405 |
| Non-current assets | 63,782 | 79,360 |
| **Total assets** | **3,146,773** | **1,068,765** |
| **Liabilities** | | |
| Current liabilities | 571,587 | 257,862 |
| Non-current liabilities | - | - |
| **Total liabilities** | **571,587** | **257,862** |
| **Net Assets** | **2,575,186** | **810,903** |
| **Equity** | | |
| Issued Capital | 31,128,999 | 23,776,759 |
| Reserves | 348,352 | 273,660 |
| Accumulated losses | (28,902,165) | (23,239,516) |
| **Total equity** | **2,575,186** | **810,903** |

### (b) Financial Performance for the year ended 30 June 2018

| Australian Dollar ($) | 30 JUNE 2018 | 30 JUNE 2017 |
|---|---|---|
| | $ | $ |
| Profit (loss) for the year | (5,662,649) | 4,873,274 |
| Other comprehensive income | - | - |
| **Total comprehensive income (loss)** | **(5,662,649)** | **4,873,274** |

**(c) Guarantees entered into by the Parent Entity**

The parent entity has not provided guarantees to third parties as at 30 June 2018.

**27 NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

  This Standard replaces the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 applies to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

  The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract(s); and
  - recognise revenue when (or as) the performance obligations are satisfied.

  This Standard requires retrospective restatement, as well as enhanced disclosures regarding revenue.

  The directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements when it generates revenue in the future. The group is now in exploration phase and until it generates revenue it is impracticable to provide a reasonable estimate of such impact.

- AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019).

  When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

  The main changes introduced by the new Standard are as follows:

  - recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);

  - depreciating the right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;

  - inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;

- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and

- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lease to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity at the date of initial application.

Based on the Group's assessment the adoption of AASB 16 unlikely to have any impact.

# DIRECTORS' DECLARATION

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

(a) The consolidated financial statements and the notes of the Company are in accordance with the *Corporations Act 2001*, including:

   (i) Giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the year ended that date; and

   (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*, 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 (b).

This declaration has been made after receiving the declarations from the board of directors' required to be made in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

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 28 September 2018
Perth, Western Australia

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2018 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

CM

Conley Manifis
Director

Dated this 28th day of September, 2018

**CHARTERED ACCOUNTANTS & ADVISORS**

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PO Box 748
South Perth WA 6951

Telephone: +61 8 6436 2888

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# Beacon Minerals Limited

## Independent auditor's report to members

# Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Beacon Minerals Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:
(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

**CHARTERED ACCOUNTANTS & ADVISORS**

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# Beacon Minerals Limited

## Independent auditor's report to members

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 2 (c) of the financial statements which indicates that the Company incurred a net loss before income tax of $4,161,027 and a net cash outflow from operations of $3,345,531 for the year ended 30 June 2018. As stated in Note 2 (c), these events or conditions, along with other matters set forth in Note 2 (c), indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. The matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

| SHARE BASED PAYMENTS | |
|---|---|
| **Area of focus**<br>**Refer also to notes 2 (s) and 18** | **How our audit addressed it** |
| The Group entered into a Tenement Sale Agreement on 5 May 2018 to acquire tenements M16/0034 and M16/115. Under the terms of the Tenement Sale Agreement the Group issued 5,000,000 unlisted options exercisable at $0.025 on or before 5 May 2019 as part of the consideration for mining leases. The tenement acquisition was completed during the financial year.<br><br>Participation in the plan was at the board's discretion. | Our audit procedures included:<br>— Evaluating the fair value of the share-based payment arrangement by agreeing assumptions to third party evidence. In determining the grant date, we evaluated what was the most appropriate date based on the terms and conditions of the share-based payment arrangement.<br>— For the specific application of the Black Scholes model, we assessed the experience of the company |

# Beacon Minerals Limited

## Independent auditor's report to members

| | |
|---|---|
| The above arrangement required significant judgments and estimations by management, including the following:<br>— The evaluation of the grant date for the arrangement, and the evaluation of the fair value of the underlying share price of the company as at the grant date;<br>— The evaluation of key inputs into the Black Scholes option pricing model, including the significant judgment of the forecast volatility of the share option over its exercise period.<br><br>The results of these share-based payment arrangements materially affect the disclosures. | secretary who advised the value of the arrangement. We retested some of the assumptions used in the model and recalculated those fair values. We considered that the forecast volatility applied in the model to be appropriately reasonable and within industry norms.<br><br>We also reconciled the vesting of the share-based payment arrangement to disclosures made in note 18. |

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

# Beacon Minerals Limited

## Independent auditor's report to members

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

*http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf*

This description forms part of our independent auditor's report.

William Buck

## Beacon Minerals Limited
### Independent auditor's report to members

# Report on the Remuneration Report

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included on pages 17 to 20 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Beacon Minerals Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

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.

William Buck

William Buck Audit (WA) Pty Ltd
ABN: 67 125 012 124

CM

Conley Manifis
Director
Dated this 28th day of September 2018

The following table sets out Beacon Minerals Limited ore reserves as at 30 June 2018.

| Project | Commodity Type | Category of Ore Reserve | 30 June 2018 | 30 June 2017 | Geographical Location |
|---|---|---|---|---|---|
| Jaurdi Gold Project | Gold | Proved | 870,000t @ 1.9 g/t gold | - | Australia |
| Jaurdi Gold Project | Gold | Probable | 2,440,000t @ 1.8 g/t gold and 143,100 oz of contained gold | - | Australia |

Minecomp Pty Ltd (Minecomp) has been commissioned by the Company to produce an end of financial year 2018 Reserve Statement for Lost Dog which forms part of the Jaurdi Gold Project in Western Australia.

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.

This mineral resource and ore reserve statement contains information extracted from the following report, which are available on the Company's website at www.beaconminerals.com.au.

- 27 September 2018 Jaurdi Gold Project Update and Appendix 3B

The Company confirms that it is not aware of any new information or data that materially affects this mineral resource and ore reserve statement results included in the original market announcement referred to in this statement and that no material change in the result has occurred. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

## 1. Distribution of holders at 28 September 2018

As at 28 September 2018 the distribution of shareholders was as follows:

**Ordinary shares**

| Size of holding | Number of holders |
|---|---|
| 1 – 1,001 | 57 |
| 1,001 – 5,000 | 28 |
| 5,001 – 10,000 | 24 |
| 10,001 – 100,000 | 612 |
| 100,001 and over | 1,249 |
| **Total** | **1,970** |

## 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 | 147,039,186 | 7.37% |
| Geoffrey Greenhill | 113,311,239 | 5.68% |

## 4. Top 20 Shareholders

The names of the 20 largest shareholders as at 28 September 2018 who hold 42.70% of the fully paid ordinary shares of the Company were as follows;

| | Number |
|---|---|
| Oceanic Capital PL | 162,333,333 |
| Greenhill G W + G J <Greenhill S/F A/C> | 100,866,794 |
| McCulloch Alexander John | 80,000,000 |
| McGarry Helen Gayle | 75,827,585 |
| Lamerton PL | 73,145,390 |
| Davis Robert F + Y E <Davies Minyama S/F> | 63,113,587 |
| Lamerton PL <Mac's S/F A/C> | 50,059,020 |
| Aigle Royal Super fund PL <A Poli S/F A/C> | 50,000,000 |
| Amalgamated Dairies Ltd | 46,480,000 |
| Yarandi Inv PL <Griffith Fam No 2> | 40,597,961 |
| Barstow Mining PL | 39,000,000 |
| Stewart Bond PL <Super 2000 S/F A/C> | 20,000,100 |
| Ocean View WA PL | 20,000,000 |
| Payzone Pty Ltd <St Barnabas Super> | 19,618,082 |
| Stewart Bond PL <Steward Bond PL A/C> | 18,277,216 |
| BT Portfolio SVCS Ltd <Beardsley S/F A/C> | 15,733,333 |
| Flesser Christopher R | 15,000,000 |
| Bond Gregory Francis J <Bond Fam Prop A/C> | 14,000,000 |
| Stewart Barry David <Stewart Fam Prop A> | 14,000,000 |
| Siebuhr David Victor | 14,000,000 |

## 5. Top 20 Option holders

The names of the 20 largest option holders as at 28 September 2018 who hold 51.23% of the listed options of the Company were as follows;

| | Number |
|---|---|
| Oceanic Capital PL | 60,333,333 |
| Greenhill G W + G J <Greenhill S/F A/C> | 50,336,794 |
| Lamerton PL <Mac's S/F A/C> | 28,314,020 |
| Lamerton PL | 18,286,347 |
| Stewart Bond PL <Steward Bond PL A/C> | 18,277,216 |
| Davis Robert F + Y E <Davies Minyama S/F> | 14,583,353 |
| St Barnabas Inv PL <Melvista Fam A/C> | 13,916,666 |
| Amalgamated Dairies Ltd | 11,620,000 |
| Aigle Royal Super fund PL <A Poli S/F A/C> | 10,919,138 |
| Loktor Hldgs PL <Taybird A/C> | 10,196,620 |
| Yarandi Inv PL <Griffith Fam No 2> | 10,000,000 |
| Barstow Mining PL <Super 2000 S/F A/C> | 9,912,309 |
| McGarry Helen Gayle | 9,819,396 |
| Stewart Bond PL <Super 2000 S/F A/C> | 5,000,000 |
| MBM Corp PL | 5,000,000 |
| Ocean View WA PL | 5,000,000 |
| Cheng Siu Lap + Sau Yin | 4,068,333 |
| Ryan John Albert James | 4,000,000 |
| Bowler Daniel Gerard | 3,966,897 |
| BT Portfolio SVCS Ltd <Beardsley S/F A/C> | 3,933,333 |

# MINERAL TENEMENT INFORMATION

Beacon Minerals Limited mineral interests at 28 September 2018:

| TENEMENT | PROJECT/LOCATION | INTEREST |
|---|---|---|
| | **Jaurdi Gold Project** | |
| M16/529 | Jaurdi, Coolgardie | 100% |
| E16/0469 | Jaurdi, Coolgardie | 0%[(1)] |
| M16/0034 | Jaurdi, Coolgardie | 100% |
| M16/0115 | Jaurdi, Coolgardie | 100% |
| P16/2925 | Jaurdi, Coolgardie | 0%[(2)] |
| P16/2926 | Jaurdi, Coolgardie | 0%[(2)] |
| L16/0120 | Jaurdi, Coolgardie | 100% |
| E15/1582 | Jaurdi, Coolgardie | 100% |

[(1)] Beacon has executed an Option to Purchase Agreement with Mr Steven Argus and Zephyr Mining Pty Ltd, the holder of licence E16/469, during the quarter ended 30 June 2018 the Company exercised the Option and is pending final transfer documentation/approvals.

[(2)] Beacon has executed an Option to Purchase Agreement with Australian Live-Stock Suppliers Pty Ltd, the holders of prospecting licences P16/2925 and P16/2926.

BEACON
MINERALS LIMITED
ABN 64 119 611 559

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