Beacon Minerals Limited

(ABN 64 119 611 559)

Annual Financial Report

For the year ended 30 June 2010

Contents

CORPORATE INFORMATION

ABN 64 119 611 559

Directors
Paul Lloyd (Chairman)
Darryl Harris (Managing Director)
Matthew Egan

Company Secretary
Paul Lloyd

Principal place of business
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West Perth, Western Australia 6005
Telephone: +61 8 9476 9200
Facsimile: +61 8 9476 9099
Email: admin@beaconminerals.com
Website: www.beaconminerals.com

Share Register
Advanced Share Registry Services
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Nedlands, Western Australia, 6009

Solicitors
Murcia Pestell Hillard Pty Ltd
Level 3, 23 Barrack Street
Perth, Western Australia 6000

Auditors
HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

ASX Code
BCN

Registered office
30 Ledgar Road
Balcatta, Western Australia 6021

DIRECTORS' REPORT

Your directors submit the annual financial report of the entity for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS AND INTERESTS

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience

Paul Lloyd, B.Bus CA (Chairman/Company Secretary)

Paul Lloyd is a Chartered Accountant with over 25 years commercial experience. Mr Lloyd operates his own corporate consulting business, specialising in the area of corporate, financial and management advisory services. After commencing his career with an international accounting firm, he was employed for approximately 10 years as the General Manager of Finance for a Western Australian based international drilling contractor working extensively in Asia and Africa.

Mr Lloyd is a non executive Director of ASX-listed Riviera Resources Limited and Target Energy Limited.

Mr Lloyd was appointed to the Board on 9 May 2006.

During the last three years, Mr Lloyd has also served as a director of the following listed companies:

- Target Energy Limited*
- Riviera Resources Limited*

Darryl Harris B.Sc.MAusIMM (Managing Director)

Darryl Harris is an engineering metallurgist with over 30 years experience in the development, design and commissioning of various metallurgical plants, including iron and steel, sulphuric acid, alumina and base metal projects. Mr Harris has had a long association with consultant engineering companies including Nedpac, Signet Engineering, Lurgi, Outokumpu and Outotec.

This includes coordination of various studies and concept development of various metallurgical plants including steel projects such as Kingstream and specific metallurgical experience includes detailed feasibility studies, laboratory testwork, and project development for a variety of gold, ferrous, diamond and base metal projects.

Mr Harris is currently a Non Executive Director of Indo Mines Limited and has been a director of the company since 16 June 1987. The ASX listed Indo Mines Limited are developing the Jogjakarta Ironsands Project in Indonesia.

Mr Harris was appointed to the Board on 31 July 2008.

During the last three years, Mr Harris has also served as a director of Indo Mines Limited*, an ASX listed company.

Matthew Egan (Non-Executive Director)

Matthew Egan has been associated with the exploration and mining industry for over 25 years. Matthew commenced his career with his family owned mineral drilling contracting company, working up to the position of Managing Director, where he negotiated and won long term contracts with key mining companies which resulted in the growth of the company to employing 135 staff. The company was later purchased by DrillCorp Ltd.

He is currently the Managing Director and owner of Egan Drilling Services, a mineral drilling contractor operating in Western Australia.

Mr Egan was appointed to the Board on 9 May 2006.

Mr Egan has no other public company directorships and has not held any public company directorships in the last 3 years.

** denotes current directorships*

DIRECTORS' REPORT (continued)

Directors' interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Beacon Minerals Limited were:

	Number of remuneration options	Number of other options	Number of fully paid ordinary shares
Paul Lloyd	2,000,000 (i)	-	6,180,000
Darryl Harris	-	-	1,178,000
Matthew Egan	2,000,000 (i)	-	1,521,947

(i) Exercisable at 20 cents on or before 31 May 2011.

Share Options

Details of unissued ordinary shares under options are as follows:

	Number of options	Exercise price	Expiry date
Beacon Minerals Limited	6,000,000	20 cents	31 May 2011
Beacon Minerals Limited	150,000	27 cents	1 August 2012

18,070,074 ordinary shares were issued during the financial year as a result of the exercise of options (option exercise price was 1 cent).

240,220,610 ordinary shares were issued between the end of the financial year and the date of this report, as a result of the exercise of options (option exercise price was 1 cent).

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Principal Activities

The principal activities of the entity during the year were the exploration and development of mineral projects.

There has been no significant changes in the nature of those activities during the year.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS

The Company was extremely active during the year exploring the Barlee Gold Project in Western Australia, as well as rationalising its Queensland tenement portfolio.

Confidence in the broad structural controls of gold mineralisation at Barlee led to several major drilling campaigns as well as the initiation of a large regional geochemical programme. This achieved several milestones including;

- Calculation of the company's first JORC compliant Inferred Resource at Barlee, which led to the application for a Mining lease over the Halleys East and Phil deposits,
- The identification of several prospective shear zones proximal to the Halleys East and Phil Shears following RAB-AC drilling, which contain anomalous gold mineralisation,
- The identification of numerous gold anomalies following the regional geochemical sampling program.

A total of 44,774 metres(m) of drilling was completed for the year, including:

- 29,623m of RAB-AC (1,122 holes)
- 14,523m of RC (121 holes) and
- 628m of DC drilling (6 holes).

This was complimented by the collection of over 5,700 regional soil samples across the three exploration licences that comprise the Barlee area.

Resource Drilling – Halleys East and Phil

Continued RC and DC drilling at Halleys East and Phil during the year returned numerous encouraging gold intersections, with the new Halleys West Zone being intersected in RC drilling during this time.

Additional drilling at Phil also returned encouraging gold intersections as the distinctive laminated cherty zone was extended down plunge and down dip.

Significant intersections from both the Halleys East and Phil drilling included (down hole widths quoted);

Selected Significant Intersections – Halleys East & Phil (RC & DC)

Hole	Area	East	North	Az/Dip	Tot Depth	From	To	Intercept	g/t gold +0.5
BD002	Halleys East	703180	6737490	320/-60	78.83	37	46	**9m**	**@ 11.08**
BD002	Halleys East	703180	6737490	320/-60	78.83	38	39	**inc 1m**	**@ 26.03**
BD002	Halleys East	703180	6737490	320/-60	78.83	41	42	**inc 1m**	**@ 15.03**
BD002	Halleys East	703180	6737490	320/-60	78.83	44	45	**inc 1m**	**@ 44.77**
BD002	Halleys East	703180	6737490	320/-60	78.83	50	53	**3m**	**@ 10.47**
BRC111D	Halleys East	703240	6737550	320/-55	183	131	132	**1m**	**@ 9.69**
BRC112D	Halleys East	703270	6737520	330/-55	246.42	242	243	**1m**	**@ 11.35**
BRC116	Halleys East	703154	6737643	140/-60	138	52	64	**12m**	**@ 11.23**
BRC116	Halleys East	703154	6737643	140/-60	138	54	56	**inc 2m**	**@ 15.75**
BRC116	Halleys East	703154	6737643	140/-60	138	58	61	**inc 3m**	**@ 25.02**
BRC131	Halleys East	703290	6737699	320/60	120	16	18	**2m**	**@ 5.39**
BRC134	Halleys West	703169	6737657	140/-60	110	39	45	**6m**	**@ 6.16**

DIRECTORS' REPORT (continued)

Review of Operations (continued)

Hole	Area	East	North	Az/Dip	Tot Depth	From	To	Intercept	g/t gold +0.5
BRC134	Halleys West	703169	6737657	140/-60	110	42	44	**inc 2m**	**@ 16.77**
BRC135	Halleys West	703143	6737634	140/-60	110	86	100	**14m**	**@ 45.32**
BRC135	Halleys West	703143	6737634	140/-60	110	87	93	**inc 6m**	**@ 102.66**
BRC152	Halleys West	703225	6737567	270/-60	140	64	71	**7m**	**@ 3.10**
BRC152	Halleys West	703225	6737567	270/-60	140	124	129	**5m**	**@ 14.12**
BRC152	Halleys West	703225	6737567	270/-60	140	124	126	**inc 2m**	**@ 33.80**
BRC158	Halleys West	703198	6737568	320/-65	100	22	30	**8m**	**@ 2.2**
BRC158	Halleys West	703198	6737568	320/-65	100	97	100	**3m**	**@ 18.4 (EOH)**
BRC159	Halleys West	703198	6737547	320/-65	130	35	38	**3m**	**@ 3.9**
BRC159	Halleys West	703198	6737547	320/-65	130	65	69	**4m**	**@ 15.4**
BRC159	Halleys West	703198	6737547	320/-65	130	67	69	**inc 2m**	**@ 30.1**
BRC159	Halleys West	703198	6737547	320/-65	130	81	84	**3m**	**@ 27.3**
BRC159	Halleys West	703198	6737547	320/-65	130	82	84	**inc 2m**	**@ 41.2**
BRC160	Halleys West	703201	6737502	320/-60	155	46	56	**10m**	**@ 3.5**
BD001	Phil	702965	6739255	320/-60	113	69	78	**10m**	**@ 18.47**
BD001	Phil	702965	6739255	320/-60	113	71	75	**inc 4m**	**@ 41.38**
BD001	Phil	702965	6739255	320/-60	113	81	86	**5m**	**@ 14.34**
BD001	Phil	702965	6739255	320/-60	113	82	85	**inc 3m**	**@ 23.11**
BRC128	Phil	702960	6739222	320/-60	132	86	100	**14m**	**@ 3.3**
BRC128	Phil	702960	6739222	320/-60	132	96	97	**inc 1m**	**@ 23.60**
BRC148	Phil	702960	6739198	320/-60	160	85	88	**3m**	**@ 3.69**
BRC149	Phil	702971	6739207	320/-60	180	108	112	**4m**	**@ 9.56**
BRC149	Phil	702971	6739207	320/-60	180	110	111	**inc 1m**	**@ 33.47**
BRC154	Phil	702974	6739274	320/-60	150	80	85	**5m**	**@ 6.05**
BRC154	Phil	702974	6739274	320/-60	150	80	82	**inc 2m**	**@ 14.25**
BRC154	Phil	702974	6739274	320/-60	150	95	98	**3m**	**@ 6.70**
BRC154	Phil	702974	6739274	320/-60	150	96	97	**inc 1m**	**@ 15.47**
BRC156	Phil	702975	6739367	320/-60	160	87	94	**7m**	**@ 3.21**
BRC156	Phil	702975	6739367	320/-60	160	87	89	**inc 2m**	**@ 8.83**
BRC161	Phil	702984	6739192	320/-60	180	119	126	**7m**	**@ 9.2**
BRC161	Phil	702984	6739192	320/-60	180	119	122	**inc 3m**	**@ 18.9**
BRC162	Phil	702973	6739182	320/-60	140	117	126	**9m**	**@ 3.9**
BRC165	Phil	702988	6739351	320/-60	140	113	117	**4m**	**@ 3.3**
BRC168	Phil	702987	6739259	320/-60	140	117	123	**6m**	**@ 1.8**

DIRECTORS' REPORT (continued)

Review of Operations (continued)

Resource Calculation – Halleys East and Phil Deposits

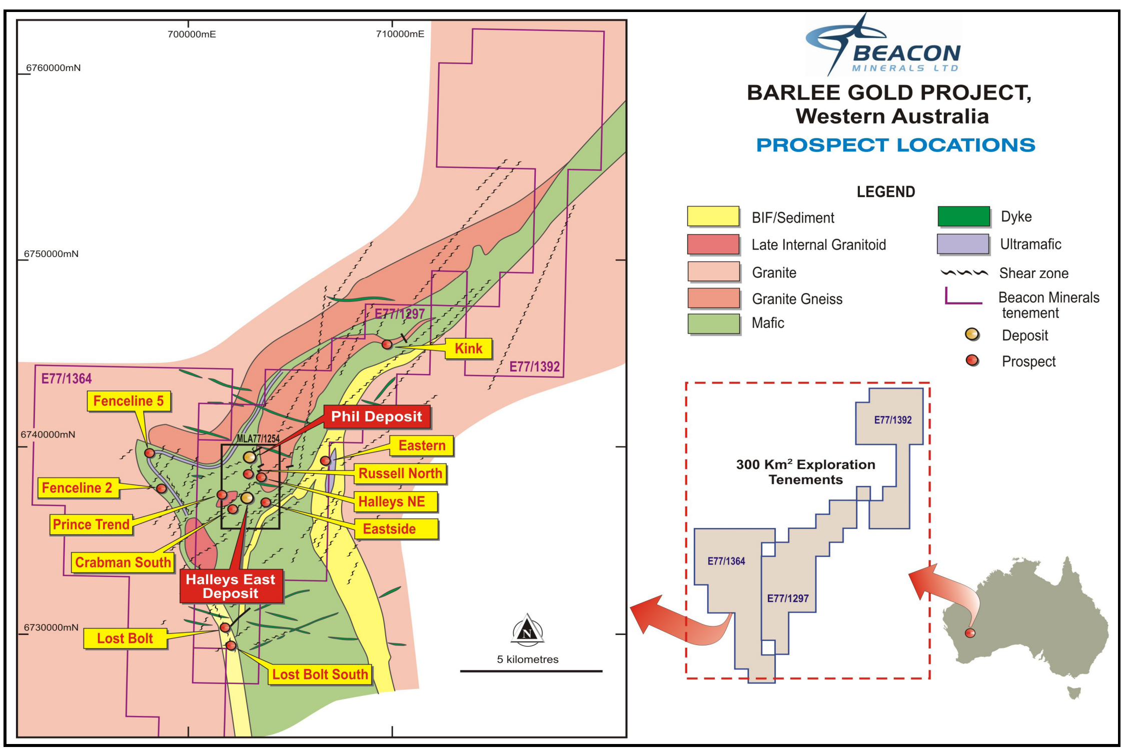
The company engaged BKD Resources Pty Ltd in Late 2009 to estimate an initial resource for the Halleys East and Phil deposits. This resulted in an Inferred Resource of 0.384Mt @ 6 g/t Au for 74,000oz being calculated, as detailed below;

Resource Classification - JORC Inferred				
Cut Off (Gold g/t)	Prospect	Tonnes (t)	Gold (g/t)	Gold (toz)
0.50	Halley's East	299,000	6.7	64,000
0.50	Phil	85,000	3.7	10,000
0.50	Total	384,000	6.0	74,000

A 12 square kilometre Mining Lease was applied for to cover these deposit areas in Early 2010 (MLA77/1254).

Proximal RAB – AC Drilling

Several other prospect areas interpreted to be spatially associated with the Halleys East and / or Phil Shear Zones were also located during the year with both RC and RAB-AC drilling and include Crabman South, Prince Trend, Halley's NE, and the Eastside anomalies. Better intersections are presented below (down hole widths quoted);



DIRECTORS' REPORT (continued)

Review of Operations (continued)

Selected Significant Intersections – RAB – AC

Hole ID	Area	East	North	Az/Dip	Total Depth	From	To	Intercept	g/t gold
BRC121	Crabman Sth	702515	6736870	150/-60	144	130	131	**1m**	**@ 18.10**
BRC140	Crabman Sth	702524	6736854	140/-60	129	41	52	**11m**	**@ 1.41**
BRC140	Crabman Sth	702524	6736854	140/-60	129	54	63	**9m**	**@ 1.28**
BRC142	Crabman Sth	702481	6736844	140/-60	138	92	95	**3m**	**@ 9.36**
BRC142	Crabman Sth	702481	6736844	140/-60	138	92	93	**inc 1m**	**@ 21.40**
BRC182	Crabman Sth	702511	6736833	140/-60	120	37	40	**3m**	**@ 5.2**
BRC182	Crabman Sth	702511	6736833	140/-60	120	38	39	**inc 1m**	**@ 13.1**
BRC184	Crabman Sth	702561	6736872	140/-60	120	36	55	**19m**	**@ 1.1**
BRC208	Crabman Sth	702551	6736792	320/-60	108	49	53	**4m**	**@ 3.8**
BRB1305	Eastside	704250	6737500	0/-90	48	4	28	**24m**	**@ 0.3**
BRB1308	Eastside	704400	6737500	0/-90	51	20	48	**28m**	**@ 1.1**
BRB1308	Eastside					32	40	**inc 8m**	**@ 3.4**
BRB1309	Eastside	704450	6737500	0/-90	61	40	48	**8m**	**@ 0.7**
BRB1311	Eastside	704400	6737450	0/-90	68	56	68	**12m**	**@ 0.5 (EOH)**
BRB0866	Halleys	703550	6737750	0/-90	43	16	43	**27m**	**@ 0.65**
BRB0866	Halleys					24	32	**inc 8m**	**@ 1.5**
BRB0868	Halleys	703650	6737750	0/-90	37	24	37	**13m**	**@ 0.35 (EOH)**
BRB1202	Halleys NE	702275	6736900	0/-90	35	12	20	**8m**	**@ 0.6**
BRB1205	Halleys NE	702350	6737100	0/-90	25	8	20	**12m**	**@ 0.4**
BRB1256	Halleys NE	704975	6738240	0/-90	53	24	36	**12m**	**@ 0.9**
BRB1285	Eastside	704050	6737750	0/-90	49	20	40	**20m**	**@ 1.0**
BRB1285	Eastside					28	36	**inc 8m**	**@ 2.1**
BRB0913	Halleys NE	703600	6737250	0/-90	43	16	32	**16m**	**@ 0.3**
BRB0928	Halleys NE	704050	6737450	0/-90	57	40	52	**12m**	**@ 0.4**
BRB0933	Halleys NE	704050	6737500	0/-90	56	16	56	**40m**	**@ 0.3 (EOH)**
BRB0991	Halleys NE	703625	6737750	0/-90	49	20	32	**12m**	**@ 0.6**
BRB1020	Halleys NE	704400	6738250	0/-90	43	32	43	**11m**	**@ 0.7 (EOH)**
BRB0603	King	701775	6736150	0/-90	43	20	40	**20m**	**@ 0.3**
BRB0606	King	701825	6736200	0/-90	37	16	32	**16m**	**@ 0.3**
BRB0900	Phil SW	702750	6738950	0/-90	44	20	44	**24m**	**@ 0.63 (EOH)**
BRB0900	Phil SW					24	28	**inc 4m**	**@ 1.63**
BRB0615	Prince	702525	6737150	0/-90	80	12	28	**16m**	**@ 0.4**
BRB0621	Prince	702300	6736950	0/-90	37	8	32	**24m**	**@ 0.2**
BRB0846	Prince	702250	6736900	0/-90	31	8	28	**20m**	**@ 0.58**
BRB0846	Prince					20	24	**inc 4m**	**@ 1.62**
BRC214	Prince Trend	702301	6736902	320/-60	120	72	79	**7m**	**@ 8.3**
BRC214	Prince Trend	702301	6736902	320/-60	120	72	74	**inc 2m**	**@ 23.9**

DIRECTORS' REPORT (continued)

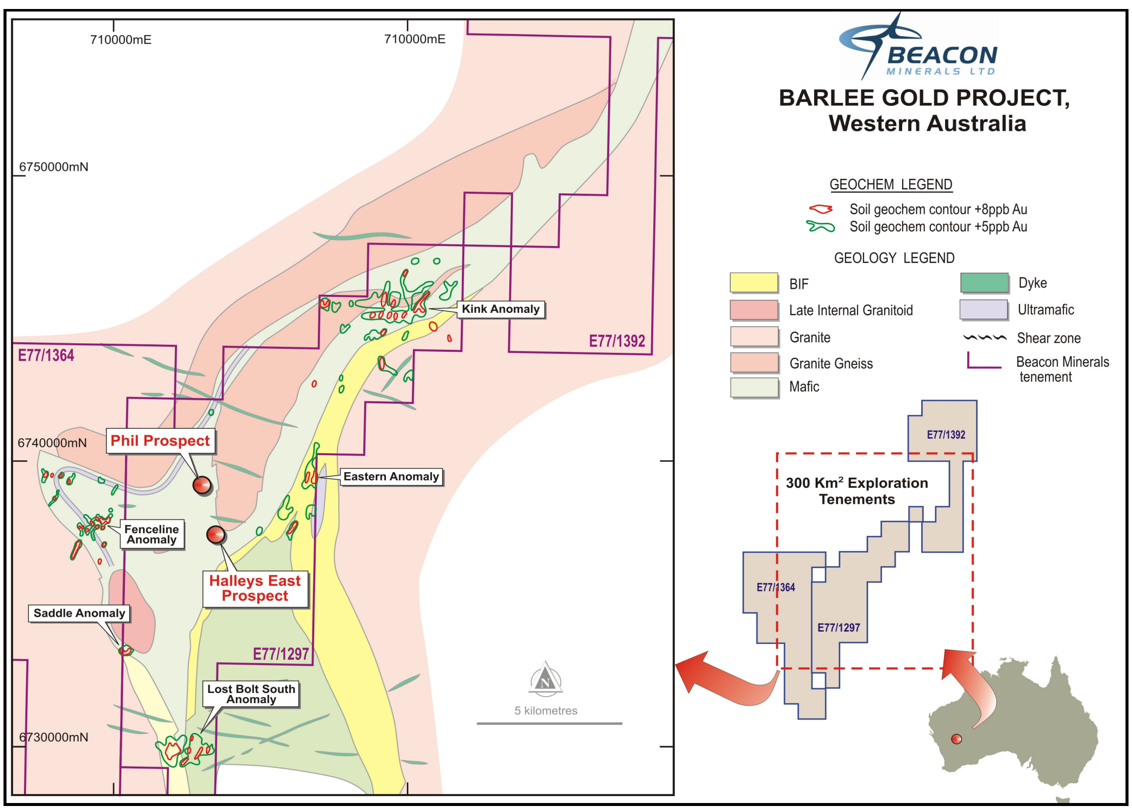
Review of Operations (continued)

GDA Coordinates Zone 50
(RC)
Results calculated at + 0.5 g/t Au, with a maximum of 2 metres internal dilution.
Repeat assays averaged. Duplicate blanks and certified standard samples inserted routinely.
Samples collected as single metre samples from cone splitter via cyclone mounted on drill rig.
Assays sent to KalAssay Laboratories in Kalgoorlie. Gold determination via Fire Assay-ICP / OES (ppm)
(RAB-AC)
Results calculated at + 0.1 g/t, with maximum of 1 sample internal dilution.
Repeat assays averaged. Duplicate samples inserted routinely.
Samples collected as composite samples to a maximum of 4 metres
Assays sent to Ultratrace Laboratories in Perth. Gold & PGE determination via Fire Assay-ICP/OES
Au = gold, EOH= End of Hole
All holes vertical to blade refusal.

Regional Exploration

Other potentially mineralised regional areas were also tested for the first time during the year. The Company completed regional geochemical sampling over most of E77/1297 combined with selected areas within E77/1364 and E77/1392. Soil samples were analysed for a suite of elements including Au, As, Pb, Zn, Ni and Cu, with areas within E77/1392 also being sampled for U.

A number of geochemical anomalies were identified including Lost Bolt South, Kink, Fenceline, 120 Prospect, Straddle and the Eastern Anomaly. Several of these will be tested in future drilling programmes.



At Lost Bolt South, a large combined Au-As anomaly south of the historical Lost Bolt Prospect was outlined over some 500m with peak Au and As results to 71 ppb Au and 298 ppm As respectively. The Lost Bolt South anomaly is hosted in sediments belonging to the Diemals Formation and differs in its geological context when compared to the Halley's East deposit located ~ 5km north.

At Kink, a broad coherent +5 ppb anomaly associated with a 'kink' in magnetic character in the greenstone belt was also identified from geochemical sampling. Peak Au to 11 ppb was returned together with elevated Zn and Pb.

DIRECTORS' REPORT (continued)

Review of Operations (continued)

Sampling within E77/1364 located five areas of geochemical gold anomalism, Fenceline 1-5, whilst the Straddle Au-As anomaly is located on the boundary of E77/1364 and E77/1297 to the south. Peak values of 32ppb Au and over 309 ppm As were obtained at Straddle.

The 120 Prospect is located 2-3 km south of Halley's East and is associated with sheared BIF/sediments. The anomaly is over 500m long with peak gold to 120ppb Au and As to 977ppm.

The Eastern Anomaly contains elevated Au, Cu and Ni and is spatially associated with an ultramafic intrusive. Further sampling of this anomaly will focus on both the Ni and Au potential.

The Company is highly encouraged by both the initial JORC compliant Inferred Resource calculated at Barlee as well as the numerous exploration targets that require follow-up. Work planned for next year will focus on identifying priority areas for drilling which have the best chance of potentially increasing the current resource base. The company is also considering acquiring more detailed geophysical data which may identify the more subtle controls to the higher grade gold zones and allow more focused drilling.

At the Company's Greenvale project, EPM 15069 was relinquished during the year leaving only ML6750 in the portfolio. This lease is currently being reviewed.

In accordance with Listing Rules 5.6 of the Australian Securities Exchange, the Exploration Results contained in this report have been compiled by Mr. Lyle Thorne, a consultant to the Company. Mr. Thorne is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has the relevant experience with the mineralisation reported on to qualify as a Competent Person as defined in the 2004 Edition of the " Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ". Mr. Thorne consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report, as it relates to Resource Estimates, is based on information compiled and/or reviewed by Byron Dumpleton, a consultant to the company, who is a Member of the AusIMM. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Byron Dumpleton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Down hole widths quoted. Due to the preliminary nature of the exploration drilling, the company is unable to state if mineralised widths approximate true width. The Company also advises that it is uncertain as to whether further drilling in these areas will lead to the discovery of potentially economic mineralisation.

DIRECTORS' REPORT (continued)

OPERATING RESULTS FOR THE YEAR

Net loss attributable to equity holders for the year ended 30 June 2010	$944,442
Basic loss per share (cents)	(0.16)

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Company to the date of this report, not otherwise disclosed in this report.

Significant events after balance date

The Company announced on 6 September 2010 the conclusion of a capital raising from the exercise of 1 cent options that expired 31 August 2010. A total of $2,300,000 was raised before costs from the conversion of the options. Existing option holders converted 220,862,109 options (96%) of the total 229,949,110 on issue with the balance being placed with the underwriter.

There were no other matter or circumstance that have arisen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Therefore, this information has not been presented in this report.

Environmental legislation

The Company is not subject to any significant environmental legislation.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify the following current directors of the Company, Mr P Lloyd, Mr D Harris and Mr M Egan against all liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The total amount of premiums paid was $8,877.

DIRECTORS' REPORT (continued)

RENUMERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Beacon Minerals Limited (the "company"), for the financial year ended 30 June 2010.

The following persons acted as directors during or since the end of the financial year:

Paul Lloyd (Chairman)
Darryl Harris (Managing Director)
Matthew Egan

Remuneration philosophy

The performance of the company depends upon the quality of the directors and executives. The philosophy of the company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non executive directors shall be determined from time to time by a general meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non executive directors of comparable companies when undertaking the annual review process. Each director receives a fee for being a director of the company. The remuneration of non executive directors for the year ended 30 June 2010 is detailed below and in Note 21 of this financial report.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed Remuneration

Fixed remuneration is reviewed annually by the Board of Directors. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices.

Variable Remuneration

The current directors hold significant numbers of options and or shares. Therefore there exists a direct link between the creation of shareholder wealth performance, and the financial rewards for the directors.

Employment Contracts

On 2 March 2010 the company entered into service contracts with the two executive directors, Darryl Harris and Paul Lloyd. A summary of the service contracts are as follows;

- The agreements were entered into on 2 March 2010 and have a term of 2 years
- The remuneration is based on the days worked at $1,300 per day for Darryl Harris and $1,500 per day for Paul Lloyd
- On termination of the engagement by the company or the executive, a period of 3 months notice is required
- On termination of the engagement by the company, the company will pay fees being the average of the fees paid during the first year of consulting and the estimated annual fee payable during the second year of consulting. If the executive terminates the engagement within 12 months of a change in control occurring over the operation and shareholder base of the company, the company will pay fees being the average of the fees paid during the first year of consulting and the estimated annual fee payable during the second year of consulting. For both executives this payment is expected to be in the range of $250,000 to $300,000.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

	Short term employee benefits		Post employment benefits	Equity	Total	%
	Salary & Fees	Non Monetary Benefits	Super-annuation	Options/Shares		Performance Related
30 June 2009						
M Egan	24,000	2,245	2,160	-	28,405	-
D Harris	211,200	2,058	-	56,341	269,599	21
P Lloyd	221,641	2,245	17,158	125,000	366,044	34
L Thorne*	42,604	561	3,834	-	46,999	-
J Hebenton*	16,000	1,497	1,440	18,780	37,717	50
Total	515,445	8,606	24,592	200,121	748,764	27

* resigned during the year ended 30 June 2009

30 June 2010						
M Egan	24,000	2,959	2,160	-	29,119	-
D Harris	242,100	2,959	-	-	245,059	-
P Lloyd	249,000	2,959	-	-	251,959	-
Total	515,100	8,877	2,160	-	526,137	-

Table 2: Options and shares granted as part of remuneration

	Value of options/shares granted at grant date	Value of options exercised at exercise date	Value of options lapsed at time of lapse	Total value of options/shares granted, exercised and lapsed	Value of options lapsed during period	Value of Options/shares included in remuneration for the year	% remuneration consisting of options for the year
30 June 2009							
P Lloyd	125,000	-	-	125,000	-	125,000	34
D Harris	56,341	-	-	56,341	-	56,341	21
J Hebenton	18,780	-	-	18,780	-	18,780	50
Total	200,121	-	-	200,121	-	200,121	27

No options were granted as part of remuneration during the year ended 30 June 2010.

For details on the valuation of the options, including models and assumptions used, please refer to Note 11. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Directors' Meetings

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	Full meetings of Directors	
Directors during the year ended 30 June 2010	**A**	**B**
P Lloyd	6	6
D Harris	6	6
M Egan	6	6

A = Number of meetings held during the time that the director held office

B = Number of meetings attended in person

DIRECTORS' REPORT (continued)

Auditor Independence

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 22 and forms part of this directors' report for the year ended 30 June 2010.

Non-Audit Services

There were no non-audit services provided by our auditors, HLB Mann Judd, during the year.

Signed in accordance with a resolution of the directors.

P Lloyd

Paul Lloyd
Chairman

Perth, 30 September 2010

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors business activities and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with company's needs. The Corporate Governance Statement has been structured with reference to ASX Corporate Governance Council's ("council") "Principles of Good Corporate Governance and Best Practise Recommendations" to the extent that they are applicable to the Company.

Information about the Company's corporate governance practises is set out below.

Board of Directors

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Beacon Minerals Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Beacon Minerals Limited are considered to be independent:

Name	**Position**
Matthew Egan	Non Executive Director

There are procedures in place, agreed by the Board, to enable directors in the furtherance of their duties to seek independent professional advice at the company's expense.

The term in office held by each director in office at the date of this report is as follows:

Name	Office	Date of Appointment	Period of Tenure (months)	Date of most recent re-election by members
Paul Lloyd	Chairman	9 May 2006	49	November 2009
Darryl Harris	Managing Director	31 July 2008	23	November 2008
Matthew Egan	Non Executive Director	9 May 2006	49	November 2008

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

CORPORATE GOVERNANCE STATEMENT (continued)

Board Processes

The Board has established a framework for the management of the entity including a system of internal control, a business risk management process and appropriate ethical standards.

The full Board schedules meetings, including strategy meetings and any extraordinary meetings, as necessary to address any specific significant matters that may arise. The agenda for meetings is prepared in conjunction with the Chairman and Managing Director. Standing items include the management report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance.

The entity is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of separate board committees, including a Nomination Committee, Remuneration Committee or an Audit Committee. Accordingly, all matters that may be considered by such committees are dealt with by the full Board. Details of the Board's procedures in respect to each of these areas are further outlined within the Corporate Governance Statement below - see Nomination Committee, Remuneration Committee and Audit committee respectively.

Director Education

The company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the entity concerning performance of directors. Directors also have the opportunity to visit entity facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the chairman, may seek independent professional advice from a suitably qualified adviser at the entity's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the board.

Composition of the Board

The names of the Directors of the Company in office at the date of this report are set out in the Directors' Report.

The composition of the Board is determined using the following principles:

- A minimum of three directors, with a broad range of expertise both nationally and internationally
- Directors having extensive knowledge of the Company's industries, and those which do not, have extensive expertise in significant aspects of auditing and financial reporting, or risk management and financing of public companies
- The roles of Chairman and Managing Director are not to be exercised by the same individual.

Board members have experience in the management of public companies. The board currently does not have a majority of independent directors as recommended by the ASX Corporate Governance Council. The directors consider that, given the current size and stage of development of the Company, the current number of independent directors in the Company is appropriate for the effective execution of the board's responsibilities. The directors periodically monitor the need to appoint additional independent directors.

Mr Matthew Egan is considered an "Independent Director" in terms of ASX Recommendations as he does not hold a substantial amount of shares in the Company.

Chairman

The Company is not currently considered to be of a size, nor is its affairs of such complexity to justify the need for an independent Chairman. The Chairman has been selected to bring specific skills and industry experience relevant to the Company.

CORPORATE GOVERNANCE STATEMENT (continued)

Nomination Committee

The board considers that a formally constituted Nomination Committee is not appropriate as the board, as part of its usual role, oversees the appointment and induction process for directors, and the selection, appointment and succession planning process of the Company's executive officers. The board considers the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the board determines the selection criteria based on the skills deemed necessary. The board identifies potential candidates and may take advice from an external consultant. The board then appoints the most suitable candidate. Board candidates must stand for election at the next general meeting of shareholders.

The chairman of the board continually reviews the effectiveness of the board, individual directors, and senior executives. The other directors have an opportunity to contribute to the review process. The reviews generate recommendations to the board, which votes on them. Directors displaying unsatisfactory performance are required to retire.

Remuneration Committee

The board considered that a formally constituted Remuneration Committee is not appropriate as the board, as part of its usual role, oversees the appointment and remuneration of directors and the Company's executive officers. Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The board may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages include a mix of fixed remuneration, performance-based remuneration, and equity-based remuneration.

The remuneration structures explained below are designed to attract suitably qualified candidates, and to affect the broader outcome of maximising the Company's profitability. The remuneration structures take into account:

- Overall level of remuneration for each director and executive;
- The executive's ability to control the performance of the relevant area; and
- The amount of incentives within each executive's remuneration.

Shares and options can only be issued to Company Directors under a resolution at a general meeting of shareholders.

Non executive Directors may receive a base fee and can be remunerated by way of share and option issues approved under a resolution at a general meeting of shareholders.

The board has no established retirement or redundancy schemes.

Audit committee

The company is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Audit Committee. Whilst the Company does not have a formally constituted Audit Committee, the board, as part of its usual role, undertakes audit related responsibilities including:

- Reviewing the annual and interim financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholders needs;
- Assessing corporate risk assessment processes;
- Assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. The external auditor provides an annual declaration of independence which is consistent with Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board;
- Addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Securities Exchange and financial institutions;
- Reviewing the nomination and performance of the external auditor. The external audit engagement partner will be rotated every five years;
- Assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- Monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements.

CORPORATE GOVERNANCE STATEMENT (continued)

Audit committee (continued)

The directors review the performance of the external auditors on an annual basis and normally meet with them during the year to:

- Discuss the external audit plans, identify any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- Review the annual and half-year reports prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, prior to announcement of the result.

The board monitors the need to form an Audit Committee on a periodic basis.

Risk Management

Overview of the Risk Management System

The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. This includes assessing, monitoring and managing operational, financial reporting, and compliance risks for the company. The company is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for reporting risk management and associated compliance and controls. Instead, a director, in accordance with company policy, approves all expenditure, is intimately acquainted with all operations and reports all relevant issues to the other directors at the directors' meetings. The company secretary has declared to the board, that the aforementioned system is working efficiently and effectively. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the entire part of the financial year that the Company operated and the period up to the signing of the annual financial report for all material operations in the company.

Risk Profile

The company is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the board, as part of its usual role and through direct involvement in the management of the Company's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

Major risks arise from such matters as actions by competitors, government policy changes, difficulties in sourcing raw materials, the robustness of the technologies being used or proposed to be used, environment, occupational health and safety, financial reporting and the purchase, development and use of information systems.

Risk Management, Compliance and Control

The board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities.
Practices have been established to ensure:

- Capital expenditure and revenue commitments above a certain size obtain prior board approval;
- Financial exposures are controlled, including the potential use of derivatives;
- Occupational health & safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- Business transactions are properly authorised and executed;
- The quality and integrity of personnel (see below);
- Financial reporting accuracy and compliance with the financial reporting regulatory framework (see below); and
- Environmental regulation compliance (see below).

CORPORATE GOVERNANCE STATEMENT (continued)

Quality and Integrity of Personnel

The Company conducts a comprehensive review of the ability and experience of potential employees prior to appointment. Informal appraisals will be conducted regularly with continuous feedback and on the job monitoring and training for all employees. Formal appraisals will be conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews will create an environment of co-operation and constructive dialogue with employees and senior management.

Financial Reporting

The company secretary has declared, to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board. Following the reporting year, monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Environmental Regulation

The Company's operations are subject to significant environmental regulation in relation to its operational activities. The Company is committed to achieving a high standard of environmental performance. The board is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations.

Internal Audit

The Company does not have a formally established internal audit function. The board ensures compliance with the internal controls and risk management procedures previously mentioned.

Ethical Standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Conflict of Interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest. Where the board believes that a significant conflict exists for a director on a board matter, the director concerned is not present at the meeting whilst the item is considered.

Code of conduct

The Company has established a Code of Conduct (Code) which aims to develop a consistent understanding of, and approach to, the desired standards of conduct and behaviour of the directors, officers, employees and contractors (collectively, the employees) in carrying out their roles for the Company. Through this Code, the Company seeks to encourage and develop a culture of professionalism, honesty and responsibility in order to maintain and enhance our reputation as a valued employer, business operator and "corporate citizen". The Code is designed to broadly outline the ways in which the Company wishes to conduct its business. The Code does not cover every possible situation that employees may face, but is intended to provide employees with a guide to taking a commonsense approach to any given situation, within an overall framework.

Trading in the Company's securities by directors and employees

The Company has established a Security Trading Policy that is provided to all Directors and employees on commencement. The constitution permits directors to acquire shares in the Company. Company policy prohibits directors from dealing in shares whilst in possession of price sensitive information. Directors must notify the company secretary once they have bought or sold shares in the Company or exercised options over ordinary shares. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange ("ASX"), the Company on behalf of the directors must advise the ASX of any transactions conducted by them in shares and / or options in the Company.

Communication with Shareholders

The board has formally documented the Company's continuous disclosure procedures and established a Compliance policy. The board, as part of its usual role, provides shareholders with information using comprehensive continuous disclosure processes which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX and issuing media releases.

CORPORATE GOVERNANCE STATEMENT (continued)

Communication with Shareholders (continued)

In summary, the continuous disclosure processes operate as follows:

- The Chairman and the Managing Director are responsible for all communications with the ASX. Matters that may have an effect on the price of the Company's securities are advised to the ASX on the day they are discovered. Senior executives monitor all areas of the Company's internal and external environment;
- The full annual financial report is made available to all shareholders, and includes relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments;
- The half-yearly report contains summarised financial information and a review of the operations of the Company during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it;
- Proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of shareholders;
- All announcements made to the market, and related information (including information provided to analysts and the media), are released to the ASX; and
- The external auditor attends the Annual General Meeting to answer any questions concerning the audit and the content of the Auditor's Report.

The board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the constitution. Copies of the constitution are available to any shareholder on request

Other Information

Further information relating to the company's corporate governance practices and policies has been made publicly available on the company's web site at www.beaconminerals.com.

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Beacon Minerals Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Beacon Minerals Limited.

Perth, Western Australia
30 September 2010

L DI GIALLONARDO
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 $	2009 $
Revenue	2	**148,075**	16,379
Other income	2	**245,797**	12,376
Accounting expense		**(262,046)**	(42,112)
Audit and review fees		**(33,600)**	(24,290)
Consultants		**(267,549)**	(341,846)
Depreciation expense	9	**(4,742)**	(10,594)
Directors' fees		**(24,000)**	(24,000)
Employee benefits expense		**(37,079)**	(259,653)
Exploration expense	10	**(12,661)**	(2,024,282)
Insurance		**(15,133)**	(18,729)
Interest		**(71,919)**	(113,652)
Legal expense		**(5,651)**	(9,262)
Listing fees		**(57,268)**	(32,296)
Office expense		**(95,414)**	(96,494)
Option and share issue expense		**-**	(200,121)
Other expenses		**(56,642)**	(21,062)
Impairment of non-current financial asset		**-**	(135,000)
Impairment of investment in Silcom	2	**-**	(5,907,733)
Impairment of loan to Silcom	2	**-**	(1,009,110)
Promotions and advertising		**(296,087)**	(37,563)
Share registry expense		**(54,606)**	(13,473)
Travel and accommodation		**(43,917)**	(80,886)
Loss before income tax expense from continuing operations	2	**(944,442)**	(10,373,403)
Income tax expense	3	**-**	-
Net Loss for the year		**(944,442)**	(10,373,403)
Other comprehensive income			
Net change in fair value reserve		**60,000**	-
Other comprehensive income for the year		**60,000**	-
Total comprehensive loss for the year		**(884,442)**	(10,373,403)
Basic loss per share (cents per share)	5	**(0.16)**	(7.58)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Notes	2010 $	2009 $
Assets			
Current Assets			
Cash and cash equivalents	**6**	**4,186,938**	990,577
Trade and other receivables	**7**	**210,474**	45,150
Total Current Assets		**4,397,412**	1,035,727
Non-Current Assets			
Other financial assets	**8**	**-**	125,000
Property, plant and equipment	**9**	**18,726**	12,608
Deferred exploration expenditure	**10**	**3,064,810**	248,826
Total Non-Current Assets		**3,083,536**	386,434
Total Assets		**7,480,948**	1,422,161
Liabilities			
Current Liabilities			
Trade and other payables	**12**	**594,730**	29,640
Total Current Liabilities		**594,730**	29,640
Non-Current Liabilities			
Borrowings	**13**	**-**	1,612,937
Total Non Current Liabilities		**-**	1,612,937
Total Liabilities		**594,730**	1,642,577
Net Assets/(Liabilities)		**6,886,218**	(220,416)
Equity			
Issued capital	**14**	**19,468,839**	11,661,762
Reserves	**14**	**716,633**	472,634
Accumulated losses	**14**	**(13,299,254)**	(12,354,812)
Total Equity/(Deficiency)		**6,886,218**	(220,416)

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 $	2009 $
		Inflows/ (Outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		**(953,221)**	(953,496)
Interest received		**139,982**	18,618
Net cash provided by/(used in) operating activities	**6**	**(813,239)**	(934,878)
Cash flows from investing activities			
Loan to controlled entity		**-**	(1,506,397)
Purchase of property, plant and equipment		**(10,860)**	-
Proceeds from the sale of listed investments		**296,468**	-
Payments for deferred exploration expenditure		**(2,454,230)**	(901,791)
Net cash provided by/(used in) investing activities		**(2,168,622)**	(2,408,188)
Cash flows from financing activities			
Interest paid on borrowings		**(185,570)**	-
Proceeds from borrowings		**-**	1,499,285
Repayment of borrowings		**(1,499,285)**	-
Proceeds from issue of shares		**8,210,255**	1,692,337
Share issue expenses		**(347,178)**	(101,596)
Net cash provided by/(used in) financing activities		**6,178,222**	3,090,026
Net increase/(decrease) in cash and cash equivalents		**3,196,361**	(253,040)
Cash and cash equivalents at beginning of year		**990,577**	1,243,617
Cash and cash equivalents at 30 June 2010	**6**	**4,186,938**	990,577

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Issued Capital	Accumulated losses	Option Premium Reserve	Equity Benefits Reserve	Fair Value Reserve	Total
	$	**$**	**$**	**$**	**$**	**$**
Opening Balance 1 July 2008	4,535,573	(1,981,409)	169,250	120,702	40,000	2,884,116
Shares issued during the year	7,227,785	-	-	-	-	7,227,785
Transaction costs	(101,596)	-	-	-	-	(101,596)
Loss for the year	-	(10,373,403)	-	-	-	(10,373,403)
Issue of options to employees and consultants	-	-	-	122,682	-	122,682
Revaluation of listed investments	-	-	-	-	20,000	20,000
Balance at 30 June 2009	**11,661,762**	**(12,354,812)**	**169,250**	**243,384**	**60,000**	**(220,416)**
Opening Balance 1 July 2009	11,661,762	(12,354,812)	169,250	243,384	60,000	(220,416)
Shares issued during the year	8,205,892	-	-	-	-	8,205,892
Transaction costs	(398,815)	-	-	-	-	(398,815)
Loss for the year	-	(944,442)	-	-	-	(944,442)
Issue of options to consultants	-	-	-	303,999	-	303,999
Transfer of reserve on sale of listed investments	-	-	-	-	(60,000)	(60,000)
Balance at 30 June 2010	**19,468,839**	**(13,299,254)**	**169,250**	**547,383**	**-**	**6,886,218**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis, except for available for sale investments which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. The financial report is presented in Australian dollars.

The Company is an Australian Securities Exchange listed public company, incorporated in Australia and operating in Australia. The company's principal activity is the exploration and development of minerals projects.

The Company has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

During the year ended 30 June 2009, the acquisition of Silcom Resources Pty Ltd (Silcom) by the Company was accounted for as a business combination. In applying the requirements of AASB 3 *Business Combinations,* a number of factors, in particular the vendors of Silcom acquiring a majority shareholding in Beacon Minerals Limited, resulted in this being treated as a reverse acquisition. As a result, in the 30 June 2009 financial report:

- Beacon Minerals was the legal parent entity of the Group and presented consolidated financial information.
- Silcom, which was neither the legal parent nor legal acquirer, was deemed to be the accounting parent for the Group.

The consolidated financial information for the year ended 30 June 2009 incorporated the assets and liabilities of Beacon Minerals and the results of that entity from the date acquired by Silcom. The assets and liabilities of Beacon Minerals were recorded at fair values while the assets and liabilities of Silcom were maintained at their book values.

During the current year, Silcom was liquidated, and therefore can no longer be deemed to be the accounting parent of Beacon. As a result, Beacon has reverted to the presentation of the financial report based on Beacon as a single entity. Comparative balances have been restated in order to present a meaningful comparison.

(b) Adoption of new and revised standards

In the year ended 30 June 2010, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

During the year, certain accounting policies have changed as a result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009.

The affected policies and standards are:

- Segment reporting – new AASB 8 *Operating Segments*
- Financial Instruments – revised AASB 7 *Financial Instruments: Disclosures*

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2010. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to accounting policies.

(c) Statement of Compliance

The financial report was authorised for issue on 30 September 2010.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Critical accounting judgments and key resources of estimation uncertainty

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions:

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by applying the Black and Scholes model, using the assumptions detailed in Note 11.

The Company measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes model taking into account the terms and conditions upon which the instruments were granted, and discussed in Note 11.

Exploration and evaluation costs carried forward

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the directors. In conducting the review, the recoverable amount has been assessed by reference to the higher of "fair value less costs to sell" and "value in use". In determining value in use, future cash flows are based on:

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

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

(e) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(f) Cash and cash equivalents

Cash comprises cash at bank and short term deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

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

(h) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company’s continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of financial assets

The Company assesses at each balance date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

The amount of the loss is recognised in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

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

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

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

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(l) Property, plant and equipment

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

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Office Equipment – over 5 to 8 years

Computer Equipment – over 2.5 years

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

(i) Impairment

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

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

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

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

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the other expenses line item.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Property, plant and equipment (continued)

(ii) Derecognition and disposal

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

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

(n) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category ‘financial assets at fair value through profit or loss’. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Impairment of assets

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

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

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

(p) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(q) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(s) Share-based payment transactions

Equity settled transactions:

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black and Scholes option pricing model, further details of which are given in Note 11.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Beacon Minerals Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 5).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Issued capital

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

(u) Earnings per share

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

Diluted earnings per share is calculated as net profit/loss attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(v) Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure in relation to separate areas of interest for which rights of tenure are current, are capitalised in the period in which they are incurred and are carried at cost less accumulated impairment losses. The cost of acquisition of an area of interest and exploration expenditure relating to that area of interest are carried forward as an asset in the statement of financial position in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Should a project or an area of interest be abandoned, the expenditure will be written off in the period in which the decision is made.

Once an area of interest enters a production phase all capitalised expenditure in relation to that area of interest is transferred to Development Expenditure within Property, Plant and Equipment in the statement of financial position. Capitalised Development Expenditure is amortised from the commencement of production on a unit of production basis over recoverable reserves. Recoverable reserves are subject to review annually.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(x) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Beacon Minerals Limited.

Change in accounting policy

The Company has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in a change in the number of reportable segments presented by the Group as operating segments are reported in a manner that is consistent with internal reporting provided to the chief operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 2: REVENUES AND EXPENSES

	2010 $	2009 $
(a) Revenue and other income from continuing operations		
Interest	**148,075**	16,379
Other Income		
Gains on sale of listed investments	**171,471**	-
Fair value reserve – gain on revaluation of investments	**60,000**	-
Other	**14,326**	12,376
Total other income	**245,797**	12,376
(b) Expenses from continuing operations		
Depreciation of non-current assets	**4,742**	10,594
Option and share issue expense	**-**	200,121
Contribution to employee superannuation plans	**2,160**	27,326
Impairment of investment in Silcom*	**-**	5,907,733
Impairment of loan to Silcom*	**-**	1,009,110

* On 1 August 2008, Beacon completed the acquisition of Silcom Resources Pty Ltd and its 100% owned subsidiary, the owner of four mineral exploration projects in Kyrgyzstan, Central Asia. The investment in, and loans to, Silcom were fully impaired in the 2009 year due to the ceasing of operations in Kyrgyzstan prior to 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 3: INCOME TAX

Income tax recognised in profit or loss	2010 $	2009 $
The major components of tax expense are:		
Current tax expense/(income)	-	-
Adjustments recognised in the current period in relation to the current tax of prior years	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
Total tax expense/(income)	-	-
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Accounting loss before tax	**(944,442)**	(10,373,403)
Income tax benefit calculated at 30%	**283,333**	3,112,021
Non-deductible expenses:		
Option issue expense	**-**	(60,036)
Exploration expenditure written off	**(3,798)**	(607,285)
Impairment of Non current financial asset	**-**	(40,500)
Impairment of Investment in Silcom	**-**	(1,772,320)
Impairment of loan to Silcom	**-**	(302,734)
Unrecognised tax losses	**(279,535)**	(329,146)
Income tax expense reported in the statement of comprehensive income	**-**	-
Unrecognised deferred tax assets:		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	**771,865**	492,330
Capital raising costs	**248,525**	128,880
Potential unrecognised tax benefit at 30%	**1,020,390**	621,210

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 4: SEGMENT REPORTING

Segment Information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Company is managed primarily on the basis of mining exploration and treasury activities. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.
Types of reportable segments:

(i) Tenement exploration and evaluation:

- The exploration of current projects and the evaluation of new ones are reported in this segment,
- Segment assets, including acquisition costs of exploration licenses and all expenses related to the tenements are reported in this segment.

(ii) Treasury

- The reporting relating to income from cash holdings is reported in this segment.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief operating decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Company as a whole and are not allocated.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments, as they are not considered part of the core operations of any segment:

- net gains on disposal of available-for-sale investments;
- impairment of assets excluding exploration assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- trade payable and other trade payables

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 4: SEGMENT REPORTING (continued)

(i) Segment performance - 30 June 2010:

	Exploration and Evaluation	Treasury	Total
	$	$	$
Interest Revenue	-	**148,075**	**148,075**
Gains on sale of listed investments	**-**	**171,471**	**171,471**
Fair value reserve – gain on revaluation of investments	**-**	**60,000**	**60,000**
Other	**-**	**14,326**	**14,326**
Total segment revenue	**-**	**393,872**	**393,872**

Reconciliation of segment revenue to the statement of comprehensive income

Inter-segment elimination	-	-	-
Total segment revenue	**-**	**393,872**	**393,872**
Segment net profit (loss) before tax	**(12,661)**	**393,872**	**381,211**

Reconciliation of segment result to company net profit/ (loss) before tax:

Accounts reviewed by the Board but not included in segment result:

Administration Expense	(925,838)
Employees Benefits Expenses	(37,079)
Financial Administration and Compliance Expense	(256,526)
Legal Expense	(5,651)
Travel and Accommodation Expense	(43,917)
Other Expense	(56,642)
Company net loss before tax	**(944,442)**

	Exploration and Evaluation	Treasury	Unallocated Items	Total
	$	$		$
Cash flow information				
Net cash flow from operating activities	-	139,982	(953,221)	(813,239)
Net cash flow from investing activities	(2,454,230)	296,468	(10,860)	(2,168,622)
Net cash flow from financing activities	-	6,178,222	-	6,178,222
Net increase/(decrease) in cash and cash equivalents				3,196,361

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 4: SEGMENT REPORTING (continued)
(ii) Segment performance - 30 June 2009:

	Exploration and Evaluation	Treasury	Total
	$	$	$
Interest Revenue	-	16,379	16,379
Other	-	12,376	12,376
Total segment revenue	**-**	28,755	28,755

Reconciliation of segment revenue to statement of comprehensive income

Inter-segment elimination	-	-	-
Total segment revenue	-	-	-
Segment net profit(loss) before tax	(2,024,282)	28,755	(1,995,527)

Reconciliation of segment result to company net profit/ (loss) before tax:
Accounts reviewed by the Board but not included in segment result:

Administration Expense	(528,609)
Employees Benefits Expenses	(259,653)
Financial Administration and Compliance Expense	(226,440)
Legal Expense	(9,262)
Travel and Accommodation	(80,886)
Impairment of non-current financial asset	(135,000)
Impairment of investment in Silcom	(5,907,733)
Impairment of loan to Silcom	(1,009,110)
Option and share issue expense	(200,121)
Other Expense	(21,062)
Company net loss before tax	(10,373,403)

The Company does not have any external revenue from external customers that are attributable to any foreign country.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 4: SEGMENT REPORTING (continued)
(ii) Segment performance - 30 June 2009 (continued)

	Exploration and Evaluation $	Treasury $	Unallocated Items	Total $
Cash flow information				
Net cash flow from operating activities	-	18,618	(953,496)	(934,878)
Net cash flow from investing activities	(901,791)	(1,506,397)	-	(2,408,188)
Net cash flow from financing activities	-	3,090,026	-	3,090,026
Net increase/(decrease) in cash and cash equivalents				(253,040)

(iii) Segment assets - 30 June 2010

	Exploration and Evaluation $	Treasury $	Total $
Segments assets	3,064,810	4,186,938	7,251,748

Reconciliation of segment assets to the statement of financial position	
Inter-segment elimination	
Unallocated assets	
Trade and other receivables	210,474
Property, plant and equipment	18,726
Total company assets from continuing operations	**7,480,948**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 4: SEGMENT REPORTING (continued)
(iv) Segment assets - 30 June 2009

	Exploration and Evaluation	Treasury	Total
	$	**$**	**$**
Segments assets	248,826	1,115,577	1,364,403

Reconciliation of segment assets to the statement of financial position

Inter-segment elimination	
Unallocated assets	
Trade and other receivables	45,150
Property, plant and equipment	12,608
Total company assets from continuing operations	**1,422,161**

(v) Segment liabilities - 30 June 2010

	Exploration and Evaluation	Treasury	Total
	$	**$**	**$**
Segments liabilities	374,415	-	374,415

Reconciliation of segment liabilities to company liabilities

Inter-segment elimination	
Unallocated liabilities	-
Trade and other payables	220,315
Total company liabilities from continuing operations	**594,730**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 4: SEGMENT REPORTING (continued)

(vi) Segment liabilities - 30 June 2009

	Exploration and Evaluation	Treasury	Total
	$	$	$
Segments liabilities	2,090	-	2,090

Reconciliation of segment liabilities to company liabilities

Inter-segment elimination	
Unallocated liabilities	-
Trade and other payables	27,550
Borrowings	1,612,937
Total company liabilities from continuing operations	1,642,577

NOTE 5: EARNINGS PER SHARE

	2010 Cents per share	2009 Cents per share
Basic loss per share:		
Continuing operations	(0.16)	(2.91)

The loss and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follow:		
Loss for the year	(944,442)	(10,373,403)
Weighted average number of ordinary shares for the purposes of basic loss per share	599,802,099	357,001,330

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 6: CASH AND CASH EQUIVALENTS

	2010 $	2009 $
Cash at bank	**588,085**	990,577
Short term deposits	**3,598,853**	-
	4,186,938	990,577

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between 30 days and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short term deposit rates.

(i) Reconciliation to Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank.

Cash and cash equivalents as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	**4,186,938**	990,577
	4,186,938	990,577

(ii) Reconciliation of loss for the year to net cash flows from operating activities:

	2010 $	2009 $
Loss for the year	**(944,442)**	(10,373,403)
Option issue expense	**-**	200,121
Depreciation expense	**4,742**	10,594
Deferred exploration expenditure written off	**12,661**	2,024,282
Promotions and advertising paid via option issue	**248,000**	-
Impairment of Non current financial assets	**-**	135,000
Impairment of investment in Silcom	**-**	5,907,733
Impairment of loan to Silcom	**-**	1,009,112
Transfer from reserve	**(60,000)**	-
Profit on sale of listed securities	**(171,471)**	-
(Increase)/decrease in operating assets:		
Trade and other receivables	**(150,703)**	50,004
Increase/(decrease) in operating liabilities:		
Trade and other payables	**247,974**	(59,534)
Other	**-**	161,213
Net cash from operating activities	**(813,239)**	(934,878)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 7: CURRENT TRADE AND OTHER RECEIVABLES

	2010	2009
	$	**$**
Trade receivables	**1,100**	-
Prepayments	**70,423**	6,105
GST recoverable	**130,858**	39,045
Other	**8,093**	-
	210,474	45,150

Trade receivables are non-interest bearing and are generally on 30 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors. At balance date, there are no past due debtors.

NOTE 8: OTHER FINANCIAL ASSETS

	2010	2009
	$	**$**
Investment in listed shares:		
At cost	**-**	200,000
Revaluation to current market value	**-**	(75,000)
	-	125,000

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Computer Equipment	Motor Vehicles	Land	Total
	$	$	$	$	$
Opening written down value 1 July 2008	14,111	9,091	-	-	23,202
Disposals	-	-	-	-	-
Depreciation charge for the year	(2,566)	(8,028)	-	-	(10,594)
Closing written down value 30 June 2009	11,545	1,063	-	-	12,608
Additions	-	10,860	-	-	10,860
Disposals	-	-	-	-	-
Depreciation charge for the year	(2,566)	(2,176)	-	-	(4,742)
Net carrying amount 30 June 2010	8,979	9,747	-	-	18,726

The useful life of the assets was estimated as follows for 2010:

Office equipment	5 to 8 years
Computer equipment	2.5 years

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 10: DEFERRED EXPLORATION EXPENDITURE

	2010 $	2009 $
Costs carried forward in respect of:		
Exploration and evaluation phase – at cost		
Balance at beginning of year	**248,826**	1,371,317
Expenditure incurred	**2,828,645**	901,791
	3,077,471	2,273,108
Expenditure written off	**(12,661)**	(2,024,282)
Total exploration expenditure	**3,064,810**	248,826

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

NOTE 11 : SHARE BASED PAYMENT PLANS

The expense recognised in the statement of comprehensive income in relation to share-based payments is disclosed in Note 2.

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the year:

	2010 No.	2010 Weighted average exercise price	2009 No.	2009 Weighted average exercise price
Outstanding at the beginning of the year	8,150,000	22.6 cents	6,150,000	20.2 cents
Granted during the year	-	-	2,000,000	30 cents
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	8,150,000	22.6 cents	8,150,000	22.6 cents
Exercisable at the end of the year	8,150,000	22.6 cents	8,150,000	22.6 cents

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 11: SHARE BASED PAYMENT PLANS (continued)

The outstanding balances as at 30 June 2009 and 30 June 2010 are represented by:

•6,000,000 options over ordinary shares with an exercise price of 20 cents each, exercisable on or before 31 May 2011.
•150,000 options over ordinary shares with an exercise price of 27 cents each, exercisable on or before 1 August 2012.
•2,000,000 options over ordinary shares with an exercise price of 30 cents each, exercisable on or before 31 August 2010.

The weighted average fair value of options granted during the year ended 30 June 2009 was $98,893.

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black and Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for options granted during the year ended 30 June 2009:

Volatility (%)	118
Risk-free interest rate (%)	9.00
Expected life of option (years)	2
Exercise price (cents)	30
Weighted average share price at grant date (cents)	12.5

The expected life of the options is based on yearly historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

There were no options granted during the year ended 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 12: TRADE AND OTHER PAYABLES (CURRENT)

	2010	2009
	$	$
Trade payables [1]	**567,642**	5,589
Accruals	**15,000**	12,000
Other payables	**12,088**	12,051
	594,730	29,640

[1]Trade payables are non-interest bearing and are normally settled on 30-day terms.
In 2010 an amount of $212,605 (2009: nil) was payable to Egan Drilling Services. Egan Drilling Services is a related party due to the fact that Matthew Egan is a Director and shareholder of the entity.

NOTE 13: BORROWINGS

Non Current Borrowings:		
Loan from Shareholder	**-**	1,612,937
Total Non Current Borrowings	**-**	1,612,937

The loan was been provided by a major shareholder and had a term of 2 years, interest rate of 10.5% per annum and was secured by a mortgage over the Barlee Gold project. The loan was repaid on 2 December 2009.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 14: ISSUED CAPITAL AND RESERVES

Issued Capital	2010 $	2009 $
Ordinary shares issued and fully paid	**19,468,839**	11,661,762

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	2010 Number	2010 $	2009 Number	2009 $
Movement in ordinary shares on issue				
At 1 July 2009	**357,001,330**	**11,661,762**	34,186,648	4,535,573
Acquisition of Projects	**-**	**-**	43,283,580	5,410,448
Director Shares	**-**	**-**	1,000,000	125,000
Rights Issue	**364,781,412**	**8,025,191**	235,410,684	1,177,053
Exercise of options	**18,070,074**	**180,701**	1,120,418	11,284
Share placement	**-**	**-**	42,000,000	504,000
Share issue costs	**-**	**(398,815)**	-	(101,596)
At 30 June 2010	**739,852,816**	**19,468,839**	357,001,330	11,661,762

Movement in 20 cent options on issue	2010 Number	2009 Number
At 1 July 2009	**16,587,934**	16,588,352
Conversion of options during the year	**-**	(418)
At 30 June 2010	**16,587,934**	16,587,934

Each option entitles the holder to subscribe for one share at an issue price of 20 cents on or before 31 August 2010.

Movement in 20 cent Director options on issue		
At 1 July 2009	**6,000,000**	6,000,000
At 30 June 2010	**6,000,000**	6,000,000

Each option entitles the holder to subscribe for one share at an issue price of 20 cents on or before 31 May 2011.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 14: ISSUED CAPITAL AND RESERVES (continued)

	2010 Number	2009 Number
Movement in 27 cent Employee options on issue		
At 1 July 2009	**150,000**	150,000
At 30 June 2010	**150,000**	150,000

Each option entitles the holder to subscribe for one share at an issue price of 27 cents on or before 1 August 2012.

	2010 Number	2009 Number
Movement in 30 cent options on issue		
At 1 July 2009	**45,283,580**	-
Issue to directors	**-**	2,000,000
Issue to consultants	**-**	1,000,000
Issue for the acquisition of projects	**-**	42,283,580
At 30 June 2010	**45,283,580**	45,283,580

Each option entitles the holder to subscribe for one share at an issue price of 30 cents on or before 31 August 2010.

	2010 Number	2009 Number
Movement in 1 cent options on issue		
At 1 July 2009	**239,290,684**	235,410,684
Issue to consultants	**19,000,000**	5,000,000
Conversion of options during the year	**(18,070,074)**	(1,120,000)
At 30 June 2010	**240,220,610**	239,290,684

Each option entitles the holder to subscribe for one share at an issue price of 1 cent on or before 31 August 2010.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 14: ISSUED CAPITAL AND RESERVES (continued)

Accumulated losses

Movements in accumulated losses were as follows:

	2010 $	2009 $
Opening balance	**(12,354,812)**	(1,981,409)
Net loss for the year	**(944,442)**	(10,373,403)
Balance at 30 June 2009	**(13,299,254)**	(12,354,812)

Reserves

	Fair Value Reserve	Equity Benefits Reserve	Option Premium Reserve	Total
	$	$	$	$
At 1 July 2008	40,000	120,702	169,250	329,952
Share-based payments	-	122,682	-	122,682
Revaluation of listed investments	20,000	-	-	20,000
At 30 June 2009	60,000	243,384	169,250	472,634
Share-based payments	-	303,999	-	303,999
Sale of listed investments	(60,000)	-	-	(60,000)
At 30 June 2010	-	547,383	169,250	716,633

Nature and purpose of reserves

Fair value reserve

This reserve is used to record the value of the investment in listed shares at current market value.

Equity benefits reserve

This reserve is used to record the value of equity benefits provided to employees, directors and consultants as part of their remuneration. Refer to Note 11 for further details.

Option Premium reserve

This reserve records the proceeds from the issue of options at 1 cent as per the prospectus dated 16 February 2007.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 15: FINANCIAL INSTRUMENTS

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments recognised in the financial statements.

The Directors consider that the carrying amounts of the financial assets and liabilities recorded in the financial statements approximate their fair value.

	2010 $	2009 $
Categories of financial instruments		
Financial assets		
Loans and receivables	**210,747**	45,150
Cash and cash equivalents	**4,186,938**	990,577
Available-for-sale financial assets	**-**	125,000
Total	**4,397,685**	1,160,727
Financial Liabilities		
Trade and other payables	**594,730**	29,640
Borrowings	**-**	1,612,937
Total	**594,730**	1,642,577

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to ensure continuity of tenure to exploration assets and to be able to conduct the Company's business in an orderly and professional manner. Cash deposits are only held with one of the Australian "Big 4" banks.

The following table details the Company's expected maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

<u>LIABILITIES</u>	Less than 1 month	1 – 3 Months	3 months – 1 year	1 – 5 years	5+ years
2009					
Non-interest bearing	-	17,640	12,000	-	-
Finance lease liabilities	-	-	-	-	-
Variable interest rate instruments	-	-	-	-	-
Fixed interest rate instruments	-	-	-	1,612,937	-
	-	17,640	12,000	1,612,937	-
2010					
Non-interest bearing	-	579,730	15,000	-	-
Finance lease liabilities	-	-	-	-	-
Variable interest rate instruments	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-
	-	579,730	15,000	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 15: FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives

The Company's principal financial instruments comprise of cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. The main risks arising from the Company's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

All cash at bank balances attract a floating rate of interest. Excess funds that are not required in the short term are placed on deposit for a period of no more than 6 months at a fixed interest rate. The Company's exposure to interest rate risk and the effective interest rate by maturity periods is set out below. As the Company has no borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits.

Interest rate risk sensitivity analysis

During 2010, if interest rates had been 5% higher or lower than the prevailing rates realised, with all other variables held constant, there would have been an immaterial change in post tax loss for the year. The impact on equity would have been the same.

Capital risk

The Company manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company's overall strategy remains unchanged from 2009.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings/accumulated losses.

The Company has no debt facilities outside of normal creditor trading terms and thus the board does not deem necessary a formal Capital Risk Management charter.

Credit risk

Credit risk relates to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from any defaults.

The exposure of the Company to credit risk in relation to each class of recognised financial asset is the carrying amount as indicated in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 16: EXPENDITURE COMMITMENTS

	2010 $	2009 $
Exploration expenditure committed:		
Not longer than 1 year	**122,500**	220,000
1-5 years	**110,000**	327,500
	232,500	547,500
Remuneration commitment		
Commitments for the payment of remuneration under service contracts with executive directors in existence at the balance date but not recognised as liabilities, payable:		
Not longer than 1 year	**500,000**	-
	732,500	400,000

NOTE 17: OPERATING LEASES

Non cancellable operating lease for premises:

Not longer than 1 year	**144,684**	127,284
1 to 5 years	**82,289**	421,326
	226,973	548,610

50% of these commitments are funded by a sub-tenant.

NOTE 18: EVENTS AFTER THE REPORTING DATE

The Company announced on 6 September 2010 the conclusion of a capital raising from the exercise of 1 cent options that expired 31 August 2010. A total of $2,300,000 was raised before costs from the conversion of the options. Existing option holders converted 220,862,109 options (96%) of the total 229,949,110 on issue with the balance being placed with the underwriter.

NOTE 19: AUDITORS' REMUNERATION

The auditors of Beacon Minerals Limited are HLB Mann Judd.

Amounts received or due and receivable by HLB Mann Judd for:		
An audit or review of the financial report of the entity	**33,600**	24,290
	33,600	24,290

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 20: COMMITMENTS AND CONTINGENCIES

	2010 $	2009 $
Rehabilitation commitment relating to the Barlee Gold project	**10,000**	-

The Company has a performance guarantee to complete the rehabilitation associated with the exploration work carried on at the Barlee Gold project. The guarantee has been provided by the Company's bank to the Western Australian department of Mines and Petroleum.

NOTE 21: DIRECTORS AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

Paul Lloyd	Chairman (executive)
Darryl Harris	Managing Director
Matthew Egan	Director (non executive)

(ii) Executives

None

There were no changes of the Managing Director or key management personnel after the date the financial report was authorised for issue.

(b) Compensation of Key Management Personnel

The key management personnel compensation included in 'employee benefits expense' are as follows:

	2010 $	2009 $
Short-Term	**523,977**	524,051
Post Employment	**2,160**	24,592
Share-based Payments	**-**	200,121
	526,137	748,764

(i) Individual Directors' and executives' compensation disclosures:

The Company has transferred the detailed remuneration disclosures to the Directors' Report in accordance with Corporations Amendment Regulations 2006 (no. 4). These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report and are designated as audited.

(ii) Contract for Services

On 2 March 2010 the company entered into service contracts with the two executive directors, Darryl Harris and Paul Lloyd. A summary of the service contracts are as follows;

- The agreements were entered into on 2 March 2010 and have a term of 2 years
- The remuneration is based on the days worked at $1,300 per day for Darryl Harris and $1,500 per day for Paul Lloyd
- On termination of the engagement by the company or the executive, a period of 3 months notice is required
- On termination of the engagement by the company, the company will pay fees being the average of the fees paid during the first year of consulting and the estimated annual fee payable during the second year of consulting. If the executive terminates the engagement within 12 months of a change in control occurring over the operation and shareholder base of the company, the company will pay fees being the average of the fees paid during the first year of consulting and the estimated annual fee payable during the second year of consulting. For both executives this payment is expected to be in the range of $250,000 to $300,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
NOTE 21: DIRECTORS AND EXECUTIVE DISCLOSURES (continued)

(c) Option holdings of Key Management Personnel

30 June 2009	Balance at beginning of year	Granted as remuner-ation	Options exercised	Net Change other	Balance at end of year	Vested as at Year end Total	Exercisable	Not Exercisable
Directors								
Matthew Egan	2,635,974	-	-	-	2,635,974	2,635,974	2,635,974	-
Darryl Harris	-	1,500,000	-	962,000	2,462,000	2,462,000	2,462,000	-
Paul Lloyd	4,015,000	-	-	85,000	4,100,000	4,100,000	4,100,000	-
Lyle Thorne*	2,537,500	-	-	(2,537,500)	-	-	-	-
John Hebenton*	-	500,000	-	(500,000)	-	-	-	-
	9,188,474	2,000,000	-	(1,990,500)	9,197,974	9,197,974	9,197,974	-

* resigned during the year ended 30 June 2009

30 June 2010	Balance at beginning of year	Granted as remuner-ation	Options exercised	Net Change other	Balance at end of year	Vested as at Year end Total	Exercisable	Not Exercisable
Directors								
Matthew Egan	2,635,974	-	-	-	2,635,974	2,635,974	2,635,974	-
Darryl Harris	2,462,000	-	-	-	2,462,000	2,462,000	2,462,000	-
Paul Lloyd	4,100,000	-	-	-	4,100,000	4,100,000	4,100,000	-
	9,197,974	-	-	-	9,197,974	9,197,974	9,197,974	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 20: DIRECTORS AND EXECUTIVE DISCLOSURES (continued)

(d) Shareholdings of Key Management Personnel

Shares held in Beacon Minerals Limited (number of ordinary shares)

Parent Entity	Balance at beginning of year	Granted as remuneration	On Exercise of Options	Net Change Other	Balance at the end of the year
30 June 2009	Ord	Ord	Ord	Ord	Ord
Directors					
Paul Lloyd	3,330,000	1,000,000	-	-	4,330,000
Darryl Harris	-	-	-	1,016,000	1,016,000
Matthew Egan	1,371,947	-	-	150,000	1,521,947
Lyle Thorne*	941,370	-	-	(941,370)	-
John Hebenton*	-	-	-	-	-
	5,643,317	1,000,000	-	224,630	6,867,947

* resigned during the year ended 30 June 2009

30 June 2010					
Directors					
Paul Lloyd	4,330,000	-	-	-	4,330,000
Darryl Harris	1,016,000	-	-	-	1,016,000
Matthew Egan	1,521,947	-	-	-	1,521,947
	6,867,947	-	-	-	6,867,947

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

(e) Loans to Key Management Personnel

No loans have been provided to key personnel during the year.

(f) Other transactions and balances with Key Management Personnel

Mineral drilling contracting services were received from and service fees paid to the following related parties during the year ended 30 June for services incurred on their behalf

	2010 $	2009 $
Egan Drilling Services	940,666	-
	940,666	-

DIRECTORS' DECLARATION

1. In the opinion of the directors:

   a. the accompanying statements, notes and additional disclosures are in accordance with the Corporations Act 2001 including:

      i. giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year then ended; and

      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

   b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

This declaration is signed in accordance with a resolution of the Board of Directors.

P Lloyd

Paul Lloyd

Chairman

Dated this 30th day of September 2010

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of
BEACON MINERALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Beacon Minerals Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Beacon Minerals Limited, as set out on pages 23 to 60.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements of Beacon Minerals Limited comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Opinion

In our opinion:

(a) the financial report of Beacon Minerals Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(c).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 14 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Beacon Minerals Limited for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

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L DI GIALLONARDO
Partner

Perth, Western Australia
30 September 2010

SHAREHOLDER INFORMATION

Distribution of Equity Securities

The distribution of members and their holdings of fully paid ordinary shares as at 28 September 2010 were as follows:

Shares held		No. of Shareholders	Percentage
1	– 1,000	53	0.001
1,001	– 5,000	111	0.034
5,001	– 10,000	112	0.107
10,001	– 100,000	1,508	9.075
100,001	and over	1,595	90.783
Total		**3,379**	**100.00**

	Min Parcel size	Holders	Units
Less than marketable parcel	33,333	680	10,253,923

BCN - Twenty Largest Share Security Holders

The names of the 20 largest holders of fully paid ordinary shares as at 28 September 2010 are listed below:

Name	Number of Shares	Percentage
Forty Traders Limited	24,900,000	2.54
Geocrystal Limited	20,045,000	2.05
BE Copymart Pty Ltd	12,500,000	1.28
Mr Richard O'Gorman	11,319,000	1.16
Nefco Nominees Pty Ltd	9,500,000	0.97
Mr John Ray	7,855,200	0.80
Mr Ronnie Benatar	7,130,873	0.73
Mrs Ellina Turier	6,501,660	0.67
Ownit Brisbane Service Company Pty Ltd	6,000,000	0.61
Jonellen Pty Ltd	5,220,000	0.53
Mr David Arthur Beamish	5,065,000	0.52
Mr Yusuf Kurucu	5,000,000	0.51
Peak Electrical Services Pty Ltd	5,000,000	0.51
Biorach Pty Ltd	5,000,000	0.51
Mr Michael Victor Price	5,000,000	0.51
Mr Anthony Casey Wilson	5,000,000	0.51
Paticoa Nominees Pty Ltd	4,896,135	0.50
Mr Peter John MacManus	4,852,000	0.50
Hanscon Holdings Pty Ltd	4,545,455	0.45
Mr Hao-Jen Yang	4,250,000	0.42
Total	159,580,323	16.28%

SHAREHOLDER INFORMATION (CONTINUED)

The names of the holders of options (exercisable at 20 cents on or before 31 May 2011, as at 28 September 2010 are listed below:

Name	Number of Shares	Percentage
Paul Lloyd	2,000,000	33.33
Lyle Thorne	2,000,000	33.33
Matthew Egan	2,000,000	33.33
Total	**6,000,000**	**100%**

SUBSTANTIAL SHAREHOLDERS

The Company's Register of Substantial Shareholders, prepared in accordance with section 715 of the Corporations Act 2001, has no Substantial Shareholders recorded as at 28 September 2010.

TENEMENT SCHEDULE

Project	Tenement	Registered Holder	Expiry Date	Size Kms^2	Commitment A$	Notes	
BARLEE							
	E77/1297	Duketon Consolidated Ltd Beacon Minerals Ltd	10/09/2011	105	52,500	Duketon Beacon	20% 80%
	E77/1364	Beacon Minerals Ltd	12/12/2012	120	40,000	Beacon	100%
	E77/1392	Beacon Minerals Ltd	25/02/2013	90	30,000	Beacon	100%
GREENVALE							
	ML 6750	Beacon Minerals Ltd	31/10/2010	1.28	0	Beacon	100%