
BEACON MINERALS LIMITED

ACN 119 611 559

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10:00am

DATE: 4 October 2018

PLACE: The Boulevard Centre, 99 The Boulevard, Floreat WA

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Independent Expert has concluded that the transactions subject to Resolutions 1 to 4 of the General Meeting are fair and reasonable to non-associated Shareholders. All Shareholders should refer to the Independent Expert's Report enclosed with this Notice of General Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (WST) on 2 October 2018.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – APPROVAL OF ISSUE OF DEBENTURES, ISSUE OF OPTIONS, AND GRANT OF MORTGAGE AND SECURITY INTEREST TO RELATED PARTY – LAMERTON PTY LTD <MAC’S SUPER FUND>

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rules 10.1 and 10.11 and for all other purposes, approval is given for the Company to:

(a) issue up to 2,500,000 Debentures;

(b) grant a Mortgage and Security Interest as security for such Debentures; and

(c) issue up to 50,000,000 Options,

and the payment of a 3% fee on the Debentures to Lamerton Pty Ltd <Mac’s Super Fund> (or its nominee) on the terms and conditions set out in the Explanatory Statement”.

ASX Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Lamerton Pty Ltd <Mac’s Super Fund> (or its nominee) or any of their associates (**Resolution 1 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 1 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Expert’s Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval under ASX Listing Rule 10.1. The Independent Expert’s Report comments on the fairness and reasonableness of the transaction the subject of this Resolution to the non-associated Shareholders in the Company. The Independent Expert has determined that the transaction is fair and reasonable to the non-associated Shareholders in the Company.

2. RESOLUTION 2 – APPROVAL OF ISSUE OF DEBENTURES, ISSUE OF OPTIONS, AND GRANT OF MORTGAGE AND SECURITY INTEREST TO RELATED PARTY – GEOFFREY & GWENDA GREENHILL AS TRUSTEE FOR GREENHILL SUPER FUND

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rules 10.1 and 10.11 and for all other purposes, approval is given for the Company to:

(a) issue up to 1,000,000 Debentures;

(b) grant a Mortgage and Security Interest as security for such Debentures; and

(c) issue up to 20,000,000 Options,

and the payment of a 3% fee on the Debentures to Geoffrey & Gwenda Greenhill as trustee for Greenhill Super Fund (or their nominees) on the terms and conditions set out in the Explanatory Statement”.

ASX Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Geoffrey & Gwenda Greenhill as trustee for Greenhill Super Fund (or their nominees) or any of their associates (**Resolution 2 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 2 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of this Resolution to the non-associated Shareholders in the Company. The Independent Expert has determined that the transaction is fair and reasonable to the non-associated Shareholders in the Company.

3. RESOLUTION 3 – APPROVAL OF ISSUE OF DEBENTURES, ISSUE OF OPTIONS, AND GRANT OF MORTGAGE AND SECURITY INTEREST TO RELATED PARTY – HELEN GAYLE MCGARRY

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rules 10.1 and 10.11 and for all other purposes, approval is given for the Company to:

- (a) issue up to 100,000 Debentures;*
- (b) grant a Mortgage and Security Interest as security for such Debentures;
and*
- (c) issue up to 2,000,000 Options,*

and the payment of a 3% fee on the Debentures to Helen Gayle McGarry (or her nominee) on the terms and conditions set out in the Explanatory Statement”.

ASX Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Helen Gayle McGarry (or her nominee) or any of their associates (**Resolution 3 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 3 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of this Resolution to the non-associated Shareholders in the Company. The Independent Expert has determined that the transaction is fair and reasonable to the non-associated Shareholders in the Company

4. RESOLUTION 4 – APPROVAL OF ISSUE OF DEBENTURES, ISSUE OF OPTIONS, AND GRANT OF MORTGAGE AND SECURITY INTEREST TO RELATED PARTY – CAPERI PTY LTD <CAPERI TRUST>, MALVASIA PTY LTD <THE SPYDER SUPER FUND> AND CAPERI PTY LTD <SALINA CHILDRENS TRUST>

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rules 10.1 and 10.11 and for all other purposes, approval is given for the Company to:

- (a) issue up to 1,000,000 Debentures;*
- (b) grant a Mortgage and Security Interest as security for such Debentures; and*
- (c) issue up to 20,000,000 Options,*

and the payment of a 3% fee on the Debentures to Caperi Pty Ltd <Caperi Trust>, Malvasia Pty Ltd <The Spyder Super Fund> and Caperi Pty Ltd <Salina Childrens Trust> (or their nominees) on the terms and conditions set out in the Explanatory Statement”.

ASX Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Caperi Pty Ltd <Caperi Trust>, Malvasia Pty Ltd <The Spyder Super Fund> and Caperi Pty Ltd <Salina Childrens Trust> (or their nominees) or any of their associates (**Resolution 4 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 4 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of this Resolution to the non-associated Shareholders in the Company. The Independent Expert has determined that the transaction is fair and reasonable to the non-associated Shareholders in the Company

5. RESOLUTION 5 – PLACEMENT – OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 268,000,000 Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 29 August 2018

By order of the Board

Sarah Shipway
Non-Executive Director and Company Secretary

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9322 6600.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. RESOLUTIONS 1, 2, 3 AND 4 – BACKGROUND TO RELATED PARTY RESOLUTIONS

1.1 Background

The current focus of the Company is on the development of the Jaurdi Gold Project in Western Australia (**Project**). As announced on 28 June 2018, the Company has received approval from the Department of Mines, Industry Regulation and Safety (**DMIRS**) for its mining proposal and mine closure plan. The Company is awaiting receipt of works and licence application approvals from the Western Australian Department of Water and Environmental Regulation (**DWER**). The Company intends to begin production operations as soon as possible, subject to Project financing.

The Company has decided, subject to obtaining the necessary Shareholder approvals, to undertake an issue of debentures pursuant to which selected persons (**Debenture Holders**) will provide the Company with up to \$18 million in funding to assist with the Company's Project financing requirements (**Debenture Issue**). The Debenture Issue is to be secured against Mining Leases 16/0529, 16/0034, 16/0115 and L16/120 (being the mining leases upon which the Project is located) pursuant to a deed of mortgage (**Mortgage**), and security over the Company's plant and equipment used at Mining Leases 16/0529, 16/0034, 16/0115 and L16/120 (**Security Interest**) pursuant to a combined security deed (**Combined Security Deed**).

The Debenture Holders will include the following related parties of the Company, being:

- (a) Lamerton Pty Ltd <Mac's Super Fund> (or its nominee) which is a company controlled by Graham McGarry, a Director;
- (b) Geoffrey & Gwenda Greenhill as trustee for Greenhill Super Fund, Geoff Greenhill is a Director;
- (c) Helen Gayle McGarry, the spouse of a Director, Graham McGarry; and
- (d) Caperi Pty Ltd <Caperi Trust>, Malvasia Pty Ltd <The Spyder Super Fund> and Caperi Pty Ltd <Salina Childrens Trust> (or their nominees), which are companies controlled by Gayle Elizabeth McGarry, the daughter of a Director, Graham McGarry.

(together the **Related Debenture Holders**).

The Debenture Holders will collectively advance to the Company up to \$18,000,000 under the Debenture Issue and the Related Debenture Holders will advance up to \$4,600,000 of that amount.

1.2 Summary of Debenture Issue

The key terms of the proposed Debenture Issue are as follows:

- (a) the Company will issue debentures (**Debentures**) with a principal amount outstanding not exceeding \$18,000,000, however the issue of the Debentures is subject to the Company receiving subscriptions for a minimum of \$15,000,000;
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- (b) the Debenture Issue is also subject to the Company receiving outstanding works and licence application approvals from the DWER, which the Company expects to receive before the date of the Meeting;
 - (c) the face value of each Debenture will be \$1.00 and each Debenture Holder must subscribe for a minimum of 100,000 Debentures which will have a total face value of \$100,000 (**Minimum Subscription**);
 - (d) the Company may invite a Debenture Holder to purchase Debentures in excess of the Minimum Subscription in \$25,000 increments;
 - (e) for every one Debenture that is issued to a Debenture Holder, the Company will grant that Debenture Holder 20 listed Options on the terms and conditions set out in Schedule 1. The maximum number of Options to be issued under the Debenture Issue is 360,000,000;
 - (f) the Debentures will not be listed on the ASX;
 - (g) 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**);
 - (h) 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**);
 - (i) Interest will be paid no later than 30 days after the relevant Record Date;
 - (j) the Debentures will be 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**);
 - (k) the Debentures will not entitle a Debenture Holder to any voting rights in the Company;
 - (l) 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;
 - (m) events of default (**Event of Default**) include (but are not limited to) the following:
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- (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;
- (n) the Company has 30 days to remedy any Event of Default which occurs pursuant to the Debenture Issue; and
- (o) the Company will pay a fee of 3% on the Debentures.

All of the Debenture Holders will be sophisticated or professional investors and as such the Company will not be preparing a disclosure document or appointing a security trustee in accordance with Part 2L.1 of the Corporations Act in relation to the Debenture Issue. The Debentures will not be quoted on ASX.

1.3 Resolutions 1, 2, 3 and 4

For the purpose of clarity:

- (a) In order for Resolution 1 to pass, Shareholders must approve the Resolution as a whole, being:
 - (i) the issue of up to 2,500,000 Debentures; and
 - (ii) the grant of the Mortgage and the Security Interest as security for such Debentures; and
 - (iii) the issue of up to 50,000,000 Options,

to Lamerton Pty Ltd <Mac's Super Fund> (or its nominee) on the terms and conditions set out in the Explanatory Statement. The elements in Section 1.3(a)(i) – 1.3(a)(iii) cannot be approved independently due to the way in which the Debenture Issue is structured.
 - (b) In order for Resolution 2 to pass, Shareholders must approve the Resolution as a whole, being:
 - (ii) the issue of up to 1,000,000 Debentures; and
 - (iii) the grant of the Mortgage and the Security Interest as security for such Debentures; and
 - (iv) the issue of up to 20,000,000 Options,

to Geoffrey & Gwenda Greenhill as trustee for Greenhill Super Fund (or their nominees) on the terms and conditions set out in the Explanatory Statement. The elements in Section 1.3(b)(i) – 1.3(b)(iii) cannot be approved independently due to the way in which the Debenture Issue is structured.
 - (c) In order for Resolution 3 to pass, Shareholders must approve the Resolution as a whole, being:
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- (ii) the issue of up to 100,000 Debentures; and
- (iii) the grant of the Mortgage and the Security Interest as security for such Debentures; and
- (iv) the issue of up to 2,000,000 Options,

to Helen Gayle McGarry (or her nominee) on the terms and conditions set out in the Explanatory Statement. The elements in Section 1.3(c)(i) – 1.3(c)(iii) cannot be approved independently due to the way in which the Debenture Issue is structured.

- (d) In order for Resolution 4 to pass, Shareholders must approve the Resolution as a whole, being:

- (ii) the issue of up to 1,000,000 Debentures; and
- (iii) the grant of the Mortgage and the Security Interest as security for such Debentures; and
- (iv) the issue of up to 20,000,000 Options,

to Caperi Pty Ltd <Caperi Trust>, Malvasia Pty Ltd <The Spyder Super Fund> and Caperi Pty Ltd <Salina Childrens Trust> (or their nominees) on the terms and conditions set out in the Explanatory Statement. The elements in Section 1.3(d)(i) – 1.3(d)(iii) cannot be approved independently due to the way in which the Debenture Issue is structured.

2. **RESOLUTIONS 1, 2, 3 AND 4 - APPROVAL OF ISSUE OF DEBENTURES, ISSUE OF OPTIONS, AND GRANT OF MORTGAGE AND SECURITY INTEREST TO RELATED PARTIES – LAMERTON PTY LTD, GEOFFREY & GWENDA GREENHILL, HELEN GAYLE MCGARRY, CAPERI PTY LTD AND MALVASIA PTY LTD**

2.1 **General**

A summary of the Debenture Issue is set out at Section 1 above. As noted, the Debenture Issue will be secured by the Company granting a Mortgage and a Security Interest in favour of the Security Trustee; and each Debenture Holder will be issued with 20 listed Options for every 1 Debenture that they are issued. The maximum number of Options to be issued pursuant to the Debenture Issue is 360,000,000, with up to 92,000,000 of those Options to be issued to the Related Debenture Holders (**Related Party Options**).

As outlined above, the Related Debenture Holders will collectively advance to the Company up to \$4,600,000 under the Debenture Issue. Lamerton Pty Ltd <Mac's Super Fund> has agreed to apply for 2,500,000 Debentures, Geoffrey & Gwenda Greenhill as trustee for Greenhill Super Fund have agreed to apply for 1,000,000 Debentures, Helen Gayle McGarry has agreed to apply for 100,000 Debentures and Caperi Pty Ltd and Malvasia Pty Ltd have agreed to apply for a total of 1,000,000 Debentures (which, subject to Shareholder approval, will result in Lamerton Pty Ltd receiving 50,000,000 Options, , Geoffrey & Gwenda Greenhill as trustee for Greenhill Super Fund receiving 20,000,000 Options, Helen Gayle McGarry receiving 2,000,000 Options and Caperi Pty Ltd and Malvasia Pty Ltd receiving a total of 20,000,000 Options as per the terms of the Debenture Issue). Pursuant to:

- (a) a deed of mortgage, the Company will grant the Security Trustee a Mortgage over its right, title and interest in the Project; and
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- (b) the Combined Security Deed, the Company will grant the Security Trustee the Security Interest,

to secure all debts owing to the Debenture Holders pursuant to the Debentures issued. The Security Trustee will hold the Mortgage and the Security Interest on behalf of the Debenture Holders. The Security Trustee will not be a related party of the Company.

The Company is now seeking Shareholder approval for the grant of the Mortgage, the issue of the Debentures, the payment of a 3% fee on the Debentures, and the issue of the Options to the Related Debenture Holders under Listing Rules 10.1 and 10.11, and Section 195(4) and Chapter 2E of the Corporations Act.

ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a substantial asset from, or dispose of a substantial asset to, a related party or a substantial holder or an associate of a related party or a substantial holder without shareholder approval.

Lamerton Pty Ltd is a related party by virtue of being a company controlled by Graham McGarry, a Director. Geoffrey & Gwenda Greenhill as trustee for Greenhill Super Fund are related parties by virtue of Geoff Greenhill being a Director. Helen Gayle McGarry is a related party by virtue of being Graham McGarry's spouse and Caperi Pty Ltd and Malvasia Pty Ltd are related parties by virtue of being companies controlled by Gayle Elizabeth McGarry, Graham McGarry's daughter.

A "substantial asset" is an asset valued at greater than 5% of the equity interests of a company as set out in the latest accounts given to ASX under the Listing Rules. Based on the Company's Half Year Financial Report lodged with the ASX on 8 March 2018, the Company's equity interests are \$7,733,817; 5% of this amount is \$386,691. Based on the reviewed accounts as at 31 December 2017 the value of the asset being disposed (via the granting of security) is greater than 5% of the equity interest of Beacon, being \$7,733,817, the Project constitutes a "substantial asset" of the Company. Furthermore, the proportion of the value of the Project that corresponds to the Related Debenture Holders (collectively) proportion of the Debenture Issue constitutes a "substantial asset".

ASX deems the granting of a security interest over an asset to be a disposal of that asset. As such, the granting of security by the Company in favour of the Related Debenture Holders (by way of the Mortgage and the Security Interest) will be deemed under Listing Rule 10.1 to be a disposal of a substantial asset (i.e. the underlying assets to the Mortgage and the Security Interest, being the Jaurdi Gold Project). As the value of the debt secured by the Mortgage and the Security Interest are greater than 5% of the equity interests of the Company as set out in its last accounts given to ASX, the Company is seeking Shareholder approval for the grant of the Mortgage and the Security Interest to the Related Debenture Holders pursuant to Listing Rule 10.1.

In accordance with Listing Rule 10.10, accompanying this Notice is an Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd. The Independent Expert's Report assesses whether the grant of the Mortgage and the Security Interest to the Related Debenture Holders as security for the issue of the Debentures is fair and reasonable to the non-associated Shareholders. The Independent Expert's Report concludes that the Mortgage and the Security Interest granted to the Security Trustee as security in favour of the Related Debenture Holders is fair and reasonable to the non-associated Shareholders.

Please refer to the Independent Expert's Report at Annexure 1of this Notice for further details and in particular the advantages and disadvantages of the Debenture Issue to the Related Debenture Holders. The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the granting by the Company of the Mortgage and the Security Interest as security for the Debentures. This assessment is designed to assist all Shareholders in reaching their voting decision. It is recommended that all Shareholders read the Independent Expert's Report in full.

Chapter 2E of the Corporations Act

Also, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Debentures (and the associated brokerage fee) constitutes giving a financial benefit as interest of 12% per annum will be payable to the Related Debenture Holders (and the Debenture Holders who are unrelated parties of the Company) by the Company for the term of the Debentures. The grant of Related Party Options also constitutes giving a financial benefit. Lamerton Pty Ltd is a related party by virtue of being a company controlled by Graham McGarry, a Director. Geoffrey & Gwenda Greenhill as trustee for Greenhill Super Fund are related parties by virtue of Geoff Greenhill being a Director. Helen Gayle McGarry is a related party by virtue of being Graham McGarry's spouse and Caperi Pty Ltd and Malvasia Pty Ltd are related parties by virtue of being companies controlled by Graham McGarry's daughter, Gayle Elizabeth McGarry. Accordingly, shareholder approval is being sought for the issue of the Debentures and the Related Party Options to the Related Debenture Holders in accordance with Chapter 2E of the Corporations Act.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies. Such an exception does not apply in these circumstances. Accordingly, the grant of the Related Party Options to the Related Debenture Holders requires shareholder approval in accordance with ASX Listing Rule 10.11.

Whilst the Company believes that the Debenture Issue, payment of the 3% fee, the grant of the Mortgage and the Security Interest and the associated issue of Related Party Options (**Related Party Transactions**) are on arm's length terms, two of the Company's three Directors have an interest (whether direct or indirect) in the Related Party Transactions and as such, the Directors cannot form a quorum to formally determine that the Related Party Transactions are indeed on arm's length terms. Accordingly, Shareholder approval is sought pursuant to Section 195(4) and Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 for the Related Party Transactions.

2.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Debentures, payment of the fee, the grant of the Mortgage and the Security Interest to the Related Debenture Holders, and the grant of Related Party Options to the Related Debenture Holders:

- (a) the related parties are:
 - (i) Lamerton Pty Ltd <Mac's Super Fund> which is a related party by virtue of being a company controlled by Graham McGarry, a Director;
 - (ii) Geoffrey & Gwenda Greenhill as trustee for Greenhill Super Fund are related parties by virtue of Geoff Greenhill being a Director;
 - (iii) Helen Gayle McGarry who is a related party by virtue of being Graham McGarry's spouse; and
 - (iv) Caperi Pty Ltd and Malvasia Pty Ltd, which are related parties by virtue of being companies controlled by Gayle Elizabeth McGarry, Graham McGarry's daughter.
 - (b) the maximum number of Debentures to be granted to the Related Parties (upon which interest of 12% per annum will be payable to the Related Debenture Holders, being the nature of the financial benefit being provided) which will be secured by the Mortgage and the Security Interest; and Related Party Options to be granted to the Related Parties (being the nature of the financial benefit being provided), is as follows:
 - (i) 2,500,000 Debentures, along with a fee of 3% (being a payment of up to \$75,000), and 50,000,000 Options to Lamerton Pty Ltd; and
 - (ii) 1,000,000 Debentures, along with a fee of 3% (being a payment of up to \$30,000), and 20,000,000 Options to Geoffrey & Gwenda Greenhill as trustee for Greenhill Super Fund;
 - (iii) 100,000 Debentures, along with a fee of 3% (being a payment of up to \$3,000 and 2,000,000 Options to Helen Gayle McGarry; and
 - (iv) 666,666 Debentures, along with a fee of 3% (being a payment of up to \$20,000), and 13,333,320 Options to Caperi Pty Ltd and 333,334 Debentures, along with a fee of 3% (being a payment of up to \$10,000), and 6,666,680 Options to Malvasia Pty Ltd;
 - (c) the Related Party Options and the Debentures will be granted to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Options and the Debentures will be issued on one date;
 - (d) the Related Party Options will be granted for nil cash consideration; accordingly no funds will be raised;
 - (e) each Debenture will be issued in consideration for \$1.00, resulting in up to \$18,000,000 being raised. The Company intends on using the funds raised
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from the Debenture Issue towards the Company's Jaurdi Gold Project financing requirements;

- (f) the key terms of the Debenture Issue are set out in Section 1.2 above;
- (g) the terms and conditions of the Related Party Options are set out in Schedule 1;
- (h) the value of the Related Party Options and the Debentures, and the pricing methodology, is set out in detail in section 12 of the Independent Expert's Report at Annexure 1:
- (i) the relevant interests of the Related Parties in securities of the Company are set out below:

Related Party	Shares	Options¹
Lamerton Pty Ltd and associates	147,039,186	52,559,061
Geoff Greenhill and associates	113,311,239	53,447,905
Helen Gayle McGarry	75,827,585	9,819,396
Caperi Pty Ltd and Malvasia Pty Ltd	-	-

¹ Listed Options exercisable at \$0.025 each on or 17 August 2022.

- (j) the remuneration and emoluments from the Company to the Related Parties (or the Directors who are associated with the Related Parties) for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Graham McGarry	\$164,250	\$132,312
Geoff Greenhill	\$164,250	\$132,312

- (k) if the Related Party Options granted to the Related Parties are exercised, a total of 92,000,000 Shares would be issued. This will increase the number of Shares on issue from 2,013,961,284 to 2,105,961,284 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 4.4%, comprising 2.3% by Lamerton Pty Ltd, 1.0% by Geoffrey & Gwenda Greenhill as trustee for Greenhill Super Fund, 0.1 % by Helen Gayle McGarry and 1.0% by Caperi Pty Ltd and Malvasia Pty Ltd.

The market price for Shares during the term of the Related Party Options would normally determine whether or not the Related Party Options are exercised. If, at any time any of the Related Party Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Related Party Options, there may be a perceived cost to the Company.

- (l) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	\$0.023	28 August 2018
Lowest	\$0.015	19, 30, 31 October 2017, 1 and 8 November 2017, 14 December 2017 and 6 – 12 February 2018
Last	\$0.023	28 August 2018

- (m) Graham McGarry declines to make a recommendation to Shareholders in relation to Resolution 1 due to his material personal interest in the outcome of the Resolution on the basis that Lamerton Pty Ltd, a company controlled by him, is to be issued Debentures, to be secured by way of the Deed of Mortgage and the Combined Security Deed, and Related Party Options, should Resolution 1 be passed. Graham McGarry also declines to make a recommendation in relation to Resolutions 3 and 4 on the basis that Helen Gayle McGarry is his spouse and Caperi Pty Ltd and Malvasia Pty Ltd are companies controlled by his daughter. However, in respect of Resolution 2, Graham McGarry recommends that Shareholders vote in favour of those Resolutions for the following reasons:
- (i) the grant of the Debentures pursuant to the Debenture Issue will provide funding to the Company to assist it with the financing requirements for the Project;
 - (ii) it is not believed that there are any significant opportunity costs to the Company or foregone by the Company in granting the Debentures and the Mortgage and the Security Interest, and the Related Party Options upon the terms proposed.
- (n) Geoff Greenhill declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of the Resolution on the basis that he and his wife are to be issued Debentures as trustee for Greenhill Super Fund, to be secured by way of the Deed of Mortgage and the Combined Security Deed, and Related Party Options, should Resolution 2 be passed. However, in respect of Resolutions 1, 3 and 4 Geoff Greenhill recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph 2.2(m);
- (o) with the exception of Graham McGarry and Geoff Greenhill, no other Director has a personal interest in the outcome of Resolutions 1 and 2;
- (p) Sarah Shipway recommends that Shareholders vote in favour of Resolutions 1, 2, 3 and 4 for the reasons set out in Section 2.2(m);
- (q) in forming their recommendations, each Director considered the Company's need for investment pursuant to the Debenture Issue, other forms of funding available to the Company, the current market price of Shares, the amount each Related Party has agreed to invest pursuant to the Debenture Issue, the fact that the terms of the Debenture Issue for the Related Debenture Holders are the same as they are for the unrelated Debenture Holders as well as the exercise price and expiry date of the Related Party Options; and

- (r) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 1, 2, 3 and 4.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

3. RESOLUTION 5 – PLACEMENT – OPTIONS

3.1 General

A summary of the Debenture Issue is set out at Section 1 above. As noted, the Company has agreed to issue each Debenture Holder with 20 listed Options for every one (1) Debenture that a Debenture Holder is issued.

Resolution 5 seeks Shareholder approval for the issue of up to 268,000,000 listed Options to non-related parties of the Company – as per the terms of the Debenture Issue (as summarised in Section 1.2 above) – for those non-related parties participating in the Debenture Issue (**Option Issue**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 1 will be to allow the Company to issue the Options pursuant to the Option Issue during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

3.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Option Issue:

- (a) the maximum number of Options to be issued is 268,000,000;
 - (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
 - (c) the Options will be issued for nil cash consideration as part of the non-related parties subscribing for Debentures as per the terms of the Debenture Issue (as summarised in Section 1.2 above);
 - (d) the Options will be issued to non-related parties of the Company who participate in the Debenture Issue. None of these subscribers are related parties of the Company;
 - (e) the Options will be issued on the terms and conditions set out in Schedule 1; and
 - (f) no funds will be raised from the Option Issue as the Options are being issued for the non-related parties participation in the Debenture Issue, as per the terms of the Debenture Issue.
-

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Company means Beacon Minerals Limited (ACN 119 611 559).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

General Security Deed has the meaning given to that term in Section 1.1.

Independent Expert means BDO Corporate Finance (WA) Pty Ltd.

Mortgage has the meaning given to that term in Section 1.1.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option or **Related Party Option** means an option to acquire a Share with the terms set out in Schedule 1.

Optionholder means a holder of an Option or a Related Party Option as the context requires.

Proxy Form means the proxy form accompanying the Notice.

Related Party Option means an Option granted pursuant to Resolutions 1 and 2 with the terms and conditions set out in Schedule 1.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Security Interest has the meaning given to that term in Section 1.1.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

- (a) Subject to paragraph (k), each Option gives the Optionholder the right to subscribe for one Share.
 - (b) The Options will expire at 5:00pm (WST) on 17 August 2022 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse.
 - (c) The amount payable upon exercise of each Option is \$0.025 (**Exercise Price**).
 - (d) The Options held by each Optionholder may be exercised in whole or in part.
 - (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised.
 - (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
 - (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
 - (h) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
 - (i) Subject to the satisfaction of the requirements of the ASX Listing Rules, the Company will apply for quotation of the Options on ASX.
 - (j) The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
 - (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
 - (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
 - (m) Other than as contemplated by paragraph (k), an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.
 - (n) The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.
-

ANENXURE 1 – INDEPENDENT EXPERT'S REPORT

BEACON MINERALS LIMITED
Independent Expert's Report

OPINION: Fair and Reasonable

28 August 2018



Financial Services Guide

28 August 2018

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Beacon Minerals Limited ('Beacon') to provide an independent expert's report on the proposal to issue a proposed \$18 million 36 month, 12% per annum debenture secured over the Jaurdi Gold Project Mining Leases 16/0529, 16/0034 and 16/115 and Miscellaneous Licence 16/120. A Security Interest will also be granted over the assets of the Company. You will be provided with a copy of our report as a retail client because you are a shareholder of Beacon.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$18,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Beacon for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution*Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Free call: 1800 367 287
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

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28 August 2018

The Directors
Beacon Minerals Limited
PO BOX 1305
West Leederville WA 6901

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

Beacon Minerals Limited (**'Beacon'** or **'the Company'**) propose to issue up to \$18,000,000, 36 month debenture notes, which will carry an interest rate of 12% per annum and a \$1 face value (**'the Debentures'**). The funds raised through the issue will be used to fund the development of the Company's Jaurdi Project. The proposed security being offered is the Company's Jaurdi Gold Project Mining Leases 16/0529, 16/0034 and 16/115 and Miscellaneous Licence 16/120 (**'Secured Asset'**) and security over the Company's plant and equipment used at Mining Leases 16/0529, 16/0034, 16/0115 and L16/120 (**'Security Interest'**). As a proportion of the Debentures will be issued to related parties the security over the mining licence is treated a disposal under ASX Listing Rule 10.1.

BDO has been engaged by Beacon to provide an independent expert's report to provide an opinion on whether or not the granting of security over the Secured Asset to those parties subscribing for the Debentures, including related parties, (**'Debenture holders'**) is fair and reasonable to non-associated shareholders.

2. Summary and Opinion

2.1 Requirement for the report

The directors of Beacon have requested that BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) prepare an independent expert's report (**'our Report'**) to express an opinion as to whether or not the granting of security is fair and reasonable to the non-associated shareholders of Beacon (**'Shareholders'**).

Shareholder approval to grant the proposed security is required under ASX Listing Rule 10.1 as the Security Transaction constitutes the potential disposal of more than 5% of the equity interests of Beacon to related parties.

Our Report is prepared pursuant to ASX listing rule 10.1 and is to be included in the Explanatory Memorandum for Beacon in order to assist the Shareholders in their decision whether to approve the Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Transaction as outlined in the body of this report. We have considered:

- How the value of the proceeds of the sale of the secured asset that would be provided to Debenture holders under the Deed of Mortgage and Combined Security Deed in the event of a default compare to the value of the liabilities that would be settled;
- The likelihood of a superior alternative offer being available to Beacon;
- The consequences of rejecting the Security Transaction;
- The advantages and disadvantages of approving the Security Transaction;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Security Transaction; and
- The position of Shareholders should the Security Transaction not proceed.

2.3 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the Transaction is fair and reasonable to Shareholders.

2.4 Fairness

In considering whether the advantages of the Security Transaction outweigh the disadvantages we have considered whether the Security Transaction is "fair" by undertaking the analysis below.

The Security Transaction is fair if the value of the proceeds of the sale of the Secured Asset that is provided to Debenture holders is equal to or less than the value of the amounts payable to Debenture holders that are settled by this security in the event of default under the Deed of Mortgage and Combined Security Deed.

In the scenario that the value of the Secured Asset and Secured Interest is greater than or equal to the amounts owed to Debenture holders, and there is an event of default, then Debenture holders would be entitled to appoint a receiver who would have the power to sell the Secured Asset and Secured Interest. The amounts outstanding, being the subscription price and accrued interest, would be payable to Debenture holders, after payment of the receiver's costs and outgoings and payment of any other encumbrances which have priority to the Mortgage and Combined Security Deed. Any surplus would be payable to Beacon.

In the scenario that the value of the Secured Asset and Secured Interest is less than the amounts owed to Debenture holders, and if there is an event of default, then the Secured Asset and Combined Security Deed would be sold and the proceeds provided to Debenture holders, after payment of the receiver's costs and outgoings and payment of any other encumbrances which have priority to the Mortgage and Combined Security Deed.

This can be summarised as follows:

Scenario	Opinion
Funds received by security holder are equal to the amount owed to the Debenture holder	Fair
Funds received by security holder are less than the amount owed to the Debenture holder	Fair
Funds received by the security holder are greater than the amount owed to the Debenture holder	Not Fair

Therefore, on the terms of the Deed of Mortgage and Combined Security Deed, specifically that if there is an event of default then Debenture holders are only entitled to be repaid a maximum of the subscription price and accrued interest, we consider that the Security Transaction is fair in all scenarios.

2.5 Reasonableness

We have considered the analysis in section 11 of this report, in terms of both

- advantages and disadvantages of the Transaction; and
- other considerations, including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
11.3	The Transaction is fair	11.4	The issue of options attached to the Debenture issue
11.3	Access to funding	11.4	Future funding requirements
		11.4	Restrictions Placed on the Company

Other key matters we have considered include:

Section	Description
11.1	Alternative Proposal
11.2	Consequences of not approving the Transaction

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the latest published accounts. Based on the reviewed accounts as at 31 December 2017, the value of the asset being disposed (via the granting of security) is greater than 5% of the equity interest of Beacon.

Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party of the listed entity.

The Debenture Holders will include related parties of the Company, being:

- (a) Lamerton Pty Ltd <Mac's Super Fund> (or its nominee) which is a company controlled by Graham McGarry, a Director;
- (b) Geoffrey & Gwenda Greenhill as trustee for Greenhill Super Fund, Geoff Greenhill is a Director;
- (c) Helen Gayle McGarry, the spouse of a Director, Graham McGarry; and
- (d) Caperi Pty Ltd <Capreri Trust>, Malvasia Pty Ltd <The Spyder Super Fund> and Caperi Pty Ltd <Salina Childrens Trust> (or their nominees), which are companies controlled by Gayle Elizabeth McGarry, the daughter of a Director, Graham McGarry.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded.

Accordingly, an independent experts' report is required for the Transaction. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Beacon.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' for the purposes of ASX Listing Rule 10.1, this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Transaction to be a control transaction. As such, we have used RG 111 as a guide for our analysis but have considered the Transaction as if it were not a control transaction.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity.

In the case of Beacon the financial benefit to be provided by the entity relates to the value of the security being offered by the Company, and the value of the consideration relates to the value of the funds being invested by way of the Debentures.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of the security being offered under the terms of the Deed of Mortgage and Combined Security Deed and the value of the funds invested by Debenture holders; and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 11 "Is the Security Transaction Reasonable?").

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Transaction

4.1 Key terms of the Debentures

The Company will issue up to \$18,000,000 in Debentures to fund the development of its Jaurdi Project. Sophisticated Investors will be invited to subscribe for Debentures with a minimum subscription of \$100,000 and thereafter in multiples of \$25,000. \$4,600,000 of the Debentures will be issued to related parties. The related parties are:

- (a) Lamerton Pty Ltd <Mac's Super Fund> (or its nominee) which is a company controlled by Graham McGarry, a Director;
- (b) Geoffrey & Gwenda Greenhill as trustee for Greenhill Super Fund, Geoff Greenhill is a Director;
- (c) Helen Gayle McGarry, the spouse of a Director, Graham McGarry; and
- (d) Caperi Pty Ltd <Caperi Trust>, Malvasia Pty Ltd <The Spyder Super Fund> and Caperi Pty Ltd <Salina Childrens Trust> (or their nominees), which are companies controlled by Gayle Elizabeth McGarry, the daughter of a Director, Graham McGarry.

The key terms of the proposed Debentures are as follows:

- The face value of each debenture will be \$1;
- The term of the Debentures will be 36 months from the date of issue. The Company will have the right to exercise early repayment no less than 24 months from the date of issue;
- The interest rate payable on the Debentures is 12% per annum. Interest will be payable to the Debenture holder 9 months after the date of issue, and thereafter every three months until the end of the term, or upon early repayment. Interest will be payable on the paid-up face value. Interest not paid when due will compound;
- The Debentures will not entitle the Debenture holders to any voting rights in the Company;
- For every one Debenture that is issued to a Debenture holder the Company will grant that Debenture holder 20 options;
- The Debentures will not be listed on the Australian Securities Exchange;
- The Debentures will be secured by the Company granting a mortgage over ML16/0529, ML16/0034, ML16/0115, L16/120 and security over the Company's plant and equipment used at Mining Leases 16/0529, 16/0034, 16/0115 and L16/120 in favour of a security trustee acting on behalf of all Debenture holders.

4.2 Company warranties in relation to the Debenture

The Company will warrant the following until all debt is repaid in relation to the Debentures:

- It will grant no further security over ML16/0529, ML16/0034, ML16/0115, L16/120 and security over the Company's plant and equipment used Mining Leases 16/0529, 16/0034, 16/0115 and L16/120;
- It will not permit any sale of ML16/0529, ML16/0034, ML16/0115, L16/120 and security over the Company's plant and equipment used at Mining Leases 16/0529, 16/0034, 16/0115 and L16/120 or change its principal business activities;
- It will pay no dividends;
- It will not return capital to shareholders of the Company; and
- It will submit to no further secured borrowings.

4.3 Events of default

The following are listed as events of default in the Debenture Deed Poll:

- a) **Non-payment:** the Company fails to pay within twenty days of its due date any amount payable to Debenture holders under any of the transaction;
- b) **Other obligations:** the Company fails to comply with any provision of the Transaction Documents;
- c) **Misrepresentation:** any representation, warranty or statement made or repeated in or in connection with the Transaction Documents is untrue or misleading;
- d) **Involuntary winding up:** an application or order is made for the winding up of the Company or for the appointment of a liquidator;

- e) **Voluntary winding up:** the Company passes a resolution for its winding up;
- f) **Receiver:** a receiver is appointed or the holder of a security interest takes possession of all, or any part of the assets of the Company;
- g) **Insolvency of the Company**
- h) **Statutory demand:** a statutory demand is served on the Company or the Company is taken to have failed to comply with or apply to set aside, a statutory demand;
- i) **Compromise or arrangement:** the Company takes any step for the purpose of entering into a compromise or arrangement with any of its members or creditors except for the purpose of a reconstruction, amalgamation, merger or consolidation on terms approved by the Debenture holder;
- j) **Distress or other execution:** the process of any court of authority is invoked against the Company or a material part of its property to enforce any judgement or order for any amount;
- k) **Cross-default:** the Company defaults on any other financial indebtedness
- l) **Failure to comply with waiver:** if any event of default is conditionally waived by the Debenture Holder and the Company does not comply with those conditions;
- m) **Constitution:** the Company makes any material change to its Constitution without the consent of the Debenture holders;
- n) **Compulsory acquisition:** all or a material part of the assets of the Company is compulsorily acquired by any Government Agency or the Company sells or divests all or a material part of its assets pursuant to a binding order from a Government Agency and full compensation is not received for the acquisition, sale or divestiture;
- o) **Provisions void:** all or any material provision of any of the Transaction Documents:
 - i. does not have effect or ceases to have effect in accordance with its terms;
 - ii. is or becomes void, voidable, illegal, invalid or unenforceable other than by reason of equitable principles or laws affecting creditors' rights generally; or
 - iii. is claimed by the Company or any other person to be any of the matters referred to in paragraphs (i) or (ii) or the Company or any other person commences any court proceedings to establish any of the matters referred to in paragraphs (i) or (ii) to be the case; or
- p) **Inability to perform:** the Company ceases for any reason to be able lawfully to carry out all the transactions contemplated in any of the Transaction Documents.

4.4 Debenture Holders Powers on default

In the event of a default the Secured Money (being the principal amount and accrued interest outstanding) will become immediately due and payable on demand. At the option of the Debenture holders, the right of the Company to deal with the tenement and assets may cease. The Debenture holders have the right to appoint a receiver, who will be granted the power to take possession of the Security Interest and deal with it as instructed by the Debenture holders, including the right to sell the Security Interest. Any monies received by the Debenture holders as a result of exercising the powers conferred as a result of the default will be distributed in the following order:

- Costs incurred as a result of the exercise of their powers;
- Any other outgoings as the Debenture holders or receiver sees fit, including those which they consider desirable in order to increase the value of the Debenture holders' interest in the tenement and assets;
- Payment of encumbrances which have priority to the mortgage and Combined Security Deed of the Debenture holders;
- Payment of the Debenture holders Secured Money;
- Payment of any other encumbrances in order of their priority;
- The balance is paid to the Company.

5. Profile of Beacon

5.1 History

Beacon Minerals Limited is an exploration and development company focused on gold assets. Beacon was incorporated in Australia on 9 May 2006 and obtained admission onto the Australian Securities Exchange (“ASX”) on 20 October 2006. Beacon’s registered office is in Perth and its operational office in Kalgoorlie. The Board of Directors comprises the following members:

- Geoffrey Greenhill - Executive Chairman
- Graham McGarry - Managing Director
- Sarah Shipway - Non Executive Director

The Company has one wholly-owned project, the Jaurdi Gold Project, which is located 40 kilometres northwest of Coolgardie, Western Australia. The Company is focused on the project’s development with mining activities targeted for Q1 2019.

5.2 Historical Balance Sheet

Statement of Financial Position	Reviewed 31-Dec-17 \$	Audited 30-Jun-17 \$
CURRENT ASSETS		
Cash and cash equivalents	6,481,167	934,920
Trade and other receivables	25,842	29,974
Other assets	1,323,854	1,358,327
TOTAL CURRENT ASSETS	7,830,863	2,323,221
NON-CURRENT ASSETS		
Plant and equipment	150,829	79,360
TOTAL NON-CURRENT ASSETS	150,829	79,360
TOTAL ASSETS	7,981,692	2,402,581
CURRENT LIABILITIES		
Trade and other payables	247,875	286,447
TOTAL CURRENT LIABILITIES	247,875	286,447
NON-CURRENT LIABILITIES	-	-
TOTAL NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	247,875	286,447
NET ASSETS	7,733,817	2,116,134
EQUITY		
Issued Capital	31,128,999	23,776,759
Reserves	348,325	273,660
Accumulated losses	(23,743,507)	(21,934,285)
TOTAL EQUITY	7,733,817	2,116,134

Source: Beacon 31 December 2017 Half year report and Beacon 30 June 2017 annual report

The financial statements as at 31 December 2017 were subject to an unmodified review opinion. The most significant movement from 30 June 2017 was the increase in cash due to an underwritten non renounceable rights issue.

5.3 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Reviewed 31-Dec-17 \$	Audited 30-Jun-17 \$	Reviewed 31-Dec-16 \$
Gold Sales	-	7,464,202	7,464,202
Interest Revenue	44,589	69,560	49,436
Revenue	44,589	7,533,762	7,513,638
Cost of goods sold	-	(4,045,678)	(4,004,655)
Gross Profit	44,589	3,488,084	3,508,983
Other Income	10,475	-	-
Expenditure			
Administration expenses	(215,874)	(756,638)	(230,132)
Exploration and development expenditure written off	(1,648,412)	(1,129,739)	(151,013)
Finance costs	-	-	-
Profit/(Loss) from ordinary activities before income tax	(1,809,222)	1,601,707	3,127,838
Income tax refund/(expense)	-	-	-
Profit/(Loss) from ordinary activities after income tax	(1,809,222)	1,601,707	3,127,838
Other comprehensive income, net of income tax	-	-	-
Total comprehensive profit/(loss) for the year/period	-	-	-
Total comprehensive loss for the year	(1,809,222)	1,601,707	3,127,838

Source: Beacon 31 December 2017 Half year report and Beacon 30 June 2017 annual report

Ore sales occurred from Halley's East until pre 31 December 2016, following which the focus has been on other opportunities and the Jaurdi Gold Project.

5.4 Capital Structure

The share structure of Beacon as at 27 June 2018 is outlined below:

	Number
Total Ordinary Shares on Issue	2,013,961,284
Top 20 Shareholders	877,414,062
Top 20 Shareholders - % of shares on issue	43.57%

Source: Share registry report

The range of shares held in Beacon as at 27 June 2018 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	% Issued Capital
1-1,000	44	9,194	0.00%
1,001-5,000	26	69,503	0.00%
5,001-10,000	23	193,886	0.01%
10,001-100,000	508	29,519,180	1.47%
100,001 - and over	1,192	1,984,169,521	98.52%
TOTAL	1,793	2,013,961,284	100.00%

The ordinary shares held by the most significant shareholders as at 28 June 2018 are detailed below:

Name	No of Ordinary Shares Held	Percentage of Issued Shares (%)
Oceanic Cap PL	162,333,333	8.06%
Greenhill GW & GJ	100,866,794	5.01%
McGarry Helen Gayle	75,827,585	3.77%
Lamerton PL	73,145,390	3.63%
Total Top 4	412,173,102	20.47%
Others	1,601,788,182	79.53%
Total Ordinary Shares on Issue	2,013,961,284	100.00%

Source: Share Registry report

6. Economic analysis

6.1 Global

Conditions in the global economy remain positive. Available information suggests the global economy has continued to expand into the March quarter of 2018. A number of advanced economies are growing at an above-trend rate and unemployment rates are low. Growth picked up in the Asian economies in 2017, partly supported by increased international trade.

Growth in China was strong through 2017, however it has eased slightly in the recent quarter, reflecting the Chinese authorities' objective of more sustainable growth. In March 2018, the Chinese Government released a gross domestic product ('GDP') growth target of approximately 6.5 percent for 2018, down from its published GDP growth rate of 6.9% in 2017, suggesting some tolerance for a gradual slowing of growth. Investment in infrastructure and residential property remains strong, with demand from these sectors supporting modest growth in crude steel production, which in turn has supported demand for iron ore and coking coal.

The pick-up in the global economy has contributed to a rise in oil and other commodity prices over the past year. Even so, Australia's terms of trade are expected to decline over the next few years, but remain at a relatively high level.

Globally, inflation remains low, although it has increased in some economies and further increases are imminent given the tight labour markets. As conditions have improved in the global economy, a number of central banks have withdrawn some monetary stimulus and further steps in this direction are to be expected.

Both Chinese and United States of America authorities recently announced trade protectionist measures. The US increased import tariffs on certain items including steel and aluminium. The effect of the US tariffs on other economies is expected to be small, with many countries being granted temporary exemptions. The Chinese economy will be little affected as steel and aluminium exports to the US are only a small share of Chinese production. In response to the US tariffs on steel and aluminium, the Chinese authorities imposed tariffs on US\$3 billion of US goods. With both countries foreshadowing further tariffs, there is a risk that trade protectionism could escalate, harming global growth significantly. Rising geopolitical risks, including tensions in the Korean Peninsula could also dampen confidence and create bouts of financial market volatility.

6.2 Australia

Domestic growth

The Australian economy grew by 2.4 per cent over 2017. The Reserve Bank of Australia ('RBA') is expecting faster growth in the next couple of years, with forecasts suggesting that average growth in 2018 and 2019 will be above 3%. Business conditions are positive, with overall business investment expected to continue growing over the next few years, as non-mining business investment increases. Mining investment is expected to slightly decline as construction on large liquefied natural gas projects concludes. Public spending is also supporting domestic economic activity. Public consumption has been growing strongly, in part supported by spending on the National Disability Insurance Scheme. Stronger growth in exports is expected after temporary weakness at the end of 2017. Household spending picked up in the December Quarter of 2017, and recent indicators suggest that household consumption growth has remained steady into early 2018, however low growth in household income and high debt levels remains a key risk to the outlook for household consumption.

Unemployment

Employment grew by 3.5% over the past year, with employment figures rising in all states. The strong growth in employment has been accompanied by a significant rise in labour force participation, particularly by women and older Australians. Indicators of labour demand, including job vacancies, continue to point to above average growth in employment over the next six months. The unemployment rate has declined slightly over recent years, but from mid-2017 has remained relatively unchanged, at around 5.5%. Conventional measures of full employment suggest the current unemployment rate is around 0.5% above full employment, implying spare capacity in the labour market. The various forward-looking indicators continue to point to strong growth in employment in the period ahead, with a further gradual reduction in the unemployment rate expected. Wages growth has picked up slightly, but remains low. The RBA cites spare capacity in the labour market, low inflation and continuing adjustments to the economy following the mining investment boom, as reasons for low wages growth. Low wages growth is likely to continue for a while yet, although the stronger economy should see some lift in wage growth over time.

Inflation

Inflation remains low and stable. Headline inflation and underlying inflation were both close to 0.5% for the March quarter 2018, and around 2% over the year. Inflation is likely to remain low for some time, reflecting spare capacity in the economy, low wages growth and strong competition in retailing. Inflation is expected to be around 2.25% over the next year, and long term inflation expected to be around 2.5%.

Currency movements

Since the start of the year, the Australian dollar has depreciated against the US dollar and on a trade weighted basis, however it remains within its narrow range of the past two years. The decline was a result of lower bulk commodity prices and narrowing interest rate differentials. An appreciating exchange rate would be expected to result in a slower pick-up in economic activity and inflation.

Source: www.rba.gov.au Statement by Philip Lowe, Governor: Monetary Policy Decision 5 June 2018, Statement on Monetary Policy - June 2018

7. Industry analysis

Gold is a soft malleable metal which is highly desirable due to its rarity and unique mineral properties. Gold has been used in jewellery and as a form of currency for thousands of years, however in more recent history there has been increasing demand for its use in the manufacture of electronics, dentistry, medicine and aerospace technology.

In addition to its practical applications, gold also serves as an international store of monetary value. Gold is widely regarded as a monetary asset as it is considered less volatile than world currencies and therefore provides a safe haven investment during periods of economic uncertainty.

Once mined, gold continues to exist indefinitely and is often melted down and recycled to produce alternative or replacement products. Consequently, demand for gold is supported by both gold ore mining and gold recycling. A summary of the supply of gold for the seven years to 2017 is provided in the table below:

Gold supply (tonnes)	2011	2012	2013	2014	2015	2016	2017
Mine production	2,846	2,911	3,073	3,148	3,220	3,263	3,269
Net producer hedging	23	(45)	(28)	105	13	33	(30)
Recycled gold	1,667	1,691	1,262	1,189	1,120	1,295	1,160
Total supply	4,536	4,557	4,307	4,442	4,353	4,591	4,399

Source: World Gold Council and Independent Market Research

The gold ore mining industry (**'the Industry'**) has performed steadily in recent years, with growth driven by price increases and slow economic growth. However, as the world economy stabilises following uncertainty surrounding the United States (**'US'**) Presidential Election and the United Kingdom's exit from the European Union, Industry revenue is projected to stagnate.

Key External Drivers

Global gold prices have a significant impact on the revenue generated by Industry operators. When gold prices are low, gold miners are less likely to commit to projects with lower gold grades and higher production costs. Ultimately, a decline in gold prices reduces the viability of new and existing projects, which hinders Industry growth. According to IBIS World, the global price for gold is forecast to decrease over the next five years.

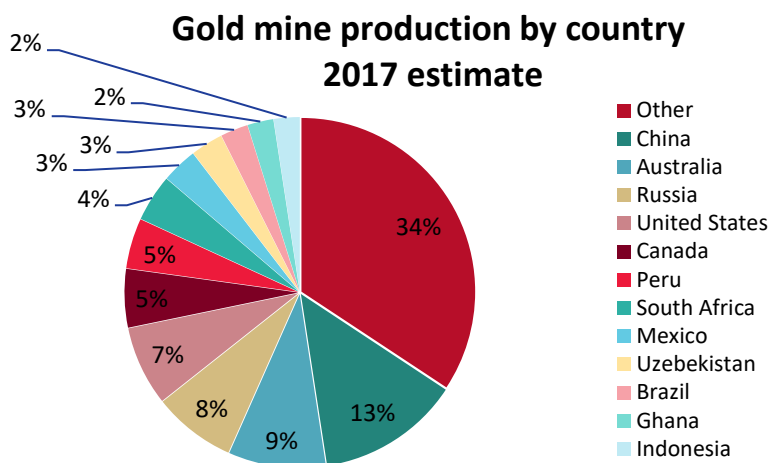
The global gold price is denominated in US dollars (**'USD'** or **'US\$'**) and therefore, the exchange rate directly affects the returns received by local Industry operators. A weaker Australian Dollar (**'AUD'**) benefits the domestic industry by reducing prices in export markets and pushing up domestic prices, likely resulting in higher volumes. In 2017-18, IBIS World predicts the AUD will depreciate.

Global demand for gold is also inversely related to global economic performance. As gold is regarded as a store of value and is particularly sought after during periods of economic uncertainty, demand follows a counter cyclical pattern. Strong global gross domestic product growth can therefore have a negative impact on gold demand and the Industry. According to IBIS World, global economic performance is expected to improve in 2017-18, reducing demand for gold. As a result, Industry revenue is projected to decline at an annualised 1.8% over the five years through 2022-23, to total \$15.1 billion.

Gold Ore Mining Trends

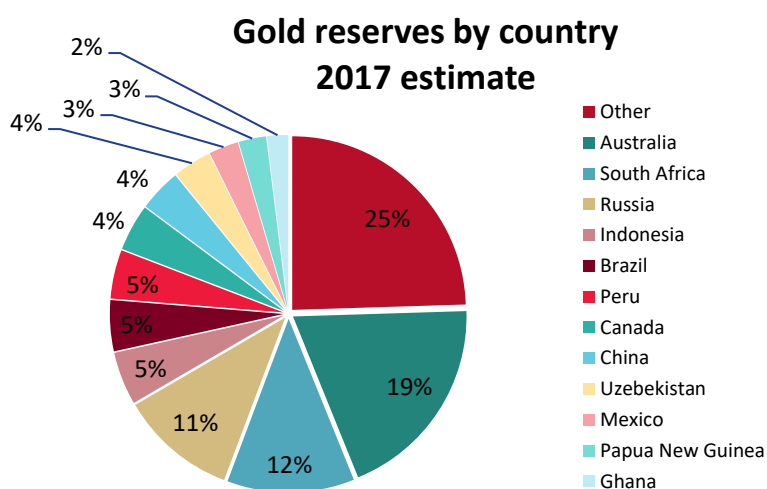
Gold ore mining is a capital intensive and high cost process, which is becoming increasingly difficult and more expensive as the quality of ore reserves diminishes. The Industry also incurs many indirect costs related to exploration, royalties, overheads, marketing and native title law. Typically, many of these costs are fixed in the short term as a result of Industry operators' inability to significantly alter cost structures once a mine commences production.

Until the late 1980s, South Africa produced approximately half of the total gold ore mined globally. More recently however, the Industry has diversified geographically and China and Australia now dominate global gold production. According to the United States Geological Survey for January 2018, total estimated global gold ore mined for 2017 was approximately 3,150 metric tonnes. The chart below illustrates the estimated global gold production by country for 2017.



Source: United States Geological Survey and BDO analysis

Despite China leading global gold production in 2017, accounting for approximately 13%, Australia, South Africa and Russia hold the largest known gold reserves globally. As depicted below, collectively these three countries account for approximately 42% of global gold reserves.



Source: United States Geological Survey and BDO analysis

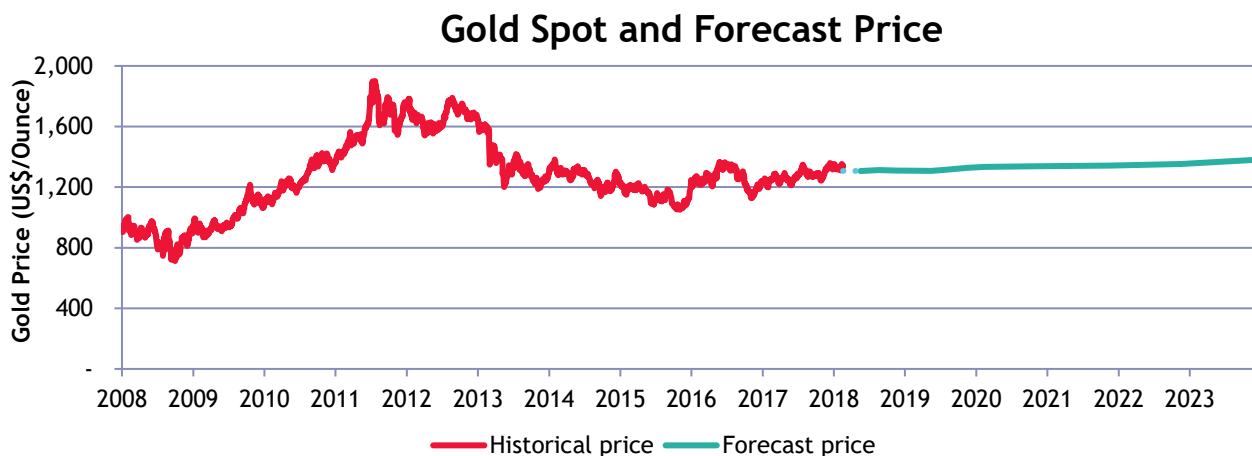
According to the 2017 US Geological Survey, Australia holds 9,800 tonnes of gold, representing 19% of global reserves and the largest percentage held by any country. In 2017-18, IBIS World predicts domestic Industry revenue will increase by 2.7% to reach \$16.6 million, boosted by increased domestic production. Over the five years through 2022-23 however, it is forecast that revenue will decline by an annualised 1.8%, influenced by a stronger AUD and reduced global demand.

Gold Prices

The price of gold peaked at US\$1,900 on 5 September 2011, due largely to the debt market crisis in Europe and the Standard and Poor's downgrade of the US credit rating. Global stock markets subsequently went into turmoil, which saw investors opt for the stability offered by gold.

The price of gold fluctuated around US\$1,700 during 2012 before entering a steep decline in 2013. The downturn represented the beginning of a correction in the price of gold, which had almost tripled in the two-year period prior to the European crisis in 2011. Improved market sentiment and increased risk appetite from investors saw gold prices continue to decline throughout 2014 and 2015 to US\$1,051 in December 2015.

During 2016, gold prices strengthened, likely as a result of heightened uncertainty surrounding the US Presidential election and the United Kingdom's exit from the European Union. The price of gold reached US\$1,363 in late 2016 before stabilising around US\$1,200 to US\$1,300 throughout 2017. In January 2018, the gold price reached a six-month high of US\$1,358. The gold spot price since 2008 and forecast prices through to 2023 are depicted in the graph below:



Source: Bloomberg, Consensus Economics and BDO analysis

According to Consensus Economics, gold prices are forecast to remain relatively stable with a long-term nominal price forecast of approximately US\$1,300 per ounce.

8. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

In the case of the Security Transaction, although the security being offered is ML16/0529, ML16/0034, ML16/0115, L16/120, and security over the Company's plant and equipment used at Mining Leases 16/0529, 16/0034, 16/0115 and L16/120, the value of this licence and the assets is not the value that would be provided in the event of default. The amount payable to Debenture holders is limited to the principal amount and accrued interest outstanding, therefore in our fairness assessment we do not consider it necessary to value the Company or the Secured Asset.

In our assessment of the value of the liabilities to be settled we consider the nominal value of the cash amount payable to Debenture holders in the event of default to represent the fair market value.

9. Fairness approach adopted

RG 111 suggests that a proposed related party transaction is ‘fair’ if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity.

The security provided under the Deed of Mortgage and Combined Security Deed is the Company’s title and interest in ML16/0529, ML16/0034, ML16/0115, L16/120 and security over the Company’s plant and equipment used at Mining Leases 16/0529, 16/0034, 16/0115 and L16/120. However, in the event of default, the Debenture holders are only entitled to recover the principal and interest that remain outstanding, after payment of costs and outgoings, with any surplus to be returned to the Company.

We therefore consider the valuation of the security provided to be less than or equal to the value of the liabilities settled.

10. Is the Security Transaction fair?

The Security Transaction is fair if the value of the proceeds of the sale of the Secured Asset and Security Interest that is provided to Debenture holders is equal to or less than the value of the amounts owing to Debenture holders in the event of default under the Deed of Mortgage and Combined Security Deed.

If there is an event of default, then Debenture holders would be entitled to appoint a receiver who would have the power to sell the Secured Asset and Secured Interest. If the proceeds from the sale of the secured asset and secured interest are greater than or equal to the amounts owed to the Debenture holders, then only amounts outstanding, being the subscription price and accrued interest, would be payable to Debenture holders, after payment of the receiver’s costs and outgoings and payment of any other encumbrances which have priority to the Mortgage and Combined Security Deed. Any surplus would be payable to Beacon.

If the proceeds of the sale of the Secured Asset and Secured Interest are less than the amounts owed to Debenture holders, then the proceeds provided to the Debenture holders, after payment of the receiver’s costs and outgoings and payment of any other encumbrances which have priority to the Mortgage and Combined Security Deed. We note that this is no different to a situation where creditors’ claims are settled in preference to distributions to Shareholders and accordingly Shareholders are not at a disadvantage.

11. Is the Transaction reasonable?

11.1 Alternative Proposal

The Company has considered raising further capital through equity markets however this would be at a discount to market prices therefore having a dilutionary effect on shareholders and would not be certain as to its success, particularly given that the relatively recent non renounceable entitlement offer was not fully subscribed. The non-renounceable entitlement offer was also at a discount to prevailing market prices.

11.2 Consequences of not Approving the Transaction

Consequences

If the Transaction is not approved, the funding under the Debenture issue will not be provided and the Company will need to seek further funding to develop the Jaurdi Gold Project.

11.3 Advantages of Approving the Transaction

We have considered the following advantages when assessing whether the Transaction is reasonable.

Advantage	Description
The Transaction is fair	As set out in Section 10 the Transaction is fair. RG 111 states that an offer is reasonable if it is fair.
Access to funding	By granting security over the tenements and security over the Company's plant and equipment used at Mining Leases 16/0529, 16/0034, 16/0115 and L16/120 associated with the Jaurdi Project the Company is potentially able to raise a minimum of \$15 million to assist with progression of the project towards mining activities which may potentially add value to the project for shareholders. We have considered alternate forms of funding and do not believe that other alternatives would be readily available that would not significantly dilute existing shareholders. We note that a non-renounceable rights issue was completed in late 2017 with approximately 70% of entitlements taken up, the issue was at \$0.015 with the last traded price prior to the prospectus being \$0.021. As such if such an offer was to be undertaken again there may be a number of existing shareholders who would be further diluted. In our opinion financial institutions and other debt providers would not advance funds to an exploration and development company that did not provide security. We have reviewed the balance sheet and note that the only tangible security that is able to be provided is security over tenements and security over the Company's plant and equipment used at Mining Leases 16/0529, 16/0034, 16/0115 and L16/120. We have reviewed other debentures and notes that have been issued recently (and publicly announced) and note that for exploration companies all contained conversion features with varying degrees of complexity that mean that a direct comparison of the interest rate is not possible. Based on our analysis we do not consider the interest rate of 12% and the finance fee of 3% to be unreasonable. We also note that the terms of the Debentures are consistent for related and non-related parties. The non-related parties make up a significant proportion of the total funds raised and further indicate that the terms are at arm's length.

11.4 Disadvantages of Approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
The issue of options attached to the Debenture Issue	Under the Debenture Issue 20 Options are to be issued for each debenture issued. We have valued the Options provided to related parties in Section 12. The Options issued to related parties are on the same terms to the non-related parties who have subscribed for debentures. We also note that the terms of the options are equivalent to the listed options that Beacon currently has on issue. The issue of these options represents a further cost of funding payable. We note however that the exercise price is at a premium to the current share price.
Future fundraising requirements	The Company will require funds in the future to repay the principal and interest of the debentures. The funds to repay these amounts may be raised in the future at a lower cost compared to a capital raising undertaken in current market conditions, although this is uncertain. This is likely to be linked to the success of the progress of the Jaurdi project as well as general market conditions
Restrictions placed on the Company	If the Security Transaction is approved the Company will warrant the following until all debt is repaid in relation to the Debentures: • It will grant no further security over ML16/0529, ML16/0034, ML16/0115, L16/120 and over the Company's plant and equipment used at Mining Leases 16/0529, 16/0034, 16/0115 and L16/120; • It will not permit any sale of ML16/0529, ML16/0034, ML16/0115, L16/120 and the Company's plant and equipment used at Mining Leases 16/0529, 16/0034, 16/0115 and L16/120 or change its principal business activities; • It will pay no dividends; • It will not return capital to shareholders of the Company; and • It will submit to no further secured borrowings. We consider these terms to be quite onerous for the Company and will have an effect of placing certain restrictions on the Company going forward.

12. Assessment of Value of Beacon Options using option pricing model

12.1 Option Valuation

For each Debenture subscribed for, each Debenture holder will be granted 20 options at no cost (“the Options”). The terms of the Options are as follows:

Item	Beacon Options
Exercise price	\$0.025
Valuation Date	27 August 2018
Expiry date	17 August 2022
Time to expiry	4.11 years

The proposed Debenture and Option holders include related parties of the Company.

Valuation Methodology

We have used the Black Scholes option pricing model to calculate the values of the Options.

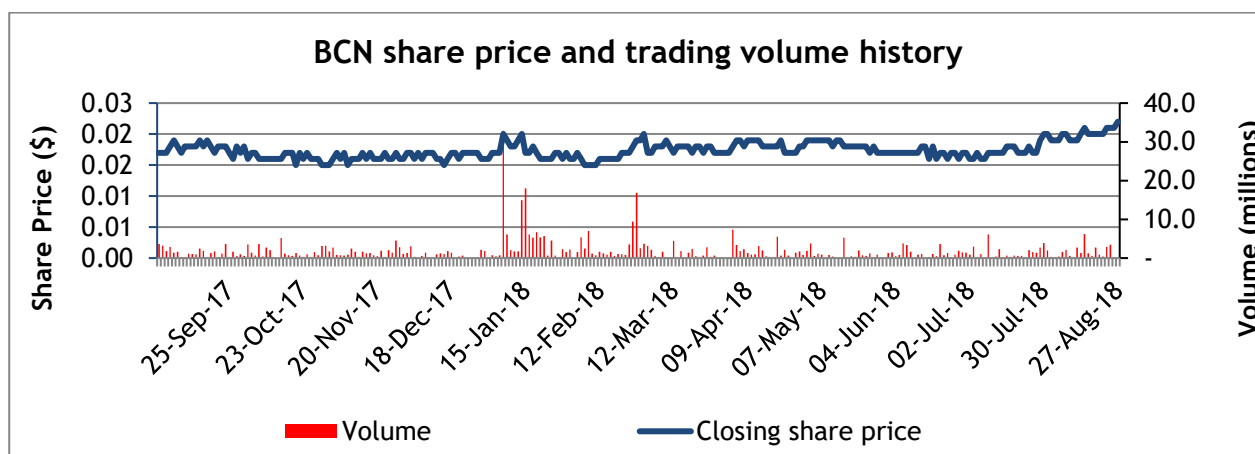
Under option valuation theory, no discount is made to the fundamental value derived from the option valuation model for unlisted options over listed shares. Option pricing models assume that the exercise of an option does not affect the value of the underlying asset.

In valuing the Options, we made the following assumptions regarding the inputs required for our option pricing model.

Value of the Underlying Shares

The quoted market value of a company’s shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

Our analysis of the quoted market price of a Beacon share is based on the pricing to a date immediately preceding our report.



Source: Bloomberg

The daily price of Beacon shares from 27 August 2017 to 27 August 2018 has ranged from a low of \$0.015 on 16 February 2018 to a high of \$0.022 on 27 August 2018. During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$ (movement)			\$ (movement)		
03/08/2018	Jaurdi Gold Project - Lost Dog Update	0.019	►	0.0%	0.019	►	0.0%
30/07/2018	Quarterly Activities and Cashflow Report	0.020	▲	5.3%	0.019	▼	5.0%
28/06/2018	Mining Approval Received from DMIRS	0.017	▲	6.3%	0.016	▼	5.9%
07/06/2018	Jaurdi Gold Project Update	0.017	►	0.0%	0.017	►	0.0%
27/04/2018	Quarterly Activities and Cashflow Report	0.018	▲	5.9%	0.019	▲	5.6%
03/04/2018	Jaurdi Gold Project Update	0.018	▲	5.9%	0.018	►	0.0%
22/02/2018	Kin Sells Surplus Lawlers Equipment to Beacon	0.017	►	0.0%	0.019	▲	11.8%
14/02/2018	Jaurdi Gold Project Update	0.016	►	0.0%	0.016	►	0.0%
25/01/2018	Quarterly Activities and Cashflow Report	0.017	▲	6.3%	0.017	►	0.0%
15/01/2018	Jaurdi Gold Project Update	0.017	▼	15.0%	0.017	►	0.0%
08/01/2018	Response to ASX Price and Volume Query	0.019	▼	5.0%	0.019	►	0.0%
17/11/2017	Commencement of Drilling Programme at Jaurdi Gold Project	0.016	▼	5.9%	0.017	▲	6.3%
31/10/2017	Quarterly Activities and Cashflow Report	0.015	►	0.0%	0.017	▲	13.3%
22/09/2017	Jaurdi Gold Project - Black Cat Mineral Resource Update	0.018	►	0%	0.018	►	0%
05/09/2017	Jaurdi Gold Project Update	0.018	▼	5%	0.018	►	0%
16/08/2017	Jaurdi Gold Project - Exploration Update	0.019	▲	6%	0.016	▼	16%
25/07/2017	Quarterly Activities and Cashflow Report	0.018	►	0%	0.017	▼	6%
12/07/2017	Jaurdi Gold Project - Lost Dog Mineral Resource Update	0.016	►	0%	0.020	▲	27%

Source: Bloomberg

On 15 January 2018, Beacon provided an update on the Jaurdi project outlining water exploration and sterilisation drilling. The share price decreased 15.0% on the day of the announcement to close at \$0.017, then remained stable over the three days subsequent to close unchanged.

On 25 January 2018, Beacon released its December 2017 Quarterly Activities and Cash Flow Report which highlighted the ongoing drilling at the Jaurdi project. The share price increased 6.3% on the day of the announcement to close at \$0.017, then remained stable over the three days subsequent to close unchanged.

On 22 February 2018, Beacon announced it had entered into an agreement with Kin Mining NL for the purchase of a number of major components for the Jaurdi project processing plant. The share price closed

unchanged on the day of the announcement at \$0.017, before increasing 11.8% over the three days subsequent to close at \$0.019.

On 3 April 2018, Beacon provided a development update on the Jaurdi project highlighting the completion of water bore testing, relocation of components for the processing plant and the appointment of a Resident Mine Manager. The Company also announced lodgement of key approval documents for the project to the Department of Mines, Industry Regulation and Safety ('DMIRS'). The share price increased 5.9% on the day of the announcement to close at \$0.018, then remained stable over the three days subsequent to close unchanged.

On 27 April 2018, Beacon released its March 2018 Quarterly Activities and Cash Flow Report. The Report provided a positive update on water bore drilling at the Jaurdi project and announced the acquisition of major components for the proposed processing plant. The share price increased 5.9% on the day of the announcement to close at \$0.018, before increasing a further 5.6% over the three days subsequent to close at \$0.019.

On 28 June 2018, Beacon announced it had received approval from the DMIRS for the Mining Proposal and Mine Closure Plan for the Jaurdi project. The Company has now received all necessary approvals to commence mining activities at the project in the September quarter 2018. The share price increased 6.3% on the day of the announcement to close at \$0.017, before decreasing 5.9% over the three days subsequent to close at \$0.016.

To provide further analysis of the market prices for a Beacon share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 27 August 2018.

	27 August 2018	10 Days	30 Days	60 Days	90 Days
Closing Price	\$0.022				
Weighted Average		\$0.020	\$0.020	\$0.018	\$0.018

Source: Bloomberg, BDO analysis

An analysis of the volume of trading in Beacon shares for the 12 months to 6 July 2018 is set out below:

	Share price low	Share price high	Cumulative Volume traded	As a % of Issued capital
1 day	\$0.022	\$0.022	2,851,436	0.14%
10 days	\$0.019	\$0.022	21,219,067	1.05%
30 days	\$0.017	\$0.022	46,325,711	2.30%
60 days	\$0.016	\$0.022	85,798,330	4.26%
90 days	\$0.016	\$0.022	115,168,947	5.72%
180 days	\$0.015	\$0.022	359,708,955	17.86%
1 year	\$0.015	\$0.022	474,158,817	23.54%

Source: Bloomberg, BDO analysis

This table indicates that Beacon's shares display a low level of liquidity, with only 5.72% of the Company's current issued capital being traded in the 90-day period prior to the date of our analysis. RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a

‘liquid and active’ market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company’s securities;
- Approximately 1% of a company’s securities are traded on a weekly basis;
- The spread of a company’s shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company’s shares should meet all of the above criteria to be considered ‘liquid and active’, however, failure of a company’s securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

Our assessment is that a range of values for Beacon shares based on market pricing, after disregarding post announcement pricing, is between \$0.018 and \$0.022.

Exercise Price of the Options

The exercise price is the price at which the underlying ordinary shares will be issued. The exercise price is \$0.025.

Valuation Date

We have valued the Beacon Options as at 27 August 2018.

Life of the Options

We have estimated the life of the Options for the purpose of our valuation. The minimum life of an option is the length of any vesting period. The maximum life is based on the expiry date, which is the remaining term of an option from the valuation date of the options to the expiry date.

There are many factors that determine the rationale for exercising options and therefore, the effective life of those options. Some of these factors include:

There is a limited track record of the listed options being exercised early. Generally, early exercise occurs:

- If the options are deep in the money as it is profitable for the holder of the option to exercise the options
- If the stock pays a dividend as the opportunity cost of holding the option is high
- If the volatility of the underlying share price is low as the probability of the options becoming deeper in the money is low relative to a highly volatile stock

For the purpose of this valuation, we have estimated an exercise date as the expiry date giving the effective life for the Options of 4.11 years, which we have input into the Black Scholes option pricing model.

Expected Volatility of the Share Price

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in option pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time.

Many techniques can be applied in determining volatility, with a summary of the methods we use below:

- The square root of the mean of the squared deviations of closing prices from a sample. This can be calculated using a combination of the opening, high, low, and closing share prices each day the underlying security trades for all days in the sample time period chosen
- The exponential weighted moving average model adopts the closing share price of the Company in a given time period. The model estimates a smoothing constant using the maximum likelihood method, which estimates volatility assuming that volatility is not a constant measure and is predicted to change in the future
- The generalised autoregressive conditional heteroscedasticity model. This model takes into account periods of time where volatility may be higher than normal and/or lower than normal, as well as the tendency for the volatility to run at its long run average level after such periods of abnormality. The model will calculate the rate at which this is likely to occur from the sample of prices thereby enabling estimates of future volatility by time to be made.

Due to a relatively low level of trading activity in Beacon shares, we have also considered the volatility of Beacon on the basis of the volatility of comparable companies. The comparable companies used in our assessment are mining companies active in the gold exploration sector in Australia and being at early stages of exploration. On this basis, we used a estimated volatility level of between 85-100% for Beacon in our pricing model.

Dividends Expected on the Shares

Beacon is not expected to pay a dividend during the life of the Options.

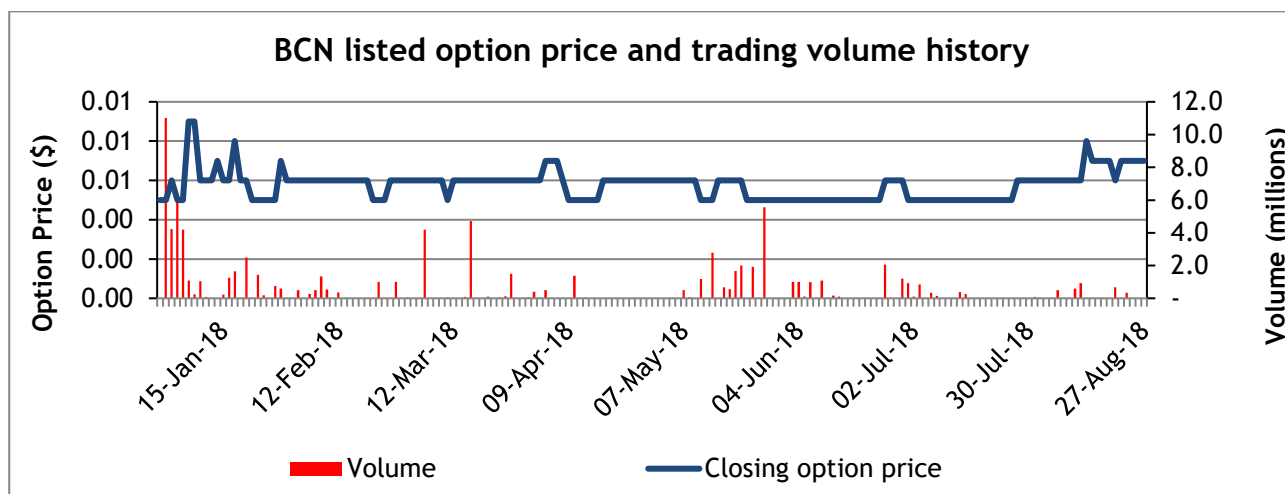
Conclusion

We set out below our conclusions as to the value of the Options:

Beacon Options	Low	Preferred	High
Underlying Security spot price	\$0.0018		\$0.0017
Exercise price	\$0.025		\$0.025
Volatility (per annum)	85%		100%
Valuation Date	27 August 2018		
Expiration date	17 August 2022		
Time to expiry	3.97 years		
Risk free rate	2.26% per annum		
Valuation per Option	\$0.010	\$0.0125	\$0.015

Source: BDO Analysis

In addition, we also considered the quoted market price for listed options currently on issue with the same terms, this is set out below.



Option Price per unit	27-Aug-18	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.007				
Volume weighted average price (VWAP)		\$0.007	\$0.007	\$0.006	\$0.006

Trading days	Option price low	Option price high	Cumulative volume traded	As a % of Issued options
1 Day	\$0.007	\$0.007	-	0.00%
10 Days	\$0.006	\$0.007	1,337,572	0.27%
30 Days	\$0.005	\$0.008	2,764,238	0.55%
60 Days	\$0.005	\$0.008	6,428,850	1.29%
90 Days	\$0.005	\$0.008	13,648,854	2.74%
180 Days	\$0.005	\$0.009	44,487,426	8.92%
1 Year	\$0.005	\$0.009	100,161,988	20.09%

We consider that the Black Scholes method is appropriate to rely upon as a primary approach, we consider the listed option price to be a broad cross check due to the lack of trading activity.

13. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to the Shareholders of Beacon.

14. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Beacon Minerals for the year ended 30 June 2017 and the half year report as at 31 December 2017
- Draft Debenture term sheet;
- Share registry information;
- Bloomberg;
- Consensus Forecasts
- Information in the public domain, including ASX announcements; Reserve Bank of Australia, US Geological Survey and
- Discussions with Directors and Management of Beacon.

15. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$18,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Beacon in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Beacon, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Beacon and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Beacon and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Beacon, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Beacon and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

16. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Global Natural Resources Leader for BDO.

Adam Myers is a member of Chartered Accountants Australia & New Zealand. Adam's career spans 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

17. Disclaimers and consents

This report has been prepared at the request of Beacon for inclusion in the Explanatory Memorandum/[Information Memorandum] which will be sent to all Beacon Shareholders. Beacon engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider whether the granting of security over a substantial asset is fair and reasonable to non-associated shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above [Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Beacon. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances.

Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Beacon, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

A handwritten signature in black ink, appearing to read 'Sherif Andrawes', with a long horizontal flourish extending to the right.

Sherif Andrawes
Director

A handwritten signature in blue ink, appearing to read 'Adam Myers', with a stylized, cursive-like structure.

Adam Myers
Director

Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD	Australian dollar
BDO	BDO Corporate Finance (WA) Pty Ltd
Beacon	Beacon Minerals Limited
The Company	Beacon Minerals Limited
Corporations Act	The Corporations Act 2001 Cth
DCF	Discounted Future Cash Flows
The Debentures	\$18,000,000, 36 month debenture notes, which will carry an interest rate of 12% per annum and a \$1 face value
Debenture holders	Those parties subscribing for the Debentures, including related parties
DMIRS	Department of Mines, Industry Regulation and Safety
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
GDP	Gross domestic product
The Industry	Gold ore mining industry
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)

Reference	Definition
NAV	Net Asset Value
QMP	Quoted market price
RBA	Reserve Bank of Australia
Our Report	This Independent Expert's Report prepared by BDO
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Secured Asset	The Company's Jaurdi Gold Project Mining Leases 16/0529, 16/0034 and 16/115 and Miscellaneous Licence 16/120
Security interest	Security over the Company's plant and equipment used at Mining Leases 16/0529, 16/0034, 16/0115 and L16/120
Shareholders	Non-associated shareholders of Beacon
US	United States
USD or US\$	United States dollar
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price

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For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:

The Directors
 BDO Corporate Finance (WA) Pty Ltd
 38 Station Street
 SUBIACO, WA 6008
 Australia

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.



BEACON MINERALS LIMITED

REGISTERED OFFICE:
PO BOX 423
KALGOORLIE WA 6433



ACN: 119 611 559

«EFT_REFERENCE_NUMBER»



«Post_zone»
«Company_code» «Sequence_number»

«Holder_name»
«Address_line_1»
«Address_line_2»
«Address_line_3»
«Address_line_4»
«Address_line_5»

SHARE REGISTRY:
Security Transfer Australia Pty Ltd
All Correspondence to:
PO BOX 52
Collins Street West VIC 8007
Suite 913, Exchange Tower
530 Little Collins Street
Melbourne VIC 3000
T: 1300 992 916 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code:

BCN

Holder Number:

«HOLDER_NUM

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

VOTE ONLINE

Lodge your proxy vote securely at www.securitytransfer.com.au
1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

«ONLINE

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

☐

The meeting chairperson

OR

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 10:00am, on 4 October 2018 at The Boulevard Centre, 99 The Boulevard, Floreat WA and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy.

RESOLUTION

- Approval of Issue of Debentures, Issue of Options, and Grant of Mortgage and Security Interest to Related Party – Lamerton Pty Ltd <Mac's Super Fund>
- Approval of Issue of Debentures, Issue of Options, and Grant of Mortgage and Security Interest to Related Party – Geoffrey & Gwenda Greenhill As Trustee for Greenhill Super Fund
- Approval of Issue of Debentures, Issue of Options, and Grant of Mortgage and Security Interest to Related Party – Helen Gayle McGarry
- Approval of Issue of Debentures, Issue of Options, and Grant of Mortgage and Security Interest to Related Party – Caperi Pty Ltd <Caperi Trust>, Malvasia Pty Ltd <The Spyder Super Fund> And Caperi Pty Ltd <Salina Childrens Trust>
- Placement - Options

For	Against	Abstain*
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. *

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

Proxies must be received by Security Transfer Australia Pty Ltd no later than 10:00am WST on Tuesday 2 October 2018.



BCNPX1270818

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BCN

BCNPX1270818





My/Our contact details in case of enquiries are:

Name:

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Number:

(				)															
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1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- Return both forms in the same envelope.

5. SIGNING INSTRUCTIONS

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Australia Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

Security Transfer Australia Pty Ltd

Online www.securitytransfer.com.au

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Collins Street West VIC 8007

Street Address Suite 913, Exchange Tower
530 Little Collins Street
Melbourne VIC 3000

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Email registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

