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# ANNUAL REPORT 2019

**CORPORATE DIRECTORY****BOARD OF DIRECTORS**

Geoffrey Greenhill – Executive Chairman  
 Graham McGarry – Managing Director  
 Alexander McCulloch – Executive Director  
 Development  
 Sarah Shipway – Non-Executive Director

**COMPANY SECRETARY**

Sarah Shipway

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**SECURITIES EXCHANGE CODES**

BCN – Ordinary Shares

BCNOB – Listed Options

**SHARE REGISTRY**

Security Transfer Registrars

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**AUDITORS**

William Buck Audit (WA) Pty Ltd

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*Dear Fellow Shareholder*

*On behalf of the Board of Directors, I am pleased to present Beacon Minerals Limited's ("Beacon" or "the Company") Annual Report for the financial year ended 30 June 2019 – a very successful year for the Company.*

*During the year the Company has achieved significant key milestones, including the funding and construction of the Jaurdi Plant at the Jaurdi Gold Project.*



*The maiden gold bar was produced from Jaurdi early in September. We now move into the next phase of being a gold producer. It is a very exciting time for the Company aided by the increasing gold price.*

*The progress and success of the Company is attributable to the Company's personnel and its contractors during the construction phase.*

*We look forward to further expanding on this success with the accelerated exploration programs the Company has announced.*

*Beacon is in a very unique situation, with the Plant operations established and only 10% of the palaeochannel system on our tenements explored to date. We look forward to exploration success in the coming year.*

*Our commitment to creating value for our shareholders is our priority and I look forward to sharing continued 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 2019.

**HIGHLIGHTS**

- **Pre-Feasibility Study (PFS) Results for the Jaurdi Gold Project**
  - 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) 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;
  - 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;
  - LOM All-In-Sustaining Cost (AISC) of A\$870/oz;
  - NPV A\$70.49M (before tax);
  - IRR of 75% (before tax);
- **Mill Throughputs running 20% above August 2018 PFS budget**
- **Recoveries greater than 90% being achieved, being 5% above the published PFS recovery figure**
- **Jaurdi Plant Commissioned**
- **Maiden Gold Bullion Produced from Jaurdi**



Figure 1: Jaurdi Gold Project 1 September 2019

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## JAURDI GOLD PROJECT

*Pre-Feasibility Study (PFS) Results*

On 29 August 2018 the Company announced 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 Parameters        | A\$1,650 oz |
|---------------------------------|-------------|
| NPV (A\$M)                      | \$70.49m    |
| Revenue (A\$M) <sup>1</sup>     | \$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 500,000 tpa capacity.

Subsequent to the year end, on 2 September 2019, the Company advised that process plant throughput and recoveries were higher than the August 2018 PFS results. Mill throughputs as at 2 September 2019 were running at 20% above the nominal nameplate capacity announced in August 2018 and gold recoveries of greater than 90% were being achieved.

The Company also advised that mill head grade is in line with the mine stockpile grades mined from Panel 1, with sufficient ore stockpiled for a further month of fine tuning the plant. Previous pre-strip mining of Panel 1 has exposed in excess of 400,000 tonnes of run of mine ore.

**Mining**

During October 2018, 108,000 bank cubic metres (BCM) were mined from Panel 1 of the Lost Dog Pit producing 53,000 tonnes of ore at 1.51g/t.

Trial mining below the water table was done and water inflows evaluated for future mining and pumping requirements.

Water from the trial mining was pumped to an existing pit on the west side of the orebody. Recirculation of the pit water was evident during the trial.

Mining was put on hold from 31 October 2018 and the mining crew deployed to other civil projects on the site. As advised on 20 September 2019, mining activities have recommenced providing ore from Panel 1.

| Dec 18 Quarter | Mining Costs (\$) | BCM Moved | BCM (\$) | Ore t mined | g/t mined | Cum. Oz's mined | Civil Cost (\$) |
|----------------|-------------------|-----------|----------|-------------|-----------|-----------------|-----------------|
| Total          | 695,463           | 108,016   | 6.43     | 53,171      | 1.51      | 2,576           | 1,049,205       |

**Table 1: Mining Summary - FY19 December Quarter**

| Project to Date | Mining Costs (\$) | BCM Moved | BCM (\$) | Ore t mined | g/t mined | Cum. Oz's mined | Civil Cost |
|-----------------|-------------------|-----------|----------|-------------|-----------|-----------------|------------|
| Total           | 1,815,735         | 353,284   | 5.14     | 56,866      | 1.50      | 2,741           | 1,159,611  |

Table 2: Mining Summary - Project to Date

Mining costs are in line with the costs reported in the Company's pre-feasibility study dated 29 August 2018.

#### Grade Control Drilling – Extension to Mining Panel 1

A small drilling programme consisting of 63 holes for 1,432 metres was undertaken at the Lost Dog deposit in October 2018 extending the Mining Panel 1, reverse circulation and grade control (RCGC) pattern to the west. The holes were drilled to fill in gaps left after the removal of a historical waste dump. Drilling results were better than expected and significant intercepts of gold mineralisation are shown below.

Sampling was collected through a cyclone and split through a rig mounted cone splitter. All sample components were taken as a 12.5% split of the original. One metre samples were collected to obtain a 3 to 4 Kg sample. All samples were pulverised to typically 95% passing -75µm to produce a 50g charge for Fire Assay with an AAS finish.

The drilling was completed on a 12.5m x 12.5m pattern. The grade control Mineral Resource will be revised upon completion of further RC grade control drilling to the east of Mining Panel 1.

#### Significant Grade Control Intercepts

- LDGC285: 10 m @ 2.45 g/t Au from 20 metres
- LDGC287: 22 m @ 1.87 g/t Au from 6 metres
- LDGC291: 13 m @ 2.24 g/t Au from 3 metres
- LDGC293: 18 m @ 2.77 g/t Au from 7 metres
- LDGC294: 9 m @ 4.0 g/t Au from 4 metres
- LDGC295: 20 m @ 3.11 g/t Au from 0 metres
- LDGC296: 11 m @ 2.22 g/t Au from 2 metres
- LDGC300: 14 m @ 5.03 g/t Au from 10 metres
- LDGC306: 9 m @ 3.42 g/t Au from 8 metres
- LDGC311: 10 m @ 2.15 g/t Au from 0 metres
- LDGC314: 10 m @ 2.25 g/t Au from 6 metres

| Hole ID | Easting     | Northing      | RL      | Dip | Azimuth | From | To | Interval           |
|---------|-------------|---------------|---------|-----|---------|------|----|--------------------|
| LDGC285 | 303,154.619 | 6,598,471.693 | 375.527 | -90 | 000     | 20   | 30 | 10 m @ 2.45 g/t Au |
| LDGC287 | 303,134.713 | 6,598,458.254 | 383.126 | -90 | 000     | 8    | 30 | 22 m @ 1.87 g/t Au |
| LDGC291 | 303,149.383 | 6,598,458.303 | 375.26  | -90 | 000     | 3    | 16 | 13 m @ 2.24 g/t Au |
| LDGC293 | 303,160.948 | 6,598,458.778 | 375.379 | -90 | 000     | 7    | 25 | 18 m @ 2.77 g/t Au |
| LDGC294 | 303,170.956 | 6,598,459.464 | 375.495 | -90 | 000     | 4    | 13 | 9 m @ 4.0 g/t Au   |
| LDGC295 | 303,135.456 | 6,598,434.443 | 383.347 | -90 | 000     | 0    | 20 | 20 m @ 3.11 g/t Au |
| LDGC296 | 303,135.639 | 6,598,409.059 | 383.586 | -90 | 000     | 2    | 13 | 11 m @ 2.22 g/t Au |
| LDGC300 | 303,166.103 | 6,598,397.331 | 374.557 | -90 | 000     | 10   | 24 | 14 m @ 5.03 g/t Au |
| LDGC306 | 303,139.858 | 6,598,371.079 | 383.822 | -90 | 000     | 8    | 17 | 9 m @ 3.42 g/t Au  |
| LDGC311 | 303,134.858 | 6,598,495.242 | 382.321 | -90 | 000     | 0    | 10 | 10 m @ 2.15 g/t Au |
| LDGC314 | 303,134.471 | 6,598,484.427 | 382.556 | -90 | 000     | 6    | 16 | 10 m @ 2.25 g/t Au |

Table 3 – Significant Grade Control Intercepts



**Figure 2 – Grade Control Area – October 2018**

### Commissioning of Plant

During the year the Company commenced the commissioning phase at the Company's 100% owned Jaurdi Gold Project, located approximately 35kms northwest of Coolgardie. Commissioning commenced on 20 June 2019 and progressively ramped up towards full production which will be reached on 1 October 2019.

The commissioning phase progressed well and according to schedule. Key highlights from the commissioning phase being:

- Main process water circuit and pumps commissioned;
- Leach and adsorption tanks filled;
- Tailings line to Black Cat Pit commissioned on tailings slurry;
- Black Cat Tails water return line installed;
- SAG and Ball mill commissioned and mill media added to the mills as throughput increased;
- Lime Silo commissioned;
- Cyanide facility commissioned and first fill received on 10 August 2019;
- Gland water pumps commissioned;
- Toshiba Engineers have commissioned the SAG mill motor and variable speed drive; and
- Storm Water Diversion Drain around the site has been constructed.

In conjunction with the commissioning activities that have been occurring, site management have been assembling the plant operations and maintenance teams in line with the Owner Operator model that has been adopted.

Directors Graham McGarry and Geoff Greenhill are experienced mine developers and operators having built and run numerous open-pit and underground mines throughout Australia over long careers in the mining industry. Beacon's owner-operator model for the processing plant has the Company recruiting its own specialist team.

On 10 September 2019 Beacon advised that process Plant commissioning had progressed ahead of schedule. Notwithstanding any unforeseen events, commercial production will commence as planned on 1 October 2019.



Figure 3 – Maiden Gold Bar from the Jaurdi Gold Project



Figure 4: Key Milestones in the Jaurdi Gold Project Development



## ACQUISITION OF ADDITIONAL TENEMENTS

### *Exploration Licence E31/1039*

Subsequent to the year-end the Company was pleased to advise it had executed an option to purchase the Kookynie Exploration Licence E31/1039 (the Stockdale Prospect) from Diana and Lindsay Stockdale (Stockdale).

The Stockdale Prospect is located 66km south east of Leonora and 205km north east of Kalgoorlie via the Goldfields Highway and the Kookynie-Mount Remarkable Road (see Figure 6). The prospect lies 15km south east of the Apollo Hill gold deposit along the Keith-Kilkenny Shear Zone.

The terms of the Stockdale Prospect option agreement include the following:

- Beacon has paid \$10,000 for a 16-month option; and
- Beacon has the option to pay \$40,000 for an additional 12-month option.

After 28 months Beacon will have the opportunity to purchase the Stockdale Prospect for \$250,000. Beacon will also be required to pay a 1% net smelter royalty in relation to any minerals mined on the tenement.

Beacon will undertake exploration on the tenement which will include an initial 2,000 metre RC drilling programme.

Exploration activity to date on the Stockdale Prospect has been limited to:

- soil auger and surface soil geochemistry;
- rock chip sampling; and
- air core drilling.

This work on the Stockdale Prospect has yielded a north west orientated soil auger anomaly defined over a 1km strike with an untested 500 metres in the north west with a peak value of 310 ppb Au (see Figure 5). This is the widest part of the anomaly (greater than 300 metres) and has not been tested by any form of exploration drilling. A marked deviation occurs within the south eastern part of the anomaly which may represent a structural flexure within the stratigraphy. The anomaly is open to both the north west and south east.

**Table 4: Significant intersections for the aircore drilling at the Stockdale Prospect**

| Hole_ID | MGA_Easting | MGA_Northing | Elevation | Dip | Azimuth_Mag | From | To | Au g/t | Total_Depth |
|---------|-------------|--------------|-----------|-----|-------------|------|----|--------|-------------|
| PSAC024 | 380,822.39  | 6,761,380.61 | 338.25    | -60 | 225         | 43   | 45 | 0.99   | 45          |
| PSAC041 | 381,016.86  | 6,761,051.17 | 341.93    | -60 | 225         | 14   | 16 | 0.57   | 16          |
| PSAC054 | 380,967.11  | 6,761,126.01 | 338.59    | -60 | 225         | 22   | 24 | 0.12   | 28          |

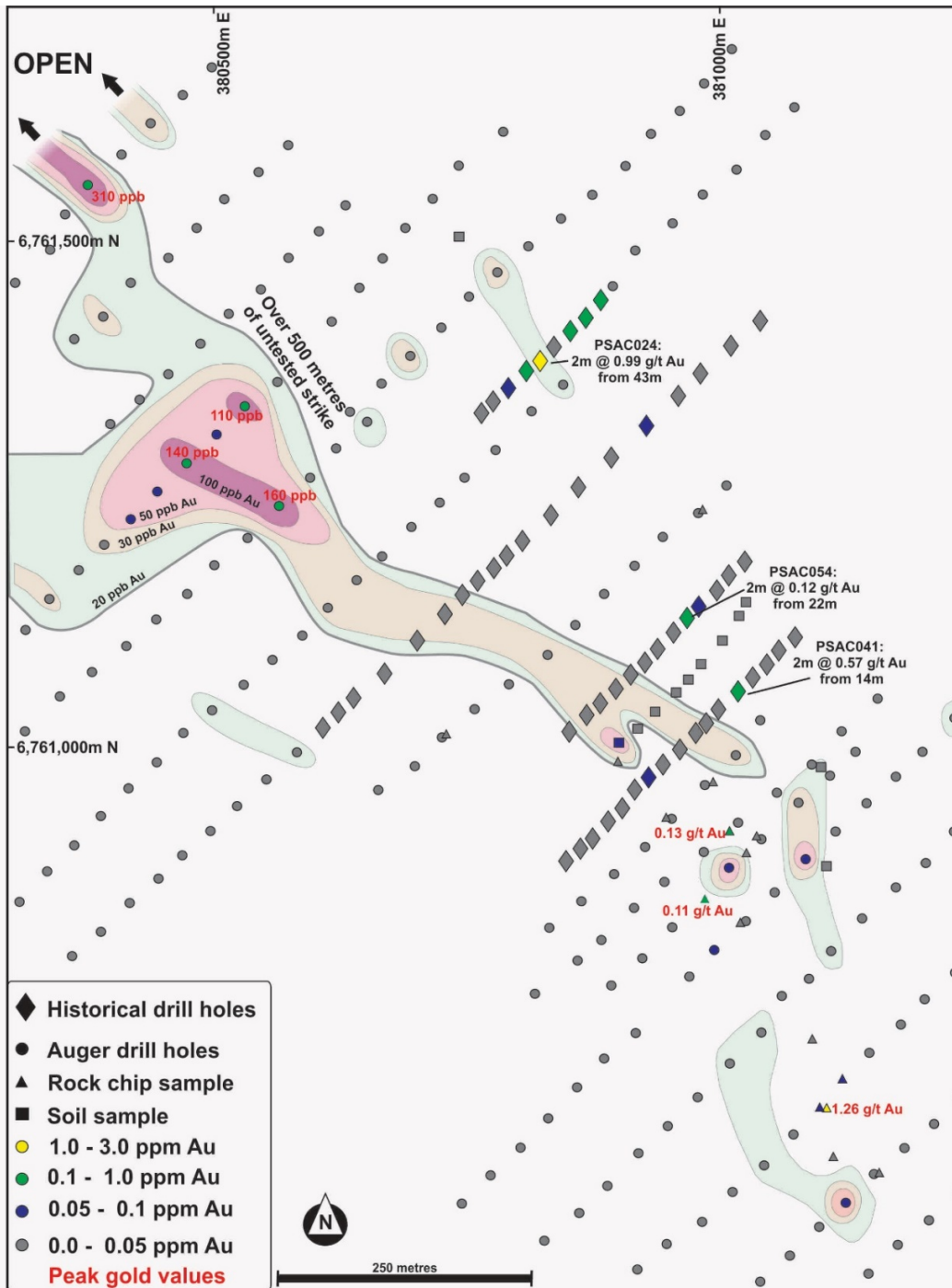


Figure 5: Gold in soil auger anomaly over 1km strike length; showing peak value of 310ppb and open to north west and south east (significant intercepts for the aircore holes are details in Table 1)

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Figure 6: Locality of E31/1039 relative to Leonora and Menzies in the Eastern Goldfields of WA

**Prospecting Licences P16/2925 and P16/2926**

Subsequent to year-end Beacon purchased, for a total of \$25,000, P16/2925 and P16/2926 from Australian Livestock Pty Ltd. Beacon has also agreed to pay a royalty of \$80 per troy ounce for all ounces of gold recovered from these Prospecting Licences.

The two Prospecting Licences are located between the Black Cat and Lost Dog gold deposits which host a network of gold bearing palaeochannels within the Jaurdi region.

Beacon now controls the majority of the palaeochannels from the north west to the east south east which total 18 Kilometres, see Figure 7. The gold mineralisation within the palaeochannels has potentially drawn from the primary deposits of the Black Cat and Kunanalling goldfields.

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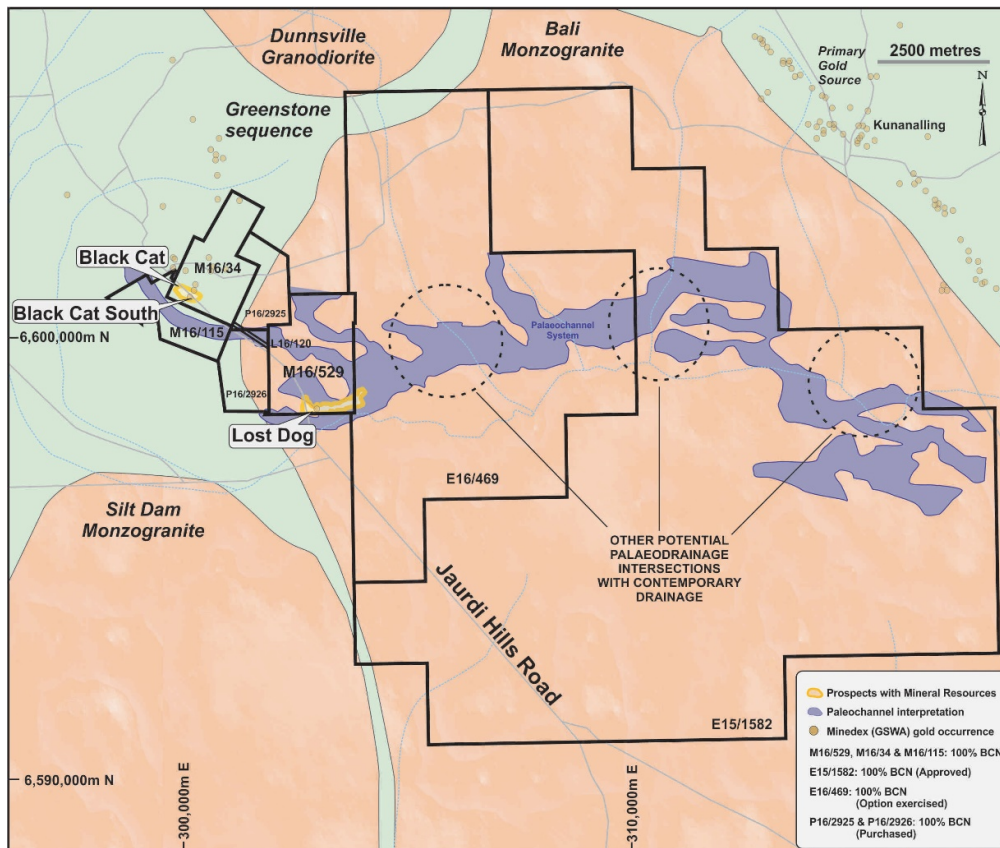


Figure 7: Locality of P16/2925 and 2926 relative to the Black Cat and Lost Dog gold deposits

**CORPORATE**

**Debenture Issue**

In October 2018 the Company issued \$18 million worth of debentures to sophisticated and professional investors, including the issue of debenture notes to two Directors of Beacon.

Proceeds from the debenture issue were used to fund the development of the Company’s Jaurdi Gold Project.

As a result of the involvement of the Directors in the transaction, the Company sought Shareholder approval in accordance with Section 195(4) and Section 208 of the Corporations Act and relevant provisions of the ASX Listing Rules. Shareholders approved the issue of debenture notes, including the issue of debenture notes to Related Parties, which included the Directors’, at the Company’s General Meeting held on 4 October 2018.

The face value of each debenture note was \$1.00 and for every 1 debenture note issued, the Company granted 20 Listed Options (BCNOB). For full terms and conditions of the Debentures please refer to the Notice of General Meeting released to ASX on 5 September 2018.

**Non-Renounceable Entitlement Issue**

The Company announced on 9 April 2019 a 1 for 5 non-renounceable entitlement issue at \$0.017 to raise approximately \$7.1 million before costs. Eligible shareholders who subscribed to the offer received 1 free attaching Listed Option for every 2 new shares subscribed for, exercisable at \$0.025 with an expiry date of 18 August 2022.

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The Entitlement Issue was fully underwritten by Patersons Securities Limited who acted as Lead Manager and Underwriter to the Issue. The Entitlement Issue was made pursuant to a prospectus which was lodged with ASIC.

Directors Graham McGarry and Geoff Greenhill also agreed to take up their full entitlements totalling approximately \$1.16m and were also sub-underwriting the issue for a total of approximately \$1.54m. The Issue was further strongly supported by other major shareholders in the Company who had committed to take up their entitlements and also sub-underwrite the Issue.

#### **Placement**

On 23 August 2019 the Company completed a placement that has raised additional funding to accelerate exploration and resource definition programmes at its Jaurdi Gold Project. This acceleration of exploration and evaluation activities follows Beacon completing a placement of its ordinary shares to raise \$8.0 million at an issue price of \$0.042 per share.

#### **Director Appointment**

Subsequent to the year end on 19 August 2019, the Board was pleased to announce the appointment of Mr Alexander McCulloch as Executive Director –Development.

Alex is a mining engineer who graduated from the WA School of Mines in 1997. He has over 37 years' experience in the mining industry. Alex has previously worked at a number of open pit operations in Australia and overseas, including the start-up and ongoing production of an open pit copper/gold mine in NSW and more recently in the evaluation, planning and operation of mineral projects in the WA Goldfields.

Alex was appointed Project Manager of the Jaurdi Gold Project in January 2017. His appointment was to manage the Jaurdi Projects due diligence option period and assist with bringing the project into production.

Through Alex's contacts in the mining industry the Jaurdi Gold Project was brought to the attention of the Beacon Board. The appointment of Alex as the Director of Development will support Beacon's objective of company growth via exploration and/or acquisition opportunities.

#### **About Beacon Minerals Limited (ASX:BCN)**

Beacon Minerals Limited is an ASX Listed Company with its current focus being at the Company's 100% owned Jaurdi Gold Project and transitioning to a gold producing Company.

The Company has been commissioning its 500,000 tpa gold processing facility at the Jaurdi Gold Project, with Mill throughput currently running 20% above the Pre-Feasibility (PFS) budget.

The Jaurdi Gold Project PFS results outline a forecast life of Mine (LOM) surplus operating cashflow of \$98.4 million at a gold price of \$1,650 per ounce versus today's gold price of AU\$2,200/oz (refer to PFS announcement dated 29 August 2018).

Beacon confirms that it is not aware of any new information or data that materially affects the information included in its PFS announcement dated 29 August 2018. All material assumptions and technical parameters underpinning the estimates used in the PFS announcement continue to apply and have not materially changed.

### Competent Person 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 it appears.

This report contains information extracted from the following reports which are available on the Company's website at [www.beaconminerals.com.au](http://www.beaconminerals.com.au):

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

The Company confirms that it is not aware of any new information or data that materially affects the production targets 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 announcements. All material assumptions and technical parameters underpinning this estimate continue to apply and have not materially changed.

### Disclaimer

This Report 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 Report.

This Report contains summary information about Beacon, its subsidiaries and their activities which is current as at the date of this Report. The information in this Report 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 Report 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 Report 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 Report are accurate, the information provided in this Report has not been independently verified.

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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 2018 to 30 June 2019. 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 over 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.

**Alexander McCulloch**  
 Executive Director - Development  
 Appointed 19 August 2019

Alex is a mining engineer who graduated from the WA School of Mines in 1997. He has over 37 years' experience in the mining industry. Alex has previously worked at a number of open pit operations in Australia and overseas, including the start-up and ongoing production of an open pit copper/gold mine in NSW and more recently in the evaluation, planning and operation of mineral projects in the WA Goldfields.

Alex was appointed Project Manager of the Jaurdi Gold Project in January 2017. His appointment was to manage the Jaurdi Projects due diligence option period and assist with bringing the project into production.

Through Alex's contacts in the mining industry the Jaurdi Gold Project was brought to the attention of the Beacon Board. The appointment of Alex as the Director of Development will support Beacon's objective of company growth via exploration and/or acquisition opportunities as appropriate.

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

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**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  | 188,382,040                | 49,983,306     |
| Graham McGarry      | 244,366,268                | 90,222,603     |
| Alexander McCulloch | 105,102,138                | 10,051,069     |
| Sarah Shipway       | 4,067,200                  | 1,186,267      |

**SHARE OPTIONS**

At the date of this report the Group had 932,669,257 options on issue. During the year ended 30 June 2019:

- 569,396,210 Listed Options were issued;
- 5,000,000 Unlisted Options, exercisable at \$0.025 on or before 5 May 2019 expired, unexercised;
- 33,002 Listed Options were exercised;
- 20,000,000 Unlisted Options exercisable at \$0.025 on or before 1 August 2022 were issued and
- 80,000,000 Unlisted Options exercisable at \$0.04 per share were exercised.

**PRINCIPAL ACTIVITIES**

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

**RESULTS AND REVIEW OF OPERATIONS**

The result of the consolidated entity for the financial year ended 30 June 2019 is an after-income tax loss of \$8,680,121 (2018: after income tax loss \$4,161,027).

A review of operations of the Group during the year ended 30 June 2019 is provided in the "Review of Operations" immediately preceding this Directors' Report.

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**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:

| <b>Name</b> | <b>Eligible to attend</b> | <b>Attended</b> |
|-------------|---------------------------|-----------------|
| 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, including the Managing Director, 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.

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- 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.

| <b>Directors</b> | <b>Title</b>           | <b>Date of Appointment</b> | <b>Date of Retirement</b> |
|------------------|------------------------|----------------------------|---------------------------|
| 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.

| <b>Directors</b>   | <b>Short Term Benefits<br/>Salary and Fees<br/>\$</b> | <b>Post-Employment Benefits<br/>Superannuation<br/>\$</b> | <b>Long Term Benefits<br/>Long Service Leave<br/>\$</b> | <b>Equity settled share-based payments<br/>Shares/Options (i)<br/>\$</b> | <b>Total<br/>\$</b> |
|--------------------|---|---|---|--|---------------------|
| <b>G Greenhill</b> |   |   |   |  |                     |
| 2019               | 150,000   | 14,250  | -   | -  | <b>164,250</b>      |
| 2018               | 120,833   | 10,622  | -   | -  | <b>131,455</b>      |
| <b>G McGarry</b>   |   |   |   |  |                     |
| 2019               | 150,000   | 14,250  | -   | -  | <b>164,250</b>      |
| 2018               | 120,833   | 10,622  | -   | -  | <b>131,455</b>      |
| <b>S Shipway</b>   |   |   |   |  |                     |
| 2019               | 78,936  | -   | -   | -  | <b>78,936</b>       |
| 2018               | 48,204  | -   | -   | -  | <b>48,204</b>       |
| <b>Total</b>       |   |   |   |  |                     |
| <b>2019</b>        | <b>378,936</b>  | <b>28,500</b>   | <b>-</b>  | <b>-</b>   | <b>407,436</b>      |
| <b>2018</b>        | <b>289,870</b>  | <b>21,244</b>   | <b>-</b>  | <b>-</b>   | <b>311,114</b>      |

(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. 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 2019 no equity was granted to directors as part of their remuneration.

**Ordinary shareholdings of key management personnel**

| Directors          | Balance at 1 July 2018 | Options exercised during the year | Net other change (ii) | Balance at 30 June 2019 |
|--------------------|------------------------|-----------------------------------|-----------------------|-------------------------|
| Geoffrey Greenhill | 113,311,239            | -                                 | 35,070,801            | 148,382,040             |
| Graham McGarry     | 147,039,186            | -                                 | 57,327,082            | 204,366,268             |
| Sarah Shipway      | 3,389,333              | -                                 | 677,867               | 4,067,200               |
| <b>Total</b>       | <b>263,739,758</b>     | <b>-</b>                          | <b>93,075,750</b>     | <b>356,815,508</b>      |

| Directors          | Balance at 1 July 2017 | Options exercised during the year | Net other change (i) | 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               |
| <b>Total</b>       | <b>156,885,459</b>     | <b>-</b>                          | <b>106,854,299</b>   | <b>263,739,758</b>      |

(i) Issued under the Entitlement Issue Prospectus dated 10 July 2017.

(ii) Issue under the Entitlement Issue Prospectus dated 9 April 2019. Directors' Graham McGarry and Geoffrey Greenhill were sub-underwriters for the Entitlement Issue.

**Option holdings of key management personnel**

| Directors          | Balance at 1 July 2018 | Options exercised during the year | Net other change (ii), (iii) | Balance at 30 June 2019 |
|--------------------|------------------------|-----------------------------------|------------------------------|-------------------------|
| Geoffrey Greenhill | 53,447,905             | -                                 | 36,535,401                   | 89,983,306              |
| Graham McGarry     | 52,559,061             | -                                 | 77,663,542                   | 130,222,603             |
| Sarah Shipway      | 847,333                | -                                 | 338,934                      | 1,186,267               |
| <b>Total</b>       | <b>106,854,299</b>     | <b>-</b>                          | <b>114,537,877</b>           | <b>221,392,176</b>      |

| 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                 |
| <b>Total</b>       | <b>-</b>               | <b>-</b>                          | <b>106,854,299</b>   | <b>106,854,299</b>      |

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

(ii) Issue under the Entitlement Issue Prospectus dated 9 April 2019. Directors' Graham McGarry and Geoffrey Greenhill were sub-underwriters for the Entitlement Issue.

(iii) Issued under the debenture issue.

McVerde Minerals Pty Ltd, of which Graham McGarry and Geoffrey Greenhill are directors, provided equipment hire to the Company on ordinary commercial terms. Amounts that have been paid or payable total \$1,422,486 (2018: \$52,827). At 30 June 2019 \$73,590 (2018: \$31,377) 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 \$171,298 (2018: \$6,034). At 30 June 2019 \$1,547 (2018: \$0) was payable to Mangelsdorf Engineering.

Kinetiq Solutions Pty Ltd, a Company which Geoffrey Greenhill's son has an interest in, provided electrical services to the Company on ordinary commercial terms. Amounts that have been paid or payable total \$2,894,476 (2018: \$7,875). At 30 June 2019 \$115,896 (2018: \$0) was payable to Kinetiq Solutions.

In October 2019 Directors' Graham McGarry and Geoffrey Greenhill participated in the Company's \$18.0m debenture issue. In addition, related parties to Graham McGarry also participated in the debenture issue. Shareholder approval was sought and received on 4 October 2018.

Under the debenture issue Graham McGarry and Geoffrey Greenhill, through their nominated entities, were issued \$2,450,000 and \$950,000 debentures, respectively. Related parties to Graham McGarry were issued \$1,100,000 in debentures. The debenture holders were paid a 3% fee on the debentures issued.

During the year no interest was paid on the debentures.

In May 2019 Graham McGarry and Geoffrey Greenhill each entered into agreements with the Company, whereby the Directors' would underwrite 62,760,705 and 27,893,647 of the shares issued under the Entitlement Issue Prospectus dated 9 April 2019, respectively.

Graham McGarry and Geoffrey Greenhill also each entered into agreements with the Company, whereby the Directors' would commit to taking up their full entitlement under the April 2019 Entitlement Issue.

Under these agreements the Directors' were entitled to an underwriting fee of 4%, of their firm commitment and underwritten amount. Graham McGarry and Geoffrey Greenhill received a fee of \$73,667 and \$34,378, respectively under their agreements.

**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.

|                       | 2015       | 2016        | 2017      | 2018        | 2019        |
|-----------------------|------------|-------------|-----------|-------------|-------------|
|                       | \$         | \$          | \$        | \$          | \$          |
| Revenue               | 13,508,884 | 2,958,285   | 7,533,762 | 88,105      | 424,303     |
| Net profit/(loss)     | 5,257,100  | (1,897,256) | 1,601,707 | (4,161,660) | (8,860,121) |
| Share price 30 June   | 0.003      | 0.004       | 0.020     | 0.017       | 0.029       |
| EPS (cents per share) | 0.3414     | (0.123)     | 0.107     | (0.214)     | (0.411)     |

**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 \$33,325 (2018: \$25,113) 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 wilful breach of duty.

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

**SHARE OPTIONS**

*Unissued shares*

The Group at 30 June 2019 had 1,087,853,529 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 July 2019, 116,241,609 Listed Options were exercised.

On 8 August 2019, 36,214,276 Listed Options were exercised.

On 19 August 2019 the Company appointed Mr Alexander McCulloch to the Board of Directors.

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On 23 August 2019, 190,476,191 Fully Paid Ordinary Shares were issued at \$0.042 per share to raise \$8,000,000. The shares were issued under a placement to sophisticated investors.

On 6 September 2019, 104,377 Listed Options were exercised.

On 10 September 2019 the Company announced that the maiden gold bar was produced from the Jaurdi Gold Project. The Company also announced that Plant optimisation continued.

On 20 September 2019 the Company advised that it had received revenue from production at the Jaurdi Gold Project.

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 2019 has been received, forms part of the directors' report and can be found on page 53 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 2019.

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 27 September 2019

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

| Australian Dollar (\$)   | Note  | 30 JUNE<br>2019<br>\$ | 30 JUNE<br>2018<br>\$ |
|--|-------|-----------------------|-----------------------|
| <b>REVENUE</b>   |       |                       |                       |
| Interest revenue   |       | 116,295               | 83,213                |
| Other income   | 3     | 308,008               | 3,892                 |
|  |       | <u>424,303</u>        | <u>87,105</u>         |
| <b>EXPENDITURE</b>   |       |                       |                       |
| Administration expenses  |       | (733,432)             | (433,105)             |
| Exploration and development expenditure written off                  |       | (6,081,755)           | (3,815,027)           |
| Finance expenses   |       | (2,289,237)           | -                     |
| <b>LOSS BEFORE INCOME TAX</b>  |       | <u>(8,680,121)</u>    | <u>(4,161,027)</u>    |
| Income tax benefit/(expense)   | 4     | -                     | -                     |
| <b>LOSS AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY</b>  |       | <u>(8,680,121)</u>    | <u>(4,161,027)</u>    |
| <b>OTHER COMPREHENSIVE INCOME</b>                                    |       |                       |                       |
| Other comprehensive income   |       | -                     | -                     |
| <b>TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF THE GROUP</b> |       | <u>(8,680,121)</u>    | <u>(4,161,027)</u>    |
| <b>LOSS PER SHARE</b>  |       |                       |                       |
| Basic and diluted loss per share                                     | 15(a) | <u>(0.00411)</u>      | <u>(0.00214)</u>      |

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 2019**

| Australian Dollar (\$)               | Note  | 30 JUNE<br>2019<br>\$ | 30 JUNE<br>2018<br>\$ |
|--------------------------------------|-------|-----------------------|-----------------------|
| <b>CURRENT ASSETS</b>                |       |                       |                       |
| Cash and cash equivalents            | 16(a) | 4,256,185             | 2,950,369             |
| Trade and other receivables          | 6     | 261,444               | 76,249                |
| Other assets                         | 7     | 3,639,018             | 1,361,827             |
| <b>TOTAL CURRENT ASSETS</b>          |       | <b>8,156,647</b>      | <b>4,388,445</b>      |
| <b>NON CURRENT ASSETS</b>            |       |                       |                       |
| Plant and equipment                  | 8     | 2,631,962             | 1,579,727             |
| Development expenditure              | 9     | 16,424,945            | -                     |
| <b>TOTAL NON CURRENT ASSETS</b>      |       | <b>19,056,907</b>     | <b>1,579,727</b>      |
| <b>TOTAL ASSETS</b>                  |       | <b>27,213,554</b>     | <b>5,968,172</b>      |
| <b>CURRENT LIABILITIES</b>           |       |                       |                       |
| Trade and other payables             | 10    | 3,181,458             | 582,234               |
| Provisions                           |       | 51,099                | 3,926                 |
| <b>TOTAL CURRENT LIABILITIES</b>     |       | <b>3,232,557</b>      | <b>586,160</b>        |
| <b>NON CURRENT LIABILITIES</b>       |       |                       |                       |
| Debentures                           | 11    | 18,000,000            | -                     |
| <b>TOTAL NON CURRENT LIABILITIES</b> |       | <b>18,000,000</b>     | -                     |
| <b>TOTAL LIABILITIES</b>             |       | <b>21,232,557</b>     | <b>586,160</b>        |
| <b>NET ASSETS</b>                    |       | <b>5,980,997</b>      | <b>5,382,012</b>      |
| <b>EQUITY</b>                        |       |                       |                       |
| Issued Capital                       | 12    | 38,070,878            | 31,128,999            |
| Reserves                             | 13    | 2,337,227             | 348,325               |
| Accumulated losses                   | 14    | (34,427,108)          | (26,095,312)          |
| <b>TOTAL EQUITY</b>                  |       | <b>5,980,997</b>      | <b>5,382,012</b>      |

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 2019**

| Australian Dollar (\$)            | ISSUED<br>CAPITAL<br>\$ | SHARE OPTION<br>RESERVE<br>\$ | ACCUMULATED<br>LOSSES<br>\$ | TOTAL<br>EQUITY<br>\$ |
|-----------------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------|
| <b>BALANCE AT 1 JULY 2018</b>     | <b>31,128,999</b>       | <b>348,325</b>                | <b>(26,095,312)</b>         | <b>5,382,012</b>      |
| Total comprehensive loss          | -                       | -                             | (8,680,121)                 | (8,680,121)           |
| Shares issued during the year     | 7,119,468               | -                             | -                           | 7,119,468             |
| Options issued during the year    | -                       | 2,337,227                     | -                           | 2,337,227             |
| Options exercised during the year | 320,825                 | (273,660)                     | 273,660                     | 320,825               |
| Options expired during the year   | -                       | (74,665)                      | 74,665                      | -                     |
| Share issue expense               | (498,414)               | -                             | -                           | (498,414)             |
| <b>BALANCE AT 30 JUNE 2019</b>    | <b>38,070,878</b>       | <b>2,337,227</b>              | <b>(34,427,108)</b>         | <b>5,980,997</b>      |
| <b>BALANCE AT 1 JULY 2017</b>     | <b>23,776,759</b>       | <b>273,660</b>                | <b>(21,934,285)</b>         | <b>2,116,134</b>      |
| Total comprehensive loss          | -                       | -                             | (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)             |
| <b>BALANCE AT 30 JUNE 2018</b>    | <b>31,128,999</b>       | <b>348,325</b>                | <b>(26,095,312)</b>         | <b>5,382,012</b>      |

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 2019**

| Australian Dollar (\$)  | Note  | 30 JUNE<br>2019<br>\$ | 30 JUNE<br>2018<br>\$ |
|---|-------|-----------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |       |                       |                       |
| Expenditure on mining interests                                   |       | (5,990,519)           | (3,038,395)           |
| Payments to suppliers and employees                               |       | (611,308)             | (352,454)             |
| Interest received   |       | 114,470               | 80,896                |
| GST and fuel tax rebates received                                 |       | 74,835                | (35,578)              |
| <b>Net cash inflows/(outflows) from operating activities</b>      | 16(b) | <b>(6,412,522)</b>    | <b>(3,345,531)</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |       |                       |                       |
| Purchase of plant and equipment                                   |       | (1,518,842)           | (1,591,260)           |
| Payments for development expenditure                              |       | (15,137,790)          | -                     |
| <b>Net cash outflows from investing activities</b>                |       | <b>(16,656,632)</b>   | <b>(1,591,260)</b>    |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                        |       |                       |                       |
| Proceeds from issue of shares                                     |       | 7,119,468             | 7,477,331             |
| Proceeds on exercise of options                                   |       | 320,825               | -                     |
| Proceeds from debenture issue                                     |       | 18,000,000            | -                     |
| Payments for issue of shares                                      |       | (498,415)             | (505,091)             |
| Payments for debenture issue                                      |       | (566,908)             | -                     |
| Payments for term deposits  |       | -                     | (20,000)              |
| <b>Net cash inflows/(outflows) from financing activities</b>      |       | <b>24,374,970</b>     | <b>6,952,240</b>      |
| <b>Net increase/(decrease) in cash and cash equivalents</b>       |       | <b>1,305,816</b>      | <b>2,015,449</b>      |
| Cash and cash equivalents at the beginning of the financial year  |       | 2,950,369             | 934,920               |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b> | 16(a) | <b>4,256,185</b>      | <b>2,950,369</b>      |

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 2018 to 30 June 2019 was authorised for issue in accordance with a circular resolution of the directors on 27 September 2019.

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*, Australian Accounting Standards and Interpretations and issued by the Australian Accounting Standards Board and complies with other requirements of the law. 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 \$8,680,121 and a net operating cash outflow of \$6,412,522 for the year ended 30 June 2019.

As at 30 June 2019 the Company had a cash balance of \$4,256,185.

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

- As the Company moves to successfully converting the Jaurdi Gold Project into a producing mine site during the 2019/2020 year and based on internal management and expert reports, the Company reasonably believes that future cash inflows will be generated from the Jaurdi Gold Project.
- Subsequent to the year end on 26 July 2019 the Company had 116,241,609 Listed Options exercised, raising \$2.9m.
- On 8 August 2019, 36,214,276 Listed Options were exercised, raising \$0.9m.

- In August 2019, the Company raised \$8.0m, before costs, through a placement to sophisticated and institutional investors.
- On 20 September 2019, the Company announced that it has received first revenue from production at the Jaurdi Gold Project.

The funds generated during the year from the successful exploitation of the Jaurdi Gold Project will be used to meet the ongoing working capital requirements of the Company.

The Board is confident that the Group will have sufficient funds to finance its operations for the foreseeable future.

**(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 24.

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 Development Expenditure in note 2(o), share based payments 2(u) and useful life of assets 2(m).

**(f) Revenue**

Revenue from sale of gold is recognised when the gold is delivered and control has passed to the customer.

Under AASB 15 recognition of revenue is to depict the transfer of promised goods or services to members in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as was the case under AASB 118 Revenue. On adoption of AASB15, the Company adopted and implemented the abovementioned accounting policy.

*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.

*Fuel tax rebate*

Fuel tax rebate is measured at the fair value of the consideration received or receivable. Fuel tax rebate is recognised as other income when the claim for the rebate is received from the Australian Taxation office

**(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) 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.

**(i) Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount less an expected credit loss provision. An estimate for the expected credit loss is made based on the historical risk of default and expected loss rates at the inception of the transaction. Inputs are selected for the impairment expected credit loss calculation based on the Company's past history, existing market conditions as well as forward looking estimates.

**(j) 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.

**(k) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised. Borrowing costs are expensed as part of the finance costs in the period incurred. Borrowing costs consists of options issued in relation to the debentures.

**(l) 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.

#### **(m) 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.



**(n) 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.

**(o) 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 demonstratable. 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 unit-of-production basis.

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

Development expenditure is reviewed at each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the development expenditure is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

**(p) 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.

**(q) 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.

**(r) Debenture notes**

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

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

Debenture notes are classified as non-current liabilities.

The key terms of the debenture notes are included in note 11(c).

**(s) 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.

**(t) Basic and diluted earnings per share**

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential of ordinary fully paid ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential of ordinary fully paid shares.

**(u) Share based payments**

Equity-settled share-based payments can be provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Black Scholes option pricing model.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share-based payments reserve.

Equity-settled share-based payments may also be provided as consideration for the acquisition of assets. Where ordinary shares are issued, the transaction is recorded at fair value based on the quoted price of the ordinary shares at the date of issue. The acquisition is then recorded as an asset or expensed in accordance with accounting standards.

**(v) 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 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 defined superannuation contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to the employees' defined superannuation contribution entitlements is limited to its obligation for an unpaid superannuation guarantee contribution 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.

**(w) Adoption of new and revised standards**

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. New and revised standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Company include:

- AASB 9 *Financial Instruments*, and relevant amending standards
- AASB 15 *Revenue from Contracts with Customers*

The adoption of the aforementioned standards have resulted in an immaterial impact on the financial statements of the Company as at 30 June 2019. A discussion on the impact of the adoption of AASB 9 is included below.

#### Impact of Changes – AASB 9 Financial Instruments

The Company has adopted AASB 9 from 1 July 2018 which have resulted in changes to accounting policies and the analysis for possible adjustments to amounts recognised in the Financial Statements. The Company has not recognised a loss allowance on trade and other receivables following assessment of the impact of the new impairment model introduced by AASB 9.

#### Classification and Measurement

On 1 July 2018, the Company has assessed which business models apply to the financial instruments held by the Company and have classified them into the appropriate AASB 9 categories. The main effects resulting from this reclassification are shown in the table below.

On adoption of AASB 9, the Company classified financial assets and liabilities as measured at either amortised cost or fair value, depending on the business model for those assets and on the asset's contractual cash flow characteristics. There were no changes in the measurement of the Company's financial instruments.

There was no impact on the statement of comprehensive income or the statement of changes in equity on adoption of AASB 9 in relation to classification and measurement of financial assets and liabilities.

The following table summarises the impact on the classification and measurement of the Company's financial instruments at 1 July 2018:

| Presented in statement of financial position | AASB 139            | AASB 9         | Reported \$ | Restated \$ |
|--|---------------------|----------------|-------------|-------------|
| Cash and cash equivalents                    | Loans & receivables | Amortised Cost | No change   | No change   |
| Trade and other receivables                  | Loans & receivables | Amortised Cost | No change   | No change   |
| Trade and other payables                     | Amortised Cost      | Amortised Cost | No change   | No change   |

#### Impairment

AASB 9 introduces a new expected credit loss ("ECL") impairment model that requires the Company to adopt an ECL position across the Company's financial assets from 1 July 2018. The Company's receivables balance consists of GST refunds from the Australian Tax Office and interest receivables from recognised Australian banking institutions. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, an impairment loss would be considered immaterial.

The loss allowances for financial assets are based on the assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Given the Company's receivables are from the Australian Tax Office and recognised Australian banking institutions, the Company has assessed that the risk of default is minimal and as such, no impairment loss has been recognised against these receivables as at 30 June 2019.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2019.

(x) **Comparative information**

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

**3 OTHER INCOME**

|                  | <b>30 JUNE 2019</b> | <b>30 JUNE 2018</b> |
|------------------|---------------------|---------------------|
|                  | \$                  | \$                  |
| Fuel tax rebates | 258,206             | 3,892               |
| Other income     | 49,802              | -                   |
|                  | <u>308,008</u>      | <u>3,892</u>        |

**4 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**

|  | <b>30 JUNE 2019</b> | <b>30 JUNE 2018</b> |
|--|---------------------|---------------------|
|  | \$                  | \$                  |
| Profit/(loss) before income tax                    | <u>(8,680,121)</u>  | <u>(4,161,027)</u>  |
| Income tax calculated at 27.50%                    | (2,387,033)         | (1,144,282)         |
| Tax effect of;                                     |                     |                     |
| - Expenses not allowed                             | -                   | (158)               |
| - Temporary differences                            | 526,174             | 315,996             |
| - Section 40-880 deduction                         | (59,888)            | 34,585              |
| Carry forward tax losses                           | 1,920,747           | 793,859             |
| Deferred tax asset not brought to account          | -                   | -                   |
| <b>Income tax attributable to operating losses</b> | <u>-</u>            | <u>-</u>            |

(b) **Deferred tax assets**

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

|   | <b>30 JUNE 2019</b> | <b>30 JUNE 2018</b> |
|---|---------------------|---------------------|
|   | \$                  | \$                  |
| Australian accumulated tax losses   | 6,627,162           | 4,180,979           |
| Provisions net of prepayments   | (407,192)           | (348,896)           |
| Deferred exploration expenditure  | -                   | -                   |
| Section 40-880 deduction  | 215,658             | 161,162             |
| <b>Unrecognised deferred tax assets relating to the above temporary differences</b> | <u>6,435,628</u>    | <u>3,993,245</u>    |

The benefits will only be obtained if;

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

**5 AUDITOR'S REMUNERATION**

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

|   | 30 JUNE 2019  | 30 JUNE 2018  |
|---|---------------|---------------|
|   | \$            | \$            |
| Auditing and review of the Company's financial statements | 19,750        | 19,940        |
|   | <u>19,750</u> | <u>19,940</u> |

**6 RECEIVABLES AND OTHER ASSETS**
**Trade and Other Receivables**

|                  | 30 JUNE 2019   | 30 JUNE 2018  |
|------------------|----------------|---------------|
|                  | \$             | \$            |
| <b>Current</b>   |                |               |
| Accrued interest | 6,828          | 5,004         |
| GST refund       | 254,616        | 71,245        |
|                  | <u>261,444</u> | <u>76,249</u> |

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

**7 OTHER ASSETS**

|                      | 30 JUNE 2019     | 30 JUNE 2018     |
|----------------------|------------------|------------------|
|                      | \$               | \$               |
| Short term deposits  | 40,000           | 40,000           |
| Prepayments (i)      | 1,531,910        | 1,321,079        |
| Other current assets | 138              | 748              |
| Borrowing costs      | 2,066,970        | -                |
|                      | <u>3,639,018</u> | <u>1,361,827</u> |

(i) Includes \$1,100,000 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.

**8 PLANT AND EQUIPMENT**

|  | 30 JUNE 2019     | 30 JUNE 2018     |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>Plant and Equipment</b>                         |                  |                  |
| At cost  | 3,120,210        | 1,665,187        |
| Less: accumulated depreciation                     | (564,979)        | (107,713)        |
| <b>Total motor vehicle and plant and equipment</b> | <u>2,555,231</u> | <u>1,557,474</u> |

|                                | 30 JUNE 2019  | 30 JUNE 2018  |
|--------------------------------|---------------|---------------|
|                                | \$            | \$            |
| <b>Motor Vehicles</b>          |               |               |
| At cost                        | 164,531       | 100,713       |
| Less: accumulated depreciation | (87,800)      | (78,460)      |
| <b>Total motor vehicles</b>    | <u>76,731</u> | <u>22,253</u> |

|   | 30 JUNE 2019            | 30 JUNE 2018            |
|---|-------------------------|-------------------------|
|   | \$                      | \$                      |
| <b>Plant and equipment</b>                      |                         |                         |
| Carrying amount at the beginning of the year    | 1,557,474               | 48,818                  |
| Additions                                       | 1,456,071               | 1,552,761               |
| Disposals                                       | (1,056)                 | -                       |
| Depreciation expense                            | (457,258)               | (44,105)                |
| <b>Total carrying amount at end of the year</b> | <b><u>2,555,231</u></b> | <b><u>1,557,474</u></b> |

|   | 30 JUNE 2019         | 30 JUNE 2018         |
|---|----------------------|----------------------|
|   | \$                   | \$                   |
| <b>Motor Vehicles</b>                           |                      |                      |
| Carrying amount at the beginning of the year    | 22,253               | 30,542               |
| Additions                                       | 63,818               | -                    |
| Disposals                                       | -                    | -                    |
| Depreciation expense                            | (9,340)              | (8,289)              |
| <b>Total carrying amount at end of the year</b> | <b><u>76,731</u></b> | <b><u>22,253</u></b> |

|   |                         |                         |
|---|-------------------------|-------------------------|
| <b>Total motor vehicles and plant and equipment</b> | <b><u>2,631,962</u></b> | <b><u>1,579,727</u></b> |
|---|-------------------------|-------------------------|

## 9 DEVELOPMENT EXPENDITURE

|                                      | 30 JUNE 2019             | 30 JUNE 2018    |
|--------------------------------------|--------------------------|-----------------|
|                                      | \$                       | \$              |
| <b>Jaurdi Gold Project</b>           |                          |                 |
| Balance at the beginning of the year | -                        | -               |
| Development expenses                 | 16,424,945               | -               |
| <b>Balance at reporting date</b>     | <b><u>16,424,945</u></b> | <b><u>-</u></b> |

## 10 TRADE AND OTHER PAYABLES

|                          | 30 JUNE 2019            | 30 JUNE 2018          |
|--------------------------|-------------------------|-----------------------|
|                          | \$                      | \$                    |
| Trade and other payables | 3,181,458               | 582,234               |
|                          | <b><u>3,181,458</u></b> | <b><u>582,234</u></b> |

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.

## 11 DEBENTURE ISSUE

| (a) Total non-current secured liabilities | 30 JUNE 2019             | 30 JUNE 2018    |
|---|--------------------------|-----------------|
|   | \$                       | \$              |
| Debentures                                | 18,000,000               | -               |
|   | <b><u>18,000,000</u></b> | <b><u>-</u></b> |

| (b) Maturity Dates | Interest Rate | 30 JUNE 2019             | 30 JUNE 2018    |
|--------------------|---------------|--------------------------|-----------------|
|                    | %             | \$                       | \$              |
| 9 October 2021     | 12%           | 9,650,000                | -               |
| 11 October 2021    | 12%           | 8,350,000                | -               |
|                    |               | <b><u>18,000,000</u></b> | <b><u>-</u></b> |

**(c) Terms and conditions of debentures**

On 9 October 2018 the Company announced that it had completed the issue of \$18.0 million debentures to sophisticated and professional investors.

The key terms of the Debentures are as follows:

- (a) the Debenture Issue was subject to the Company receiving outstanding works and licence application approvals from the DWER, the Company received approvals on 11 September 2018;
- (b) the face value of each Debenture is \$1.00 and each Debenture Holder was required to subscribe for a minimum of 100,000 Debentures which would have a total face value of \$100,000 (Minimum Subscription);
- (c) for every one Debenture that was issued to a Debenture Holder, the Company issued 20 Listed Options;
- (d) the Debentures are not listed on the ASX;
- (e) the term of the Debentures is 36 months from the date of issue (Term), and the Company holds the right to exercise an early repayment option which may be exercised no less than 24 months from the date of issue (Early Repayment);
- (f) the interest rate payable on the Debentures is 12% per annum. Interest will be payable on the paid-up face value of the Debentures and calculated on a daily basis. Interest will be payable to the Debenture Holders 9 months after the date they are issued with Debentures and thereafter every 3 months until the end of the Term, or upon Early Repayment (together the Record Dates);
- (g) Interest will be paid no later than 30 days after the relevant Record Date;
- (h) the Debentures are secured by the Company granting:
  - (i) a Mortgage over Mining Leases 16/0529, 16/0034, 16/0115 and L16/120; and
  - (ii) the Security interest pursuant to the Combined Security Deed, in favour of a security trustee acting on behalf of all the Debenture Holders (Security Trustee);
- (i) the Debentures do not entitle a Debenture Holder to any voting rights in the Company;
- (j) the Company must repay the subscription price in full in relation to any Debenture Issue, including accrued but unpaid interest, on the earlier of the following:
  - (i) the end of the Term;
  - (ii) Early Repayment; or
  - (iii) within 30 days on the occurrence of an event of default that has not been remedied;
- (k) events of default (Event of Default) include (but are not limited to) the following:
  - (i) an external administrator being appointed over any of the assets of the Company and not being removed;
  - (ii) the Company being in liquidation or under administration;
  - (iii) a material change being made to the Constitution of the Company;
  - (iv) a failure to pay interest owed to a Debenture Holder occurring within 20 days of its due date; and
  - (v) other events of default typical of this type of transaction occurring;
- (l) the Company has 30 days to remedy any Event of Default which occurs pursuant to the Debenture issue.

**12 ISSUED CAPITAL**

**Issued and paid up capital**

|  | <b>30 JUNE 2019</b> | <b>30 JUNE 2018</b> |
|--|---------------------|---------------------|
|  | <b>\$</b>           | <b>\$</b>           |
| At the beginning of reporting year                                   | 31,128,999          | 23,776,759          |
| Shares issued during the year (i), (ii)                              | 7,119,468           | 7,857,331           |
| Shares issued pursuant to exercise of options                        | 320,825             | -                   |
| Transaction costs  | (498,414)           | (505,091)           |
| <b>At reporting date 2,512,786,543 (30 June 2018: 2,013,961,284)</b> | <b>38,070,878</b>   | <b>31,128,999</b>   |
| <b>fully paid ordinary shares</b>                                    | <b>38,070,878</b>   | <b>31,128,999</b>   |

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|                                    | 30 JUNE 2019                | 30 JUNE 2018                |
|------------------------------------|-----------------------------|-----------------------------|
|                                    | Number                      | Number                      |
| <b>Movement in Ordinary Shares</b> |                             |                             |
| At the beginning of reporting year | 2,013,961,284               | 1,495,470,963               |
| Shares issued during the year      | 498,825,259                 | 518,490,321                 |
| <b>At reporting date</b>           | <b><u>2,512,786,543</u></b> | <b><u>2,013,961,284</u></b> |

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.

- (i) The following shares were issued during the year ended 30 June 2018
- 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, 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.
- (ii) The following shares were issued during the year ended 30 June 2019
- On 29 May 2019, the Company completed a Non-Renounceable Entitlement issue made pursuant to the Prospectus dated 9 April 2019. The Entitlement Issue offered 418,792,257 New Shares and 209,396,128 Free Attaching Options, to raise \$7,119,468 before costs, on the basis of:
    - One (1) New Share for every five (5) Shares held by Shareholders on the Record Date at an issue price of \$0.017 per New Share; and
    - One (1) Free Attaching Option for every two (2) New Shares issued.
  - Upon exercise of options 80,033,002 shares were issued, refer to note 13.

#### 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 fair value of options.

|                                    | <b>30 JUNE 2019</b>     | <b>30 JUNE 2018</b>   |
|------------------------------------|-------------------------|-----------------------|
|                                    | \$                      | \$                    |
| At the beginning of reporting year | 348,325                 | 273,660               |
| Expiry of options                  | (74,665)                | -                     |
| Exercise of options                | (273,660)               | -                     |
| Transaction costs                  | -                       | -                     |
| Issued during the year note (ii)   | 2,337,227               | 74,665                |
| <b>At reporting date</b>           | <b><u>2,337,227</u></b> | <b><u>348,325</u></b> |

|  | <b>2019</b>                 | <b>2018</b>               |
|--|-----------------------------|---------------------------|
|  | Number                      | Number                    |
| <b>Movement in \$0.025 17 August 2022 Listed Options (i)</b> |                             |                           |
| At the beginning of the reporting period                     | 498,490,321                 | -                         |
| Exercised during the year                                    | (33,002)                    | -                         |
| Issued during the year (ii)                                  | 569,396,210                 | 498,490,321               |
| <b>At reporting date</b>                                     | <b><u>1,067,853,529</u></b> | <b><u>498,490,321</u></b> |

- (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 9 April 2019 and issued with the \$18.0m debenture issue in October 2018.

|   | <b>Number</b>            | <b>Number</b>   |
|---|--------------------------|-----------------|
| <b>Movement in \$0.025 1 August 2021 Unlisted Options (i)</b> |                          |                 |
| At the beginning of the reporting period                      | -                        | -               |
| Exercised during the year                                     | -                        | -               |
| Issued during the year  | 20,000,000               | -               |
| <b>At reporting date</b>                                      | <b><u>20,000,000</u></b> | <b><u>-</u></b> |

- (i) Each option entitles the holder to subscribe to one share at an issue price of \$0.025 on or before 1 August 2021.

|   | <b>2019</b>     | <b>2018</b>              |
|---|-----------------|--------------------------|
|   | Number          | Number                   |
| <b>Movement in \$0.004 31 January 2022 Unlisted Options (i)</b> |                 |                          |
| At the beginning of the reporting period                        | 80,000,000      | 80,000,000               |
| Exercised during the year                                       | (80,000,000)    | -                        |
| Issued during the year  | -               | -                        |
| <b>At reporting date</b>  | <b><u>-</u></b> | <b><u>80,000,000</u></b> |

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

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

- (i) Each option entitles the holder to subscribe to one share at an issue price of \$0.025 on or before 5 May 2019. During the year the options expired, unexercised.

**14 ACCUMULATED LOSSES**

|   | <b>30 JUNE 2019</b>        | <b>30 JUNE 2018</b>        |
|---|----------------------------|----------------------------|
|   | \$                         | \$                         |
| Accumulated losses at the beginning of the year | (26,095,312)               | (21,934,285)               |
| Gain/(Loss) for the year                        | (8,680,121)                | (4,161,027)                |
| Options exercised during the year               | 273,660                    | -                          |
| Options expired during the year                 | 74,665                     | -                          |
| Dividend paid                                   | -                          | -                          |
|   | <u><b>(34,427,108)</b></u> | <u><b>(26,095,312)</b></u> |

**15 LOSS PER SHARE**

**(a) Basic and Diluted Loss Per Share**

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

|  | <b>30 JUNE 2019</b>       | <b>30 JUNE 2018</b>       |
|--|---------------------------|---------------------------|
|  | \$                        | \$                        |
| Loss used in calculation of total basic earnings per share | (8,680,121)               | (4,161,027)               |
| <b>Loss used in the calculation of earnings per share</b>  | <u><b>(8,680,121)</b></u> | <u><b>(4,161,027)</b></u> |

|  | <b>Number</b>         | <b>Number</b>         |
|--|-----------------------|-----------------------|
| Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share | 2,110,466,511         | 1,945,831,004         |
| Basic loss per share after income tax attributable to members of the Company   | 0.00411               | 0.00214               |
| <b>Basic and diluted loss per share</b>  | <u><b>0.00411</b></u> | <u><b>0.00214</b></u> |

At reporting date 1,087,853,529 options (2018: 583,490,321) were considered anti-dilutive as they would decrease the loss per share.

**16 NOTES TO THE STATEMENT OF CASH FLOWS**

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

|                        | <b>30 JUNE 2019</b>     | <b>30 JUNE 2018</b>     |
|------------------------|-------------------------|-------------------------|
|                        | \$                      | \$                      |
| Current - Cash at bank | 4,256,185               | 2,590,369               |
|                        | <u><b>4,256,185</b></u> | <u><b>2,590,369</b></u> |

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

|  | 30 JUNE 2019       | 30 JUNE 2018       |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| Profit/(Loss) after income tax                     | (8,680,121)        | (4,161,660)        |
| Non cashflows from profit/(loss)                   |                    |                    |
| Depreciation of plant and equipment                | 466,598            | 52,394             |
| Options expense                                    | 2,337,227          | 454,665            |
| (Increase) /decrease in assets                     |                    |                    |
| - Trade and other receivables                      | (144,329)          | (46,275)           |
| - Other assets                                     | (2,201,889)        | (3,500)            |
| Increase / (decrease) in liabilities               |                    |                    |
| - Trade and other payables                         | 1,762,819          | 354,919            |
| - Provisions                                       | 47,173             | 3,926              |
| <b>Net cash outflows from operating activities</b> | <b>(6,412,522)</b> | <b>(3,345,531)</b> |

17 OPTIONS ISSUED

- (i) The Company agreed and approved at a General Meeting held on 4 October 2018 to issue 20 Listed Options for every 1 debenture issued to debenture holders. The options are exercisable at \$0.025 on or before 17 August 2022. The Company issued 360,000,000 Listed Options under the agreement. As the Options were listed, they were ascribed the following value

| Date of Issue | Number of Options | Price of Options (a) | Total Value (\$) | Expense for the Year (\$) |
|---------------|-------------------|----------------------|------------------|---------------------------|
| 09.10.18      | 193,000,000       | 0.006                | 1,158,000        | 1,158,000                 |
| 11.09.18      | 167,000,000       | 0.006                | 1,002,000        | 1,002,000                 |

(a) The value of the options was determined at the date it was agreed to issue the options. The value of the options was capitalised at borrowing costs, refer to other assets (note 7).

(b) The options vested upon issue.

- (ii) On 26 September 2018 the Company issued 20,000,000 Unlisted Options exercisable at \$0.025 on or before 1 August 2021 to an employee of the Company. The options vested upon issue.

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 | 20,000,000        | 01.08.18       | \$0.020                | \$0.025        | 01.08.21    | 2.12%                   | 74.94%                | \$0.0089                    |

- (iii) 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. On 5 May 2019 the options expired, unexercised.

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                     |

- (iv) 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. On 26 September 2018 80,000,000 unlisted options were exercised.

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                    |

## 18 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 2019   | 30 JUNE 2018   |
|--|----------------|----------------|
|  | \$             | \$             |
| <b>Short term employment benefits</b>              |                |                |
| Salary, fees and leave                             | 378,936        | 289,870        |
| <b>Post employment benefits</b>                    |                |                |
| Superannuation                                     | 28,500         | 21,244         |
| <b>Total key management personnel compensation</b> | <b>407,436</b> | <b>311,114</b> |

### (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 \$1,422,486 (2018: \$52,827). At 30 June 2019 \$73,590 (2018: \$31,377) 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 \$171,298 (2018: \$6,034). At 30 June 2019 \$1,547 (2018: \$0) was payable to Mangelsdorf Engineering.

Kinetiq Solutions Pty Ltd, a Company which Geoffrey Greenhill's son has an interest in, provided electrical services to the Company on ordinary commercial terms. Amounts that have been paid or payable total \$2,894,476 (2018: \$7,875). At 30 June 2019 \$115,896 (2018: \$0) was payable to Kinetiq Solutions.

In October 2019 Directors' Graham McGarry and Geoffrey Greenhill participated in the Company's \$18.0m debenture issue. In addition, related parties to Graham McGarry also participated in the debenture issue. Shareholder approval was sought and received on 4 October 2018.

Under the debenture issue Graham McGarry and Geoffrey Greenhill, through their nominated entities, were issued \$2,450,000 and \$950,000 debentures, respectively. Related parties to Graham McGarry were issued \$1,100,000 in debentures. The debenture holders were paid a 3% fee on the debentures issued.

During the year no interest was paid on the debentures.

In May 2019 Graham McGarry and Geoffrey Greenhill each entered into agreements with the Company, whereby the Directors' would underwrite 62,760,705 and 27,893,647 of the shares issued under their Entitlement Issue Prospectus dated 9 April 2019, respectively.

Graham McGarry and Geoffrey Greenhill also each entered into agreements with the Company, whereby the Directors' would commit to taking up their full entitlement under the April 2019 Entitlement Issue.

Under these agreements the Directors' were entitled to an underwriting fee of 4%, of the firm commitment and underwritten amount. Graham McGarry and Geoffrey Greenhill received a fee of \$73,667 and \$34,378, respectively under their agreements.

## 19 COMMITMENTS AND CONTINGENCIES

### (a) Commitments

#### Mineral exploration commitments

In order to maintain the current rights of tenure to exploration tenements, the Consolidated Entity is committed to the following rent and minimum expenditure:

|   | 30 JUNE 2019   | 30 JUNE 2018   |
|---|----------------|----------------|
|   | \$             | \$             |
| Not later than one year                           | 30,926         | 29,647         |
| Later than one year but not later than five years | 4,534          | -              |
| Later than five years                             | -              | -              |
| Expenditure commitment                            | 189,940        | 179,940        |
|   | <u>225,400</u> | <u>209,587</u> |

Beacon Mining entered an agreement to purchase Mining Lease M16/529 from Fenton and Martin Mining Developments Pty Ltd ("Fenton and Martin"). Under the agreement Beacon will pay an initial royalty of \$90 per refined ounce of gold for the first 10,000 ounces produced from the tenement and \$80 per refined ounce of gold produced thereafter. A pre-paid royalty of \$1,100,000 has been paid to Fenton and Martin and will satisfy the royalty payments up to this amount.

Beacon Mining entered into an agreement to purchase two mining leases, ML 16/34 and ML 16/115 from Flinders Exploration Limited and JH Mining Limited ("Flinders & JH Mining"). Under the agreement Beacon will pay a royalty of 6% for the first 25,000 ounces, 2% for 25,001 to 50,000 ounces and 1.5% for ounces over 50,001 for ML 16/34. For ML 16/115 Beacon will pay \$1.00 for every dry tonne ore mined to \$1,000,000.

Beacon Mining has entered into an agreement to purchase exploration licence E16/469 from Mr Steven Argus and Zephyr Mining Pty Ltd ("Argus & Zephyr"). Under the agreement Beacon will pay a royalty of 4% of recovered gold. A prepaid royalty of \$400,000 has been paid to Argus & Zephyr and will satisfy the royalty payments up to this amount.

Subsequent to the year-end Beacon Mining has entered into an agreement with Australian Live-Stock Suppliers Pty Ltd ("Australian Live-Stock") to purchase prospecting licences P16/2925 and P16/2926. Under the agreement Beacon will pay a royalty of \$80 per ounce produced from these tenements.

## 20 EVENTS SUBSEQUENT TO REPORTING DATE

On 26 July 2019, 116,241,609 Listed Options were exercised.

On 8 August 2019, 36,214,276 Listed Options were exercised.

On 19 August 2019 the Company appointed Mr Alexander McCulloch to the Board of Directors.

On 23 August 2019, 190,476,191 Fully Paid Ordinary Shares were issued at \$0.042 per share to raise \$8,000,000. The shares were issued under a placement to sophisticated investors.

On 6 September 2019, 104,377 Listed Options were exercised.

On 10 September 2019 the Company announced that the maiden gold bar was produced from the Jaurdi Gold Project. The Company also announced that Plant optimisation continued.

On 20 September 2019 the Company advised that it had received revenue from production at the Jaurdi Gold Project.

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.

## 21 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 2019 a 1% movement in interest rates would increase/decrease the profit/(loss) for the year before taxation by \$7,373 (2018: \$5,470).

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.

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments (e.g. borrowing repayments). The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

**Maturity analysis**

|                                | Carrying Amount   | Contractual Cash Flows | <6 months        | 6-12 months      | 1-5 years         | >5 years |
|--------------------------------|-------------------|------------------------|------------------|------------------|-------------------|----------|
|                                | \$                | \$                     | \$               | \$               | \$                | \$       |
| <b>Year ended 30 June 2019</b> |                   |                        |                  |                  |                   |          |
| Trade and other payables       | 3,181,458         | 3,181,458              | 3,181,458        | -                | -                 | -        |
| Debentures                     | 18,000,000        | 24,479,010             | 2,175,866        | 1,087,036        | 21,216,108        | -        |
|                                | <b>21,181,458</b> | <b>27,660,468</b>      | <b>5,357,324</b> | <b>1,087,036</b> | <b>21,216,108</b> | -        |
| <b>Year ended 30 June 2018</b> |                   |                        |                  |                  |                   |          |
| Trade and other payables       | 582,234           | 582,234                | 582,234          | -                | -                 | -        |
|                                | <b>582,234</b>    | <b>582,234</b>         | <b>582,234</b>   | -                | -                 | -        |

**(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, as disclosed in the statement of financial position and notes to the financial report.

When there are gold sales 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, debentures, 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 as deposits with recognised banks. 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 2019 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 option positions if necessary, to manage the risk in a manner consistent with its risk management objectives.

**(h) Foreign Currency Risk**

The Group is not exposed to any foreign currency risk as at 30 June 2019.



**22 SUBSIDIARIES**

The Company has two 100% owned subsidiaries disclosed in note 24. At 30 June 2019 the balance due from the subsidiaries were:

| Australian Dollar (\$)         | 30 JUNE 2019      | 30 JUNE 2018     |
|--------------------------------|-------------------|------------------|
|                                | \$                | \$               |
| Beacon Mining Pty Ltd          | 28,249,614        | 7,647,436        |
| Beacon Mining Services Pty Ltd | 1,372,236         | 36,939           |
|                                | <u>29,621,850</u> | <u>7,684,375</u> |

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

Related party transactions between the Group and other related parties are disclosed in note 18(c).

**23 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 purposes are consistent with those applied in the preparation of these financial statements.

*Major Customers*

When there are gold sales, the Group sells to a single external customer who account for 100% of the external revenue.

**24 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<br>Beacon Minerals Limited | Country of<br>Incorporation | Percentage owned % |      |
|--|-----------------------------|--------------------|------|
|  |                             | 2019               | 2018 |
| Beacon Mining Pty Ltd                      | Australia                   | 100%               | 100% |
| Beacon Mining Services Pty Ltd             | Australia                   | 100%               | 100% |

**25 PARENT COMPANY DISCLOSURE****(a) Financial Position as at 30 June**

| Australian Dollar (\$)   | 30 JUNE 2019<br>\$  | 30 JUNE 2018<br>\$ |
|--------------------------|---------------------|--------------------|
| <b>Assets</b>            |                     |                    |
| Current assets           | 6,476,961           | 3,082,991          |
| Non-current assets       | 47,049              | 63,782             |
| <b>Total assets</b>      | <b>6,524,010</b>    | <b>3,146,773</b>   |
| <b>Liabilities</b>       |                     |                    |
| Current liabilities      | 3,146,106           | 571,587            |
| Non-current liabilities  | 18,000,000          | -                  |
| <b>Total liabilities</b> | <b>21,146,106</b>   | <b>571,587</b>     |
| <b>Net Assets</b>        | <b>(14,622,096)</b> | <b>2,575,186</b>   |
| <b>Equity</b>            |                     |                    |
| Issued Capital           | 38,070,878          | 31,128,999         |
| Reserves                 | 2,337,227           | 348,352            |
| Accumulated losses       | (25,786,009)        | (28,902,165)       |
| <b>Total equity</b>      | <b>14,622,096</b>   | <b>2,575,186</b>   |

**(b) Financial Performance for the year ended 30 June 2019**

| Australian Dollar (\$)                   | 30 JUNE<br>2019<br>\$ | 30 JUNE<br>2018<br>\$ |
|--|-----------------------|-----------------------|
| Profit (loss) for the year               | (26,401,816)          | (5,662,649)           |
| Other comprehensive income               | -                     | -                     |
| <b>Total comprehensive income (loss)</b> | <b>(26,401,816)</b>   | <b>(5,662,649)</b>    |

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

The parent entity has not provided guarantees to third parties as at 30 June 2019.

**26 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 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 lessee 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.

*Estimated impact of AASB 16 on the Group when the standard is applied*

Based on the Group's assessment to date, the adoption of AASB 16 is expected to have an immaterial impact on the financial statements of the Group due to the minimal number, if any, of non-cancellable leases currently entered into by the Group.

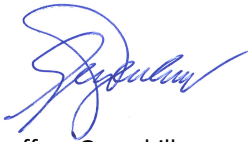
In the opinion of the Directors of Beacon Minerals Limited (“the Consolidated Entity”)

- (a) The consolidated financial statements and the notes of the Consolidated Entity 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 2019 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 Consolidated Entity 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 2019.

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 27 September 2019  
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 2019 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



Robin Judd  
Director

Dated this 27<sup>th</sup> day of September, 2019

**ACCOUNTANTS & ADVISORS**

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South Perth WA 6151

PO Box 748  
South Perth WA 6951

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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 statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 2019 and of its financial performance for the year ended on that date; 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.

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

#### Key Audit Matters

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. These matters were 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 these matters.

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## SHARE BASED PAYMENTS

| Area of focus<br>Refer also to notes 2(u), and 13  | How our audit addressed it  |
|--|---|
| <p>The Company issued unlisted options to an employee under an Employee Incentive Plan which included performance, contribution and service conditions.</p> <p>On 26 September 2018 the Company issued 20,000,000 unlisted options exercisable at \$0.025 on or before 1 August 2021.</p> <p>The above arrangement required significant judgments and estimations by management, including the following:</p> <ul style="list-style-type: none"> <li>— 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;</li> <li>— 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.</li> </ul> <p>The results of these share-based payment arrangements materially affect the disclosures.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— Identifying the appropriate grant date based on the terms and conditions of the share-based payment arrangement;</li> <li>— For the specific application of the Black Scholes model, we assessed the experience of the company secretary who advised the value of the arrangement.</li> <li>— Evaluating the fair value of the share-based payment arrangement by agreeing assumptions to third party evidence;</li> <li>— Examining the assumptions used in the model and recalculating the fair values. We determined that the forecast volatility applied in the model was reasonable and within industry norms; and,</li> <li>— For options issued we compared the financial statement disclosures against the underlying transaction and the Accounting Standard Requirement. We also reconciled the vesting of the share base payment arrangement to disclosures made in note 15.</li> </ul> |

## CARRYING VALUE OF DEVELOPMENT EXPENDITURE

| Area of focus<br>Refer also to notes 2(o) and 9  | How our audit addressed it  |
|--|---|
| <p>The Group have incurred development expenditure for the Jaurdi project. There is a risk that accounting criteria associated with the capitalisation of development expenditure may no longer be appropriate</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— Reviewing the directors' assessment of the criteria for the capitalisation of development expenditure of whether there are any indicators of impairment to capitalised costs;</li> </ul> |

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|   |   |
|---|---|
| <p>and that capitalised costs exceed the value in use.</p> <p>An impairment review is only required if an impairment trigger is identified. Due to the nature of the mining industry, indicators of impairment applying the value in use model include:</p> <ul style="list-style-type: none"> <li>— Significant decrease seen in global mineral prices</li> <li>— Changes to exploration plans</li> <li>— Loss of rights to tenements</li> <li>— Changes to reserve estimates</li> <li>— Costs of extraction and production</li> </ul> | <ul style="list-style-type: none"> <li>— Assessing the viability of the new tenements and whether there were any indicators of impairment to those development expenditure capitalised in the current period; and</li> <li>— We assessed the adequacy of the Group's disclosures in respect of the transactions.</li> </ul> |
|---|---|

### Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019 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 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.

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

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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](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

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

## **Report on the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included on pages 18 to 22 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Beacon Minerals Limited for the year ended 30 June 2019, 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 Audit (WA) Pty Ltd  
ABN: 67 125 012 124



Robin Judd  
Director

Dated this 27<sup>th</sup> day of September 2019

The following table sets out Beacon Minerals Limited ore reserves as at 30 June 2019.

| Project             | Commodity Type | Category of Ore Reserve | 30 June 2019   | 30 June 2018   | Geographical Location |
|---------------------|----------------|-------------------------|--|--|-----------------------|
| Jaurdi Gold Project | Gold           | Proved                  | 1,010,000t @ 1.8 g/t gold                                  | 870,000t @ 1.9 g/t gold                                    | Australia             |
| Jaurdi Gold Project | Gold           | Probable <sup>(1)</sup> | 2,440,000t @ 1.8 g/t gold and 143,100 oz of contained gold | 2,440,000t @ 1.8 g/t gold and 143,100 oz of contained gold | Australia             |

(1) Probable Ore Reserve is inclusive of the Proved Ore Reserve.

(2) Rounding errors may occur.

Minecomp Pty Ltd (Minecomp) has been commissioned by the Company to produce an end of financial year 2019 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.

Please see Appendix 1 for JORC table.

#### **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, a 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 of the Australasian Institute of Mining and Metallurgy. Mr McCrae has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Resources Committee, the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Mineral Council of Australia." The Mineral Resources and Ore Reserves Statement as a whole is approved by Mr McCrae in the form in which it appears.

**1. Distribution of holders at 27 September 2019**

As at 27 September 2019 the distribution of shareholders was as follows:

**Ordinary shares**

| Size of holding  | Number of holders |
|------------------|-------------------|
| 1 – 1,001        | 67                |
| 1,001 – 5,000    | 31                |
| 5,001 – 10,000   | 54                |
| 10,001 – 100,000 | 1,397             |
| 100,001 and over | 1,713             |
| <b>Total</b>     | <b>3,262</b>      |

**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 for 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 % |
|-------------------------|-------------|--------------------------|
| Graham McGarry          | 244,366,268 | 8.55%                    |
| Oceanic Capital Pty Ltd | 234,291,699 | 8.20%                    |
| Geoffrey Greenhill      | 188,382,040 | 6.59%                    |

**4. Top 20 Shareholders**

The names of the 20 largest shareholders as at 27 September 2019 who hold 46.41% of the fully paid ordinary shares of the Company were as follows;

|  | Number      |
|--|-------------|
| Oceanic Capital PL                           | 194,300,000 |
| Greenhill G W + G J <Greenhill S/F A/C>      | 173,448,706 |
| Lamerton PL <Mac's S/F A/C>                  | 127,990,068 |
| McCulloch Alexander John                     | 105,102,138 |
| McGarry Helen Gayle                          | 94,793,102  |
| Lamerton PL                                  | 87,774,468  |
| Peters Inv PL                                | 71,428,572  |
| Aigle Royal Super fund PL <A Poli S/F A/C>   | 58,000,000  |
| Amalgamated Dairies Ltd                      | 49,999,999  |
| Yarandi Inv PL <Griffith Fam No 2>           | 48,717,554  |
| Barry & Diane Stewart PL <Stewart Fam Super> | 48,612,829  |
| Greg Bond PL <Greg Bond Fam S/F>             | 48,612,829  |
| Stewart Bond PL <Super 2000 S/F A/C>         | 45,932,780  |
| Barstow Mining PL                            | 38,400,000  |
| Li Kan                                       | 26,081,416  |
| Ocean View WA PL                             | 26,000,000  |
| Payzone PL <St Barnabas Super>               | 23,841,699  |
| Citicorp Nom PL                              | 22,021,376  |
| Propasco Inv PL <Jotalk Fam A/C>             | 18,261,686  |

Siebuhr David Victor

17,400,000

**5. Top 20 Option holders**

The names of the 20 largest option holders as at 27 September 2019 who hold 54.46% of the listed options of the Company were as follows;

|  | <b>Number</b> |
|--|---------------|
| Oceanic Capital PL                         | 87,066,667    |
| Rubi Holdings PL <John Rubino S/F A/C>     | 66,541,945    |
| Lamerton PL <Mac's S/F A/C>                | 56,279,544    |
| Stewart Bond PL <Super 2000 S/F A/C>       | 27,104,948    |
| Greenhill G W + G J <Greenhill S/F A/C>    | 26,627,750    |
| Lamerton PL                                | 25,600,886    |
| FGI Hldgs PL <RNH Inv A/C>                 | 24,341,668    |
| Upsky Equity PL <Upsky Inv A/C>            | 24,000,000    |
| Ocean View WA PL                           | 20,550,000    |
| Greenhill Geoffrey + G <Greenhill S/F A/C> | 19,000,000    |
| McGarry Helen Gayle                        | 18,802,155    |
| St Barnabas Inv PL <Melvista Fam A/C>      | 15,283,333    |
| Yarandi Inv PL >Griffith Fam No 2>         | 14,059,797    |
| Amalgamated Dairies Ltd                    | 13,380,000    |
| Barstow Mining PL                          | 13,112,309    |
| McCulloch Alexander John                   | 10,051,069    |
| Bahen Mark John + M P <Super Account>      | 9,607,857     |
| Wittenoom Charles R D                      | 9,551,069     |
| Kingarth PL                                | 8,000,000     |
| MBM Corp PL                                | 8,000,000     |

Beacon Minerals Limited mineral interests at 27 September 2019:

| TENEMENT                   | PROJECT/LOCATION   | INTEREST %          |
|----------------------------|--------------------|---------------------|
| <b>Jaurdi Gold Project</b> |                    |                     |
| M16/0529                   | Jaurdi, Coolgardie | 100%                |
| E16/0469                   | Jaurdi, Coolgardie | 100% <sup>(1)</sup> |
| M16/0034                   | Jaurdi, Coolgardie | 100%                |
| M16/0115                   | Jaurdi, Coolgardie | 100%                |
| P16/2925                   | Jaurdi, Coolgardie | 100%                |
| P16/2926                   | Jaurdi, Coolgardie | 100%                |
| L16/0120                   | Jaurdi, Coolgardie | 100%                |
| L16/0122                   | Jaurdi, Coolgardie | 100%                |
| E15/1582                   | Jaurdi, Coolgardie | 100%                |
| E31/0139                   | Kookynie, Leonora  | 0% <sup>(3)</sup>   |

1. Beacon has executed an Option to Purchase Agreement with Mr Steven Argus and Zephyr Mining Pty Ltd, the holders of Licence E16/469.
2. Beacon has executed an Option to Purchase Agreement with Diana and Lindsay Stockdale the holders of the Kookynie Exploration Licence E31/0139.

## JORC Section 4 - Estimation and Reporting of Ore Reserves

| Criteria  | JORC Code explanation   | Commentary  |
|---|---|---|
| <b>Mineral Resource estimate for conversion to Ore Reserves</b> | Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.  | The Mineral Resource for the Lost Dog Prospect was estimated by BMGS in June 2017 (jaurdi_bmgs_1706.mdl). Where applicable the resource has been superseded by the July 2019 Grade Control block model (ldgc_master.mdl). |
|   | Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.  | Where applicable the resource model has been depleted by material mined to June 2019.<br><br>June 30 <sup>th</sup> 2019 ore stockpile surveys.<br><br>The Mineral Resource is inclusive of the Ore Reserves.              |
| <b>Site visits</b>  | Comment on any site visits undertaken by the Competent Person and the outcome of those visits.  | A site visit by the Competent Person was undertaken prior to the commencement of the pre-feasibility study.   |
|   | If no site visits have been undertaken indicate why this is the case.   | Additional site visits would not materially affect the determination of the Ore Reserve.  |
| <b>Study status</b>   | The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves.   | The study is considered to be to a pre-feasibility level of confidence (+/- +10/-5%).   |
|   | The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered. | The Ore Reserve is a combination of the August 2018 pre-feasibility study, updated resource modelling and mined ore stockpile surveys.<br><br>Ore reserves are classified as Proved and Probable.                         |
| <b>Cut-off parameters</b>                                       | The basis of the cut-off grade(s) or quality parameters applied.  | The cut-off grade is calculated as part of the mine optimisation analysis. For Ore Reserve calculations the cut-off grade was 0.6 g/t gold (diluted).   |
| <b>Mining factors or assumptions</b>                            | The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design).   | The Mineral Resource model was factored to generate diluted Ore Reserve during the calculation process. A detailed mine design has also been completed.   |
|   | The choice, nature and appropriateness of the selected mining method(s) and other mining  | Mining method is conventional open-pit with drill and blast, excavate, load and haul. The ore zone geometry coupled with the low stripping  |

|   |  |  |
|---|--|--|
|   | parameters including associated design issues such as pre-strip, access, etc.  | ratio (<1.9 (waste) to 1 (ore) and maximum pit depth (<32.5m) indicate that Lost Dog is most suited to mining by conventional open pit mining methods.   |
|   | The assumptions made regarding geotechnical parameters (eg pit slopes, stope sizes, etc), grade control and pre-production drilling. | An external geotechnical report provided pit slopes and recommended inputs for optimisation.<br><br>Grade Control, where applicable has been RC drilled from surface on a 12.5x12.5m staggered grid.   |
|   | The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate).                          | The Mineral resource model used for the pit optimisation was estimated by BMGS in June 2017. This Ore Reserve has been determined using a combination of this model and the July 2019 Grade Control block model, with the Grade Control model taking precedence in areas of overlap. |
|   | The mining dilution factors used.  | Additional mining dilution of 2% was applied.  |
|   | The mining recovery factors used.  | Mining recovery of 98% was applied.  |
|   | Any minimum mining widths used.  | No minimum widths were utilised with resource lode interpretation being in excess of 120m exclusive of mining dilution.  |
|   | The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion. | Inferred Resources were not used or included in the mining study nor any subsequent Ore Reserve calculations.  |
|   | The infrastructure requirements of the selected mining methods.  | Infrastructure required includes mine process bore field, mineral processing plant, tails storage facility, workshop, offices, fuel tank, generator, magazine and process water dam.<br><br>The Project has no further infrastructure requirements.                                  |
| <b>Metallurgical factors or assumptions</b> | The metallurgical process proposed and the appropriateness of that process to the style of mineralisation.                           | On-site processing will be using conventional CIP methods and is a tried and tested means of gold extraction from material of this nature.   |
|   | Whether the metallurgical process is well-tested technology or novel in nature.  | Well-tested existing metallurgical technology.   |
|   | The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied   | Previous tenement holder mined and custom milled 4,625t of ore which has a gold recovery determined by the custom milling facility to be 91.8%. This milled parcel was representative of   |

|                       |  |   |
|-----------------------|--|---|
|                       | and the corresponding metallurgical recovery factors applied.  | <p>the ore zones.</p> <p>ALS Metallurgical testwork performed on a representative composite sample achieved 84% gold recovery.</p> <p>Bureau Veritas bottle roll testwork on various ore types has resulted in gold recoveries of between 82-96%.</p> <p>Based upon these results a gold recovery of 85% has been utilised for the pre-feasibility study.</p> |
|                       | Any assumptions or allowances made for deleterious elements.   | No deleterious elements are present.  |
|                       | The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole.  | Bulk sample processing (i.e. the 4,300t parcel previously mined) has been carried out.  |
|                       | For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications?  | There are no minerals defined by a specification.   |
| <b>Environmental</b>  | The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported. | <p>All environmental permitting has been submitted to the Western Australian DMIRS and DWER. All approvals have subsequently been received.</p> <p>Waste rock is typically non-acid forming.</p> <p>Waste material will be stored in conventional above surface waste dumps.</p> <p>Tailings will be stored on site in excavated open pit workings.</p>       |
| <b>Infrastructure</b> | The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed.  | <p>Site access is via a public road (Jaurdi Hills Road) which passes along the western edge of the main tenement boundary.</p> <p>The tenements comprising the project area are granted mining leases with a combined area of approximately 1,000 hectares.</p> <p>Accommodation will be a mixture of residential and on-site</p>                             |
| <b>Costs</b>          | The derivation of, or assumptions made, regarding projected capital costs in the study.  | Capital costs are based upon BCN in-house knowledge and experience in the establishment of similar mining operations. These costs estimates are considered to be within (+10%/-5%).   |



|                          |   |  |
|--------------------------|---|--|
|                          | The methodology used to estimate operating costs.   | Operating costs are based upon contemporary in-house knowledge and experience for similar mining operations. These costs estimates are considered to be within (+10%/-5%). |
|                          | Allowances made for the content of deleterious elements.  | No deleterious elements present.   |
|                          | The source of exchange rates used in the study.   | Cost models use Australian dollars.  |
|                          | Derivation of transportation charges.   | There are no transport costs.  |
|                          | The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.  | Treatment costs are based on known current milling costs.  |
|                          | The allowances made for royalties payable, both Government and private.   | State royalty of 2.5% and 3 <sup>rd</sup> Party Royalty of \$80/oz have been incorporated.   |
| <b>Revenue factors</b>   | The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc. | Using a gold price of Au\$1,650/oz.  |
|                          | The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.  | Perth Mint end of financial year metal gold price \$2,012.39   |
| <b>Market assessment</b> | The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future.   | Gold doré will be sold at the Perth Mint as it is produced.  |
|                          | A customer and competitor analysis along with the identification of likely market windows for the product.  | Market window unlikely to change.  |
|                          | Price and volume forecasts and the basis for these forecasts.   | Price is likely to go up, down or remain same.   |
|                          | For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract.   | Not industrial mineral.  |
| <b>Economic</b>          | The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and   | No NPV applied.  |

|                       |   |  |
|-----------------------|---|--|
|                       | confidence of these economic inputs including estimated inflation, discount rate, etc.  |  |
|                       | NPV ranges and sensitivity to variations in the significant assumptions and inputs.   | Sensitivity analyses have been completed.  |
| <b>Social</b>         | The status of agreements with key stakeholders and matters leading to social license to operate.  | No Native Title Claimants on DIA over the mining leases.   |
| <b>Other</b>          | To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves:   |  |
|                       | Any identified material naturally occurring risks.  | A risk review has been completed. No material risks are identified.  |
|                       | The status of material legal agreements and marketing arrangements.   | There are no material on-going legal and marketing agreements.   |
|                       | The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent. | <p>95.7% of Mining Reserves and 96.3% of gold ounces are contained within granted mining tenements.</p> <p>4.3% of Mining Reserves and 3.7% of gold ounces are contained within the 3rd Party owned Exploration License E16/469. An option to purchase agreement between BCN the 3rd Party owners of E16/469 has been exercised by BCN.</p> <p>A Project Management Plan and Mining Proposal have been approved by the Western Australian DMIRS.</p> <p>A miscellaneous license L16/120 application has been lodged and subsequently approved by the DMIRS. L16/120 is to be utilised as a tailing/water pipeline corridor to Black Cat.</p> <p>A miscellaneous license L16/122 application has been lodged with the DMIRS. This has been applied to facilitate pipeline access between a portion of the bore field and the proposed ore processing plant.</p> |
| <b>Classification</b> | The basis for the classification of the Ore Reserves into varying confidence categories.  | Reserves are classified according to Resource classification.  |
|                       | Whether the result appropriately reflects the Competent Person's view of the deposit.   | They reflect the Competent Person's view.  |

|  |   |  |
|--|---|--|
|  | The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).  | Approximately 40%  |
| <b>Audits or reviews</b>                           | The results of any audits or reviews of Ore Reserve estimates.  | No audits carried out.   |
| <b>Discussion of relative accuracy/ confidence</b> | Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate. | Confidence is in line with gold industry standards and the companies aim to provide effective prediction for current and future mining projects.<br><br>No statistical quantification of confidence limits has been applied.   |
|  | The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.   | Estimates are global.  |
|  | Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage.  | Reserve confidence is reflected by the Proved and Probable category applied, which in turn reflects the confidence of the Mineral Resource.<br><br>The Reserve is most sensitive to; a) resource grade accuracy, b) gold price c) metallurgical recovery d) ore milling costs. |
|  | It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.  | Current production data were available has been used.  |

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