

## Beacon Hill Resources Plc

Annual Report

Year Ended

31 December 2012

Company number 5696680

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# Beacon Hill Resources Plc

Annual report  
for the year ended 31 December 2012

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# Beacon Hill Resources Plc

## Officers and advisers

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### Directors

Justin Farr-Jones	Chairman
Rowan Karstel	Chief Executive Officer
Timothy Jones	Group Finance Director
Murray D'Almeida	Non-Executive Director
David Premraj	Director, Corporate Development

### Company secretary

Timothy Jones

### Registered number

5696680

### Registered office

44 Southampton Buildings, London, WC2A 1AP

### Head Office (Johannesburg)

Regus Building, Ground Floor, Lakeview Building, 1277 Mike Crawford Street, Centurion, South Africa

### Nominated adviser and joint broker

Canaccord Genuity Limited, 88 Wood Street, London, EC2V 7QR

### Joint broker

Renaissance Capital Limited, 1 Angel Court, Copthall Avenue, London, EC2R 7HJ

### Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

### Solicitors (UK)

Memery Crystal LLP, 44 Southampton Buildings, London, WC2A 1AP

### Solicitors (Australia)

Rockwell Bates, Level 2, 189 Flinders Lane, Melbourne Victoria, 3000

### Solicitors (Mozambique)

Sai & Caldeira, Avenida Julius Nyerere, 3412, Maputo, Mozambique

### Share registry (UK)

Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU  
Telephone +44 (0) 20 8639 3399

### Share registry (Australia)

Boardroom Pty Ltd, Level 7, 207 Kent Street, Sydney New South Wales 2000  
Telephone +61 2 9290 6900

### Stock Exchanges

London AIM Market (code BHR) and Australian Securities Exchange (code BHU)

### Main countries of operation

UK, Mozambique, South Africa and Australia

### Website

www.bhrplc.com

# Beacon Hill Resources Plc

## Chairman's statement for the year ended 31 December 2012

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This has been a highly active and progressive time for the Company during which we restructured the board and appointed new directors to drive forward the development of the Minas Moatize Project. The restructured team, which is based in Africa, has utilised its extensive operational and corporate experience to formulate and commence a new strategy during Q4 2012. This is focused towards delivering on the Company's 2013 coking coal production targets whilst optimising Beacon Hill's capital expenditure and growth prospects for 2013 and beyond following disappointing interim and full year results in 2012.

To this end, I am pleased to report that our new Board and management team has rapidly achieved a number of critical milestones that have transformed the Company's prospects for 2013. Post period end the Company received a definitive 7.7% rail allocation on the Sena Rail Line ('Sena Line'), which equates to an initial allocation of 0.5Mtpa. In addition, we signed a lease for new rolling stock to transport our coking coal from the mine to the Port of Beira. With the Company's new logistics chain now in place, we can confidently look forward to accessing profitable export markets for our high value coking coal.

The transformation plan adopted for the Company and the Minas Moatize operation in 2012 will continue throughout 2013. Whilst a lot more remains to be done, I am optimistic that Beacon Hill has made significant progress with its new management team in a very short space of time and that we will achieve the desired operational outcomes to increase shareholder value.

### Operations

We are focussed on developing the Minas Moatize Coking Coal mine into a profitable and cash generative operation in the near term.

To achieve this objective, we have formulated a disciplined capital strategy to optimise the Minas Moatize Project's NPV. This will be achieved through the delivery of a significant reduction in the proposed capital expenditure associated with expanding the wash plant capacity to 1.8 Mtpa ROM in Q1 2013 and to 2.8Mtpa in Q4 2013. The upgrade is progressing and our new plans for the wash plant will also enable the production of coking coal at a consistent and economic yield, in line with export capacity received on the Sena Rail Line.

The receipt of our allocation on the Sena Line, which originates approximately three kilometres from the Minas Moatize mine and proceeds over a distance of 580 kilometres to the port of Beira, is a transformational development for Beacon Hill, providing us with an economically attractive solution to transport our product to the highly valuable export markets. A US\$60 million upgrade programme, aimed at increasing capacity to 6.5Mtpa, is currently being completed on the Sena Line with capacity anticipated to be shared by Rio Tinto, Vale and Beacon Hill, the third coal exporter in the Tete area.

In anticipation of the receipt of rail allocation on the Sena Line, Beacon Hill signed a lease agreement with Thelo Rolling Stock Leasing Proprietary Limited ('Thelo') ahead of the expected commencement of rail operations in Q3 2013. Thelo has agreed to lease five Grindrod RL30SCC-3 'as new' locomotives and 90 new Gondola-type coal wagons, fitted with the patented Sheffield bogey system, both for a term of 10 years. Further to the agreement, we have appointed RRL Grindrod Locomotives Proprietary Limited ('RRL Grindrod') as its rail services operator, and accordingly, RRL Grindrod will assume day-to-day responsibility for our train operations on the Sena Line.

Ahead of the commencement of our rail logistics solution, the Company will utilise our existing trucking transport solution to transport coking coal produced from the upgraded wash plant to the Port of Beira for export. The upgrade is progressing well and commissioning is due to commence in the upcoming weeks.

Also on an operational front, post period end in January 2013, Beacon Hill announced a upgrade to the Minas Moatize JORC Resource to 86.8Mt (Measured and Indicated of 76.3Mt) compared to the previous Resource statement of 66.4Mt all of which was Measured and Indicated. This upgrade, which represents an increase of 31% on the previous JORC resource statement, followed the completion of an infill drilling programme undertaken in 2012.

# Beacon Hill Resources Plc

## Chairman's statement for the year ended 31 December 2012 (*continued*)

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### Outlook

We have a number of upcoming critical milestones in the first half of 2013 including the completion of the Phase 2A wash plant upgrade and the Company's first production and export shipment of coking coal

The next value trigger for Beacon Hill will be the construction and commission of the Phase 2A washplant to commence maiden coking coal production in Q1 2013. The Phase 2A plant, which is designed to reduce the coal size further and use circuits capable of separating based on the finer liberation size of the coking properties, will have capacity of 1.8Mtpa ROM coal and enable production of coking coal at a consistent and economic yield

The next phase of development, being the Phase 2B upgrade, is scheduled to commence in Q2 2013 and is expected to result in an increase in coking coal yields by up to 4 percentage points, lifting the coking coal output. This precedes the final Phase 2C upgrade, scheduled to commence in Q4 2013, which is expected to result in an increase in plant capacity to 2.8Mtpa

During the months ahead, we will also be developing our logistics chain in order to establish an economically attractive infrastructure solution to link the Minas Moatize mine to the port of Beira. As coking coal production commences in Q1 2013, we will continue to truck our coking coal product for export as an interim measure until rolling stock is delivered in Q3 2013. Once we take delivery of the rolling stock, we intend to commence rail exports of coking coal towards Beira ahead on shipments in H2 2013. The final steps to establishing a linked up infrastructure chain will be loading at the Carbonmoc facility in Moatize and unloading at the Dondo siding for a final 30km haul to the Beira port in Q4 2013, as the plant expands to 2.8Mtpa by the end of 2013, following Phase 2B & C plant expansions

I look forward to updating shareholders in due course as we achieve these milestones, which I believe will fundamentally improve our production volumes, profitability and in turn shareholder value

**Justin Farr-Jones**

Chairman

27 February 2013

# Beacon Hill Resources Plc

## Chief Executive Officer's Review for the year ended 31 December 2012

### CHIEF EXECUTIVE OFFICER'S REVIEW

The last few months were of significant importance to Beacon Hill as it strategically transformed the Company. A new lean and mean growth strategy was introduced with specific focus on delivering key milestones to make the Minas Moatize Mine a successful operational mine in the Tete Province of Mozambique.

### Minas Moatize Coal Mine

Beacon Hill, through its wholly owned subsidiary MML, 100% owns and operates the Minas Moatize Coal Mine in the Tete Province of Mozambique.

### Resources and Reserves

#### *Resource Upgrade*

In January 2013, Beacon Hill announced that the results of the infill drilling programme undertaken in 2012 resulted in Minas Moatize's JORC Resource being upgraded to 86.8Mt (Measured and Indicated of 76.3Mt) compared to the previous Resource statement of 66.4Mt all of which was Measured and Indicated. This represents an increase of 31% on the previous JORC resource statement, thus substantially enhancing the future economics of the mine.

JORC RESOURCE	Upgraded JORC Resource	Previous JORC Resource
Measured	41.4Mt	35.9Mt
Indicated	35.2Mt	30.5Mt
Inferred	10.6Mt	-
Less Historical Underground Extraction	0.4Mt	-
<b>Total JORC Resource</b>	<b>86.8Mt</b>	<b>66.4Mt</b>

#### *Mineable Reserve*

Previous to this, in February 2012 the Company reported its maiden JORC compliant Coal Reserve for Minas Moatize. A total Mineable Reserve of 42.65Mt was reported with the potential upside of a further 7.9Mt. The Mineable Reserve represents the in situ portion of the Geological Resource that is economically mineable. The Mineable Reserve is currently being updated following the completion of the Resource Upgrade and the Company will provide an update to the market once the Reserve Statement is completed.

### Production

Open pit thermal coal mining continued throughout 2012 with 194,343 tonnes of run of mine ('ROM') coal being mined. The coal mined was processed at the Company's Phase 1 Wash Plant where 54,432 tonnes of saleable coal was produced. Mining and processing operations were minimal throughout the fourth quarter to accommodate the access and preparation required to commence the Phase 2A 1.8Mt ROM wash plant upgrade.

Production (tonnes)	Q1 12	Q2 12	Q3 12	Q4 12	2012
Run of Mine	29,230	98,080	64,020	3,013	194,343
Saleable Coal	9,640	15,700	26,370	2,722	54,432

# Beacon Hill Resources Plc

## Chief Executive Officer's Review of Operations for the year ended 31 December 2012 (continued)

### Wash Plant

Midway through 2012, the Company became aware that its existing Phase 1 Wash Plant was not able to produce coking coal at an economic and consistent yield. As a result, it became necessary to upgrade the wash plant to enable efficient coking coal production.

In Q3 2012, the wash plant upgrade commenced. The upgraded wash plant was designed to further liberate the coking coal fraction and to enhance the recovery of the high quality coal fines. The initial upgrade will cost the Company approximately US\$6 million and is due to be completed in Q1 2013. Further details can be found below.

### Minas Moatize Expansion

#### *Definitive Feasibility Study*

In February 2012, the Company published the Definitive Feasibility Study ('DFS') for Minas Moatize. The DFS was based on a 4Mtpa ROM operation producing on average 2.2Mtpa of saleable coking and thermal coal during its mine life. The DFS demonstrated a pre-tax NPV13 of US\$662 million and had a projected estimated capital cost of US\$166 million associated with the expansion.

#### *Updated Expansion Strategy*

Following my appointment to the Board in November 2012, the Company revised its expansion strategy in accordance with the strategic review undertaken to optimise the project's NPV by timing the expansion with export capacity received on the Sena Rail Line.

The staged development further broke down the prior Phase 2 expansions into three parts, by adding Phase 2B and 2C as summarised in the table below.

<b>Phase 2A</b>	<b>Increase Plant Capacity to 1.8Mtpa ROM Coal and enable production of Coking Coal at a consistent and economic yield</b> The current upgrade of the plant is now scheduled to be completed in the near term with commissioning and testing to commence in Q1 2013. The Phase 2A upgrade will enable the plant capacity to ramp up to 150,000tpm ROM processing, with saleable production transported to port by rail. The capital cost associated with Phase 2A is approximately US\$6 million.
<b>Phase 2B</b>	<b>Increase Coking Coal Yield installing flotation cells</b> The Phase 2B upgrade is scheduled to commence in Q2 2013 and is expected to result in an increase in coking coal yields by up to 4 percentage points, lifting the coking coal output. The cost of the Phase 2B upgrade is anticipated to be circa US\$3.5m.
<b>Phase 2C</b>	<b>Increase Plant Capacity to 2.8Mtpa ROM Coal</b> The Phase 2C upgrade is scheduled to commence in Q4 2013, and is expected to result in an increase in plant capacity to 2.8Mtpa. The cost of the Phase 2C upgrade is anticipated to be circa US\$6.5 million.

The Board has made the decision not to proceed with the Phase 3 expansion to develop a plant capable of processing 4Mtpa for approximately US\$150 million as originally envisaged in the DFS. This is due to the materially lower capital cost of US\$16 million required for Phases 2B & 2C plant upgrade, which has the potential to achieve 70% of the targeted ROM output of the Phase 3 expansion at 2.8Mtpa of coking coal. This new optimised scenario has further benefits, increasing the life of mine ('LOM') from 10.5 to 15 years with additional potential upside to extend the LOM further.

# Beacon Hill Resources Plc

## Chief Executive Officer's Review of Operations for the year ended 31 December 2012 (continued)

### Logistics

#### *Rail*

Following the year end in February 2013, Minas Moatize entered into an Interim Rail Access Agreement with CFM in which MML has received a capacity allocation of 0.5Mtpa on the Sena Line commencing in April 2013. The key terms of the arrangement include

- MML is granted line access by CFM for a capacity of 0.5Mtpa,
- In conjunction with the line access MML will pay CFM a monthly line access fee,
- The Interim Rail Access Agreement will automatically renew itself each year until MML and CFM enter into a long term take or pay agreement,
- MML shall initially operate two train sets each consisting of two locomotives with 42 wagons (each wagon of up to 63 tonnes load capacity)

#### *Rolling Stock*

In conjunction with the rail allocation, MML signed a lease agreement with Thelo in January 2013, for the provision of rolling stock on the Sena Line in Mozambique. The key terms of the agreement included

- Thelo would lease to MML five Grindrod RL30SCC-3 'as new' locomotives for a term of 10 years,
- Thelo would also lease to MML ninety new Gondola-type coal wagons fitted with the patented Sheffield bogey system for a term of 10 years,
- MML has appointed RRL Grindrod Locomotives Proprietary Limited ('RRL Grindrod') as its rail services operator. RRL Grindrod will assume day-to-day responsibility for MML's train operations on the Sena Line. RRL Grindrod will shortly commence its implementation plan, including the mobilisation of rail operating staff.

The Company will continue to make use of trucks to transport coal to the Port of Beira as an interim solution until the expected commencement of rail operations in Q3 2013.

#### *Shipment*

The Company's second test shipment of 18,576 tonnes of thermal coal departed the Port of Beira on 24 December 2012.

#### **Marketing Partnership**

In March 2012, Beacon Hill entered into a strategic marketing partnership with the Vitol Group, one of the world's largest energy trading groups. As part of the partnership the parties entered into a Coal Marketing Agreement whereby Vitol will act as agent to market export coal produced by the Minas Moatize Mine. As part of the agreement, Beacon Hill retained the right to continue to market and sell coal produced by the Minas Moatize directly to the African domestic (non-seaborne) market and to market and sell up to 600,000tpa of coking coal to Global Minerals & Metals Limited, a subsidiary of Global Coke Limited, for the life of the mine.

In conjunction with the agreement, Vitol made available a secured debt facility of up to US\$20 million in two tranches of US\$10 million, which could be utilised for capital expenditure, general corporate and working capital purposes. Note that the second tranche is conditional upon minimum exports amongst other things.

#### **Sustainable Development**

Beacon Hill is committed to sustainability and ethical behaviour. In order to be successful as a mining operation, we are focussed on health and safety, sustainability, being environmentally responsible and supporting the local communities close to our operations. Our commitment to the local community was illustrated in 2012 as the operational team took responsibility for upgrading a local school within close proximity to the mine.

Beacon Hill is committed to being an organisation without fatalities, serious work related injuries or occupational illness. I am proud to announce that our coal operation in Mozambique, Minas Moatize, had zero fatalities, no lost time injuries and one dressing station case. We can only be successful if our workers return home safe and healthy each day and we remain resolute on achieving this objective.



# Beacon Hill Resources Plc

## Chief Executive Officer's Review of Operations (continued) for the year ended 31 December 2012

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The overarching goal in environmental management is to minimise, and where possible eliminate, the impact on the environment. Unfortunately for the first three months of 2012 the open pit was flooded after significant rainfall occurred. In order to prevent this reoccurring, the Company has since constructed a diversion canal, which has performed effectively throughout this current wet season.

### **Changara Coal Project**

In December 2011, Beacon Hill acquired majority ownership in a joint venture to explore and develop the Changara Coal Project in the Tete Province of Mozambique. The Changara project covers a licence area of 184km<sup>2</sup>, which is 70 times the size of Minas Moatize. It is located in the heart of the highly prospective coal basin of the Songo Area of the Tete Province. The Changara project was a further step in Beacon Hill's wider expansion strategy in the Tete Province of Mozambique.

#### *Initial Exploration*

The first phase drilling programme commenced at Changara in 2012. An initial five exploratory drill holes were completed using an air flush percussion method to a shallow depth of up to 200m across the 184km<sup>2</sup> licence area. All drill holes identified sandstone, believed to be the Matinde formation, which is known to typically sit above the coal zones within the Moatize Formation of the Lower Karoo, the geological formation seen within the coal bearing region of Tete Province. These initial shallow holes, whilst very widely spaced across a large area, give early guidance as to the geological structure present in the area and provide the basis for further drilling below the sandstone if deemed appropriate by the Board.

#### *Further Exploration*

Beacon Hill will only look to explore further at Changara once the Minas Moatize operation is profitable and cash flow positive.

#### *Carrying Value*

The Board is obliged periodically to review the Company's projects to determine if there has been any impairment in their values. Following such a review, it is the Board's opinion that the prevailing value of coal exploration licences has been adversely impacted by the decline in coal prices throughout the past 12 months. The Board has accordingly evaluated the degree to which the value of this project has been impaired and made appropriate provisions in the financial statements.

### **Arthur River Magnesite Project**

In May 2012, Beacon Hill announced the results of the Preliminary Scoping Study for the Arthur River Magnesite Project. The Scoping Study confirmed that the project has robust financial potential with an NPV of A\$42 million based on a 292,000dtpa ROM operation producing on average 100,000dtpa of calcined magnesite with an average grade of 95% MgO. The Scoping Study results provided the Company with a platform to identify potential off-take and JV partners for the project.

Throughout the second half of 2012, the Company reduced expenditure on the project, particularly in light of the current political uncertainties of operating in the North West of Tasmania. In the meantime Beacon Hill will continue to assess all project options which may include sourcing a partner to fund the project or an outright sale.

# Beacon Hill Resources Plc

## Chief Executive Officer's Review of Operations (continued) for the year ended 31 December 2012

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### *Carrying Value*

As previously mentioned, the Board is obliged periodically to review the Company's projects to determine if there has been any impairment in their values. It is the Board's opinion that the global decline in the price of magnesia has adversely affected the value of the Tasmania Magnesite Project. The Board has accordingly evaluated the degree to which the value of this project has been impaired and made an appropriate provision in the financial statements.

### **Financial Results**

For the 2012 financial year, Beacon Hill is reporting a loss before tax of £28.1 million on a turnover of £0.7m (2011: loss of £7.4m on turnover of £1.0m).

The loss includes exceptional write downs of £12.6m in respect of the carrying values of the Tasmania Magnesite Project (£8.87m) and the Changara Coal Project (£3.73m). The Board is obliged periodically to review the Company's projects to determine if there has been any impairment in their values. Following such a review, the Board has concluded that the global decline in the price of magnesia has adversely affected the value of the Tasmania Magnesite Project. In respect of the Changara Coal Project, it is the Board's opinion that the prevailing value of coal exploration licences has been adversely impacted by the decline in coal prices throughout the past 12 months. The Board has accordingly evaluated the degree to which the values of these projects have been impaired and made appropriate provisions in the financial statements.

Revenue represents proceeds from the sale of coal to African markets. As has previously been announced, towards the end of the financial year, the Company made its second trial export shipment of coal. At the time of preparation of the financial statements, the final contractual obligations of the sales contract had not been completed and, accordingly, in accordance with the Company's accounting policies, the shipment has not been recorded as a sale in 2012.

Direct costs include mining and processing costs associated with the open pit mining operation, including wages, haulage and handling costs, fuel and depreciation of plant. The gross loss of £8.9m reflects the low volume of sales for the year relative to the productive capacity.

During the year, the Company made significant investment in the development of the Minas Moatize Coal Mine, including the upgrade of the existing wash plant. Total capital expenditure at the mine amounted to £5.9 million. Equity and loan capital raised amounted to £14.9 million. At 31 December 2012, the Company had cash of £1.2 million and net assets of £35.5 million.

### **Corporate**

#### *Australian Securities Exchange ('ASX') Listing*

On 5 April 2012, Beacon Hill commenced official quotation on the ASX under the code BHU. The rationale behind the dual listing at the time of listing was to provide Beacon Hill with access to a broader capital market base of Australian and Asian investors.

#### *Share Capital and Cash Position*

The Company has a total of 1,114,470,517 ordinary shares in issue, 20,275,000 warrants and 69,185,499 options. The Company had £1.2m in cash at 31 December 2012.

# **Beacon Hill Resources Plc**

## **Chief Executive Officer's Review of Operations (continued) for the year ended 31 December 2012**

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### **Way Forward**

The Minas Moatize plant expansion has been restructured to optimise the project's net present value by timing the expansion with export capacity received on the Sena Rail Line. The plant expansion and the associated capital expenditure will be phased in order to minimise the impact on the Company's cash flow. Given the current infrastructure challenges in Mozambique the strategic adopted is a low risk approach.

The Company's focus over the upcoming months will be the operational ramp up of the Phase II wash plant and producing coking coal yields as predicted by the planning model. The challenge will also be to make sure that both the Carbomoc and Dondo Siding projects are delivered in time when the new Rolling Stock arrives later this year.

In 2013, the Company will also focus its attention on the Arthur River Magnesite Project, and specifically taking this project up the value chain. Further exploration drilling and metallurgical testing will be undertaken to provide the Company and potential partners with further information about the metallurgical and chemical composition of the ore.

**Rowan Karstel**  
Chief Executive Officer

# Beacon Hill Resources Plc

## Directors' report for the year ended 31 December 2012

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The directors present their report and the audited financial statements for the year ended 31 December 2012

### Principal activity

The principal activity of the group is mining, including the development, through investment, of further suitable mining opportunities

### Results and dividends

The results for the year are set out on page 16

The directors do not recommend payment of a dividend (2011 - £Nil)

### Business and financial review

A review of the business and future developments is given in the chairman's statement on page 2 and the review of operations on page 4

Revenue for the year amounted to £0.7 million (2011 - £1.0 million) and the loss for the year amounted to £28.1 million (2011 - £7.4 million). The loss is analysed in the review of operations under financial results on page 8

In April 2012 the company received US\$10 million (£6.3 million) under terms of a secured loan from Vitol Coal SA, arranged in connection with a marketing partnership

In October 2012 a total of 59.4 million Ordinary Shares were issued raising £2.7 million

In August and November 2012, a total of £5.9 million was raised through the issue of Convertible Loan Notes

Further details of share and loan capital are provided in notes 18, 19 and 25

At 31 December 2012, the group had net assets of £35.5 million (2011 - £60.6 million), of which cash amounted to £1.2 million (2011 - £4.4 million)

### Going concern

The financial statements have been prepared on the going concern basis as, in the opinion of the directors, at the time of approving the financial statements, there is a reasonable expectation that the group will continue in operational existence for the foreseeable future

In order to arrive at this opinion, the directors have prepared detailed cash flow forecasts for the group as it currently stands, which demonstrate that it will be able to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of the financial statements

### Key performance indicators

The group's current key performance indicators are volumes of coal mined and sold. Relevant information is reported in the Review of Operations. Success is also measured by the identification and acquisition of suitable further projects together with the associated financing arrangements, as detailed in the Chairman's Statement and the Review of Operations

# Beacon Hill Resources Plc

## Directors' report for the year ended 31 December 2012 (continued)

### Principal risks

There are risks associated with the mineral industry. The Board regularly reviews the risks to which the group is exposed and endeavours to minimise these risks as far as possible. The following summary, which is not exhaustive, outlines some of the risks and uncertainties facing the group at its present stage of development.

- The group currently mines one product, coal. The group is accordingly vulnerable to fluctuations in the prevailing market price of coal and to variations in the value of the US dollar, in which sales are denominated.
- The exploration for and development of mineral resources involves technical risks and logistical challenges, which even a combination of careful evaluation and knowledge may not eliminate.
- There can be no assurance that the group's projects will be fully developed in accordance with the current plans. Future development work and financial returns arising may be adversely affected by factors outside the control of the group.
- The group operates in multiple national jurisdictions and is therefore vulnerable to changes in government policies which are outside its control.

The directors regularly monitor such risks and will take actions as appropriate to mitigate them. The group manages its risks by seeking to ensure it is in compliance with the terms of its agreements, and through the application of appropriate policies and procedures, and via the recruitment and retention of a team of skilled and experienced professionals.

### Directors

The directors of the company during the year and the remuneration they received were as follows:

	Fees/Salary 2012 £	Benefits 2012 £	Total 2012 £	Total 2011 £
Justin Farr-Jones (appointed 28 06 12)	17,500	-	17,500	-
Rowan Karstel (appointed 2 11 12)	35,527	-	35,527	-
Murray d'Almeida	55,427*	-	55,427	129,183
Timothy Jones	140,000	-	140,000	152,900
David Premraj (appointed 11 10 12)	24,327	-	24,327	-
Justin Lewis (resigned 1 11 12)	207,049	19,999	227,048	406,468

\* Including £14,596 (2011 - £63,660) for consultancy services provided to Tasmania Magnesite NL.

See note 23 for details of share options held by directors at the year end.

### Policy and practice on payment of creditors

It is group and company policy to settle all debts on a timely basis, taking account of the credit period given by each supplier. Trade creditors at 31 December 2012 represented 26 days' purchases.

### Financial instruments

Details regarding the group's use of financial instruments and their associated risks are given in note 22 to the consolidated financial statements.

### Post balance sheet events

On 1 February 2013, it was announced that Minas Moatize Limitada had signed a lease for the provision of five locomotives and ninety coal wagons.

On 11 February 2013, it was announced that Minas Moatize Limitada had entered into an Interim Rail Access Agreement under which it will receive a capacity allocation of 0.5 million tonnes per annum on the Sena Rail Line in Mozambique, commencing in April 2013.

In January 2013, Beacon Hill announced an upgrade to the Minas Moatize JORC Resource to 86.8Mt (Measured and Indicated of 76.3Mt) compared to the previous Resource statement of 66.4Mt all of which was Measured and Indicated. This upgrade, which represents an increase of 31% on the previous JORC resource statement, followed the completion of an infill drilling programme undertaken in 2012.

On 12 March 2013, it was announced that the Company had raised approximately £14.1 million through a placing of 464,122,967 new Ordinary Shares of 0.25p each at a price of 3p per share.

## **Beacon Hill Resources Plc**

### **Directors' report for the year ended 31 December 2011 (*continued*)**

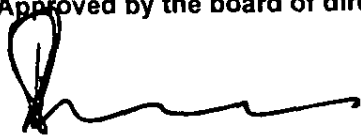
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#### **Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**Approved by the board of directors and signed on behalf of the board**



Timothy Jones  
Director

21 March 2013

# Beacon Hill Resources Plc

## Statement of directors' responsibilities

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The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether the group accounts have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements,
- state whether the parent company accounts have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# **Beacon Hill Resources Plc**

## **Independent auditor's report**

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### **To the shareholders of Beacon Hill Resources Plc**

We have audited the financial statements of Beacon Hill Resources PLC for the year ended 31 December 2012 which comprise the group income statement, the group statement of comprehensive income, the group statement of changes in equity, the group statement of financial position and company balance sheet, the group statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.



## Beacon Hill Resources Plc

### Independent auditor's report (*continued*)

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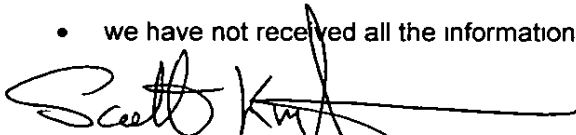
#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Scott Knight (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
21 March 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# Beacon Hill Resources Plc

## Consolidated Income Statement for the year ended 31 December 2012

	Note	2012 £	2011 £
<b>Revenue</b>	4	675,624	1,028,387
Direct costs		(9,622,735)	(2,622,426)
<b>Gross loss</b>		(8,947,111)	(1,594,039)
Impairment of intangible assets		(12,608,000)	-
Other administrative expenses		(6,146,395)	(4,873,037)
Share based payment charge		(205,798)	(968,171)
<b>Total administrative expenses</b>		(6,352,193)	(5,841,208)
<b>Operating Loss</b>	5	(27,907,304)	(7,435,247)
Finance income – bank interest		24,040	156,453
Finance costs	8	(226,172)	(86,472)
<b>Loss before tax</b>		(28,109,436)	(7,365,266)
Tax expense	9	-	-
<b>Loss for the year attributable to equity holders of the parent</b>		(28,109,436)	(7,365,266)
<b>Loss per share attributable to equity holders of the parent company</b>			
Basic and diluted	10	(2.643)p	(0.937)p

## Beacon Hill Resources Plc

### Consolidated Statement of Comprehensive Income for the year ended 31 December 2012

	2012 £	2011 £
Currency translation differences on overseas operations	(1,678,839)	244,430
Comprehensive income recognised directly in equity	(1,678,839)	244,430
<b>Loss for the year</b>	<b>(28,109,436)</b>	<b>(7,365,266)</b>
<b>Total comprehensive income and expense for the year attributable to equity holders of the parent</b>	<b>(29,788,275)</b>	<b>(7,120,836)</b>

# Beacon Hill Resources Plc

## Consolidated Statement of Changes in Equity for the year ended 31 December 2012

	Share capital £	Share premium account £	Merger reserve £	Foreign exchange reserve £	Warrant reserve £	Loan note reserve £	Minority acquisition reserve £	EBT reserve £	Retained earnings £	Total equity £
At 1 January 2011	2,348,087	45,184,935	12,839,346	465,417	37,500	4,826,500	(30,773,418)	-	(6,541,448)	28,386,919
Loss for the year	-	-	-	-	-	-	-	-	(7,365,266)	(7,365,266)
Currency translation difference on overseas operations	-	-	-	244,430	-	-	-	-	-	244,430
<b>Total comprehensive income</b>	-	-	-	<b>244,430</b>	-	-	-	-	<b>(7,365,266)</b>	<b>(7,120,836)</b>
Share based payments	-	-	-	-	-	-	-	-	968,171	968,171
Issue of shares	262,500	13,179,839	-	-	-	-	-	-	-	13,442,339
Expenses of issue	-	(635,799)	-	-	-	-	-	-	-	(635,799)
Issue of shares to acquire subsidiary	150,000	-	5,550,000	-	-	-	-	-	-	5,700,000
Conversion of loan notes	639,718	20,434,077	-	-	-	(4,826,500)	-	-	3,626,386	19,873,681
Issue of shares to EBT	50,000	1,850,000	-	-	-	-	-	(1,900,000)	-	-
	1,102,218	34,828,117	5,550,000	-	-	(4,826,500)	-	(1,900,000)	4,594,557	39,348,392
<b>At 1 January 2012</b>	<b>3,450,305</b>	<b>80,013,052</b>	<b>18,389,346</b>	<b>709,847</b>	<b>37,500</b>	-	<b>(30,773,418)</b>	<b>(1,900,000)</b>	<b>(9,312,157)</b>	<b>60,614,475</b>
Loss for the year	-	-	-	-	-	-	-	-	(28,109,436)	(28,109,436)
Currency translation difference on overseas operations	-	-	-	(1,678,839)	-	-	-	-	-	(1,678,839)
<b>Total comprehensive income</b>	-	-	-	<b>(1,678,839)</b>	-	-	-	-	<b>(28,109,436)</b>	<b>(29,788,275)</b>

# Beacon Hill Resources Plc

## Consolidated Statement of Changes in Equity (continued) for the year ended 31 December 2012

Share based payments	-	-	-	-	-	205,798	205,798
Issue of shares	148,480	2,515,161	-	-	-	-	2,663,641
Issue of loan notes	-	-	-	-	1,786,785	-	1,786,785
	148,480	2,515,161	-	-	1,786,785	-	4,656,224
At 31 December 2012	3,598,785	82,528,213	18,389,346	(968,992)	37,500	(1,900,000)	35,482,424

# Beacon Hill Resources Plc

## Consolidated Balance Sheet at 31 December 2012

Company number: 5696680

	Note	2012 £	2011 £
<b>Assets</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	11	7,759,392	20,242,027
Mineral properties	12	41,946,508	42,922,963
Mine works, plant and equipment	13	13,426,046	7,887,561
		<b>63,131,946</b>	<b>71,052,551</b>
<b>Current assets</b>			
Inventories	15	844,807	2,682,217
Trade and other receivables	16	705,214	1,393,607
Cash and cash equivalents		1,214,424	4,358,862
		<b>2,764,445</b>	<b>8,434,686</b>
<b>Total assets</b>		<b>65,896,391</b>	<b>79,487,237</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	5,295,381	5,718,284
		<b>5,295,381</b>	<b>5,718,284</b>
<b>Non-current liabilities</b>			
Convertible loan notes	18	4,215,004	-
Other Loan	19	6,150,440	-
Provision for site rehabilitation	20	3,463,589	1,344,445
Deferred tax	21	11,289,553	11,810,033
		<b>25,118,586</b>	<b>13,154,478</b>
<b>Total liabilities</b>		<b>30,413,967</b>	<b>18,872,762</b>
<b>Net assets</b>		<b>35,482,424</b>	<b>60,614,475</b>

# Beacon Hill Resources Plc

## Consolidated Balance Sheet at 31 December 2012 (*continued*)

### Equity attributable to equity holders of parent

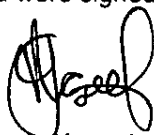
Share capital	25	3,598,785	3,450,305
Share premium	26	82,528,213	80,013,052
Merger reserve	26	18,389,346	18,389,346
Foreign exchange reserve	26	(968,992)	709,847
Warrant reserve	26	37,500	37,500
Loan note reserve	26	1,786,785	-
Minority acquisition reserve	26	(30,773,418)	(30,773,418)
EBT reserve	26	(1,900,000)	(1,900,000)
Retained earnings	26	(37,215,795)	(9,312,157)

### Total equity attributable to equity holders of the parent

**35,482,424**

**60,614,475**

The financial statements were approved by the board of directors and authorised for issue on 21 March 2013 and were signed on its behalf by



Rowan Karstel  
Director



Timothy Jones  
Director

# Beacon Hill Resources Plc

## Consolidated Cash Flow Statement for the year ended 31 December 2012

	Note	2012 £	2011 £
<b>Net cash flow from operating activities</b>			
Loss for the year		(28,109,436)	(7,365,266)
Depreciation and amortisation	5	474,867	175,742
Impairment of intangible assets		12,608,000	-
Loss on scrapping of tangible assets		948,933	-
Share-based payment expense	23	205,798	968,171
Discount charge on site rehabilitation provision	20	226,172	86,472
Interest received		(24,040)	(156,453)
Foreign exchange (loss)/gain		(293,178)	124,135
Movement in working capital			
- trade and other receivables		643,439	52,602
- trade and other payables		(124,022)	1,846,089
- inventories		1,716,983	(2,207,412)
<b>Cash flow used in operations</b>		<b>(11,726,484)</b>	<b>(6,475,920)</b>
<b>Cash flow from investing activities</b>			
Additions to exploration and evaluation costs	11	(434,359)	(1,142,257)
Purchase of mine works, plant, equipment and mineral properties		(5,863,046)	(5,769,665)
Interest received		24,040	156,453
<b>Net cash flow used in investing activities</b>		<b>(6,273,365)</b>	<b>(6,755,469)</b>
<b>Cash flow from financing activities</b>			
Issue of shares	25	2,663,641	13,442,339
Share issue costs		-	(635,799)
Issue of convertible loan notes	18	5,886,997	-
Other loan proceeds	19	6,304,773	-
<b>Net cash flow from financing activities</b>		<b>14,855,411</b>	<b>12,806,540</b>
Net decrease in cash and cash equivalents		(3,144,438)	(424,849)
Cash and cash equivalents at 1 January		4,358,862	4,783,711
<b>Cash and cash equivalents at 31 December</b>	22	<b>1,214,424</b>	<b>4,358,862</b>
Cash and cash equivalents comprise			
Cash available on demand		1,214,424	4,358,862



# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012

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### 1 Accounting policies

#### *Basis of preparation*

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared on the historical cost basis, on the basis of going concern and in line with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union and in accordance with applicable UK law. The adoption of all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to the operations and effective for annual reporting periods beginning on 1 January 2012 are reflected in these financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

In common with many exploration companies, the group raises finance for its exploration and appraisal activities in discrete tranches. Further funding is raised as and when required.

#### *Going concern*

The financial statements have been prepared on the going concern basis as, in the opinion of the directors, at the time of approving the financial statements, there is a reasonable expectation that the group will continue in operational existence for the foreseeable future. The assumptions made by the directors in support of this opinion are set out in the directors' report on page 10.

#### *Revenue*

Revenue comprises sales of coal to third parties (excluding VAT and similar taxes). Revenue is recognised on despatch from the mine gate or, if later under the terms of the sale contract, when the risks and rewards of ownership pass to the buyer.

#### *Basis of consolidation*

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Business combinations*

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair value at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Where the group increases its holding in an existing subsidiary undertaking, any premium arising on the acquisition is charged to the minority acquisition reserve.

Acquisitions of entities with no active business do not represent business combinations. In such cases the fair value of the consideration paid is allocated between the identifiable assets and liabilities at the acquisition date. No goodwill arises.

#### *Foreign currency*

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the consolidated income statement. Exchange differences arising on translating the opening net assets at closing rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve").

Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated income statement as part of the profit or loss on disposal.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date.

#### *Exploration and evaluation assets*

The group applies the full-cost method of accounting under which all expenditure relating to the acquisition, exploration, appraisal and development of mineral interests, including exploration licences and an appropriate share of directly attributable overheads, is capitalised. Capitalised costs are amortised on a unit of production basis from the date production commences. The Board regularly reviews the carrying values of exploration and evaluation assets and writes down capitalised expenditure to levels it considers to be appropriate. Amortisation commences once production has started and, along with any charges for impairment, is recognised as part of administrative expenses in the consolidated income statement.

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

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### 1 Accounting policies (continued)

#### *Financial assets*

The group's financial assets all of which are categorised as loans and receivables comprise the following

Trade and other receivables – these are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents – comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value.

#### *Financial liabilities*

The group's financial liabilities comprise convertible loan notes (see below), other loans and trade and other payables. The latter are recognised on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method.

#### *Convertible loan notes*

In accordance with IAS 32, the group has classified the convertible debt in issue as a compound financial instrument. Accordingly, the group presents the liability and equity components separately on the balance sheet, the equity element being credited to the loan note reserve. The classification of the liability and equity component is not reversed as a result of a change in the likelihood that the conversion option will be exercised. No gain or loss arises from initially recognising the components of the instrument separately. Interest on the debt element of the loan is accreted over the term of the loan at the effective interest rate. In the event of conversion the equity component relating to the conversion rights and the shares issued will be transferred to share capital and share premium (for any amount over the nominal value of each share).

#### *Share capital*

Financial instruments issued by the group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The group's ordinary shares are classified as equity instruments.

#### *Share based payment*

The share option programme allows directors and employees to acquire shares of the company. The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the directors and employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted.

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

### 1 Accounting policies (continued)

#### *Deferred taxation*

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on

- the initial recognition of goodwill,
- goodwill for which amortisation is not tax deductible,
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered)

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either

- the same taxable group company, or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered

#### *Borrowing costs*

Borrowing costs incurred in respect of qualifying assets as defined in IAS 23 *Borrowing Costs*, including interest charges calculated in accordance with effective interest method as described in IAS 32 *Financial Instruments Presentation*, are capitalised as part of the cost of that asset

#### *Impairment of non-financial assets*

Impairment tests on exploration and evaluation assets are undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly

Impairment charges are included in the administrative expenses line item in the income statement, except to the extent they reverse gains previously recognised in the statement of comprehensive income

#### *Mineral properties*

Mineral properties are recorded at cost, including appropriate capitalised borrowing costs, and are amortised over their expected useful life on a pro rata basis of actual production for the period to expected total production

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

### 1 Accounting policies (continued)

#### *Mine works, plant and equipment*

Mine works, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Repairs and maintenance are charged to the Income Statement during the financial periods in which they are incurred.

Fixed assets are depreciated over their estimated useful lives, as follows:

Mine works	-	pro rata to production
Fixtures, fittings, equipment and computers	-	13 - 40% straight line
Motor vehicles	-	12 - 25% straight line

#### *Site rehabilitation*

Provisions for site rehabilitation costs are recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Provisions are recorded at the present value of the expenditures expected to be required to settle the group's future obligations.

Provisions are reviewed at each reporting date to reflect the current best estimate of the cost at present value. The unwinding of the discount is reflected as a finance cost. A site rehabilitation asset is also established, since the future cost of site rehabilitation is regarded as part of the total investment to gain access to future economic benefits, and included as part of the cost of the relevant development and production asset. Depletion on this asset is calculated under the unit of production method based on commercial reserves.

#### *Inventories*

Material and equipment inventories are accounted for at the lower of cost and net realisable value. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

#### *Employee Benefit Trust (EBT)*

As the company is deemed to have control of its EBT, it is treated as a subsidiary and consolidated for the purposes of the consolidated financial statements. The EBT's assets (other than investments in the company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements. The EBT's investment in the company's shares is deducted from equity in the consolidated statement of financial position and disclosed as the EBT reserve.

#### *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers have been identified as the executive and the non-executive Board members.

The operating results of each of the geographical segments are regularly reviewed by the group's chief operating decision makers in order to make decisions about the allocation of resources and to assess their performance. Africa has production activities, Australia has exploration activities and there are administrative cost centres in the United Kingdom and Australia.

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 *(continued)*

### 1 Accounting policies *(continued)*

#### *New standards and interpretations adopted during the year*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)
- Deferred Tax Recovery of Underlying Assets (Amendments to IAS 12)

The adoption of these standards, interpretations and amendments did not affect the Group's results of operations or financial position

#### *New standards and interpretations not yet applied*

The new standards and interpretations listed below are effective for future periods and thus have not been adopted in these consolidated financial statements. None are expected to have a material effect on the reported results or financial position of the Group

- IAS 19 Employee Benefits
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

#### *Status of EU endorsement*

Entities in EU Member States which report in accordance with EU-endorsed IFRS can only apply IFRSs and IFRICs where the endorsement process has been completed at the date of approval of their financial statements. The following had not yet been endorsed by the European Union at the date these consolidated financial statements were authorised for issue

- Government Loans (Amendments to IFRS 1)
- Annual Improvements to IFRSs (2009–2011 Cycle)
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- IFRS 9 Financial Instruments

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (*continued*)

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### 2 Critical accounting estimates and judgements

The group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Impairment of non-current assets*

The directors are required to consider whether the non-current assets comprising exploration and evaluation assets, mineral properties and mine works, plant and equipment have suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary.

#### *Useful lives of non-current assets*

Non-current assets are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in the specific period.

#### *Determination of fair values of exploration and evaluation assets acquired*

The fair values of exploration and evaluation assets acquired are based on a valuation of the shares issued in consideration. Whilst such valuations are based on market prices, there is inevitably a subjective element in such processes.

#### *Determination of share based payment costs*

The determination of these costs is based on financial models. The inputs to these models are based on the directors' judgements and estimates and are not capable of being determined with precision.

#### *Convertible loan notes*

The fair value of the liabilities component on initial recognition is the present value of the stream of future cash flows (including both coupon payments and redemption) discounted at the market rate of interest that would have been applied to an instrument of comparable credit quality with substantially the same cash flows, on the same terms, but without the conversion option.

#### *Provision for site rehabilitation and decommissioning costs*

Provision for site rehabilitation and decommissioning costs and the associated asset is recorded at the present value of the expected expenditure required to settle the group's future obligations. Actual outcomes may vary. Details regarding the provision for site rehabilitation and decommissioning costs are set out in note 20 to the consolidated financial statements.

## Beacon Hill Resources Plc

Notes to the consolidated financial statements  
for the year ended 31 December 2012 (continued)

### 3 Operating segments

The following tables present revenue, loss and certain asset and liability information regarding the group's business segments for the year ended 31 December 2012, and for the year ended 31 December 2011

	Africa		Australia		Total	
	2012	2011	2012	2011	2012	2011
	£	£	£	£	£	£
<b>Income statement</b>						
Revenue from external customers	675,624	1,028,387	-	-	675,624	1,028,387
Direct costs	(9,622,735)	(2,622,426)	-	-	(9,622,735)	(2,622,429)
Gross (loss)/profit	<u>(8,947,111)</u>	<u>(1,594,039)</u>	-	-	<u>(8,947,111)</u>	<u>(1,594,039)</u>
Impairment of intangible assets	(3,738,000)	-	(8,870,000)	-	(12,608,000)	
Administrative expenses	(3,270,786)	(2,436,451)	(238)	(196)	(3,271,024)	(2,436,647)
Segment result	<u>(15,955,897)</u>	<u>(4,030,490)</u>	<u>(8,870,238)</u>	<u>(196)</u>	<u>(24,826,135)</u>	<u>(4,030,686)</u>
Unallocated						
Corporate expenses					(2,875,371)	(2,436,390)
Share based payments					(205,798)	(968,171)
Operating loss					<u>(27,907,304)</u>	<u>(7,435,247)</u>
Finance income					24,040	156,453
Finance costs					(226,172)	(86,472)
Loss before tax					<u>(28,109,436)</u>	<u>(7,365,266)</u>



## Beacon Hill Resources Plc

Notes to the consolidated financial statements  
for the year ended 31 December 2012 (continued)

### 3 Operating segments (continued)

Other segment information	Corporate		Africa		Australia		Total	
	2012 £	2011 £	2012 £	2011 £	2012 £	2011 £	2012 £	2011 £
Capital additions	4,718	27,866	8,134,920	15,464,539	292,794	1,143,586	8,432,432	16,635,990
Depreciation and amortisation	4,952	9,821	466,829	161,869	3,086	4,052	474,867	175,742
Site rehabilitation provision	-	-	3,463,589	1,344,445	-	-	3,463,589	1,344,445
Segment assets	979,522	4,417,710	58,977,782	60,433,797	5,939,087	14,635,730	65,896,391	79,487,237
Segment liabilities	10,877,645	492,349	19,522,567	18,344,801	13,755	35,612	30,413,967	18,872,762

Of the total non-current assets of £63,131,946 (2011 £71,052,551) none were held in the United Kingdom (2011 none)  
All external revenues were generated in Africa

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

<b>4 Revenue</b>	<b>2012 £</b>	<b>2011 £</b>
Revenue disclosed in the income statement is as follows		
Sales of coal to third parties	675,624	1,028,387
	<hr/>	<hr/>
<b>5 Operating loss</b>	<b>2012 £</b>	<b>2011 £</b>
This is stated after charging the following		
Depreciation and amortisation	474,867	175,742
Loss on scrapping of tangible assets	948,933	-
Changes in inventory of coal	379,259	(657,996)
Consumables used	248,917	353,283
	<hr/>	<hr/>
<b>6 Auditors' remuneration</b>	<b>2012 £</b>	<b>2011 £</b>
Fees payable to the company's auditors and its associates for audit of the annual accounts		
Audit of the company	7,000	6,000
Audit of the consolidation	37,000	35,500
Audit of subsidiaries	44,700	39,700
	<hr/>	<hr/>
	88,700	81,200
Fees payable to the company's auditors and its associates for other services		
- remuneration for tax services	10,300	38,210
- remuneration for other services	8,500	8,500
	<hr/>	<hr/>
	107,500	127,910
	<hr/>	<hr/>
<b>7 Staff costs and directors' emoluments</b>	<b>2012 £</b>	<b>2011 £</b>
Staff costs (including directors)		
Group		
Wages and salaries	2,618,062	2,108,559
Expense of share-based payments	205,798	968,171
	<hr/>	<hr/>
	2,823,860	3,076,730
	<hr/>	<hr/>
Company		
Wages and salaries	262,272	218,478
Expense of share-based payments	205,798	968,171
	<hr/>	<hr/>
	468,070	1,186,649
	<hr/>	<hr/>

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

### 7 Staff costs and directors' emoluments (continued)

The average monthly number of employees (including executive directors) during the year was as follows

Group	2012 Number	2011 Number
Production staff	221	260
Technical and administrative staff	19	16
	<u>          </u>	<u>          </u>
<b>Company</b>		
Technical and administrative staff	1	1
	<u>          </u>	<u>          </u>
	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<i>Directors' emoluments</i>		
<i>Group</i>		
Fees and salaries	499,829	688,551
	<u>          </u>	<u>          </u>

The remuneration of the highest paid director was £227,048 (2011 - £406,468)

In addition to the amounts shown above for directors' emoluments, share-based payment expenses of £45,045 (2011 - £783,736) were recognised in respect of directors. Details regarding share options held by directors are set out in note 23 to the financial statements

The key management personnel of the group are considered to be the executive and non-executive directors

### 8 Finance costs

	2012 £	2011 £
Unwinding of discount on site rehabilitation provision	226,172	86,472
	<u>          </u>	<u>          </u>
	226,172	86,472
	<u>          </u>	<u>          </u>

During the year borrowing costs of £755,869 (2011 - £3,638,952) were capitalised in accordance with the group's accounting policy (see note 12). This represents 100% of eligible interest costs

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

### 9 Taxation

#### Reconciliation of the total tax charge

The tax assessed on the loss for the year is lower than the standard rate of corporation tax in the UK of 24.5% (2011 – 27.5%). The differences are reconciled below

	2012 £	2011 £
<b>Accounting loss before tax</b>	(28,109,436)	(7,365,266)
Taxation at UK statutory income tax rate of 24.5% (2011 – 27.5%)	(6,886,812)	(2,025,448)
Impairment of intangible assets	3,088,960	-
Share based payments	50,421	266,247
Subsidiaries unrelieved losses	3,147,908	1,416,651
Holding company unrelieved losses	599,523	342,550
	<u>                    </u>	<u>                    </u>
<b>Tax on loss</b>	-	-
	<u>                    </u>	<u>                    </u>

The group has unrelieved trading losses of £20,284,537 (2011 - £4,988,899). Details of deferred tax assets and liabilities are shown in note 21

### 10 Loss per share

The calculation of basic loss per ordinary share attributable to equity holders of the parent company, is based on a loss of £28,109,436 (2011 - £7,365,266) and on 1,063,548,719 ordinary shares (2011 – 785,741,689), being the weighted average number of ordinary shares in issue during the year

There is no difference between diluted loss per share and the basic loss per share as the group reported a loss for the year

The company has issued share options and warrants over ordinary shares and convertible loan notes, all of which could potentially dilute basic earnings per share in the future. Further details are given in notes 18 and 23

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (*continued*)

### 11 Exploration and evaluation assets

	£
<i>Cost</i>	
At 1 January 2011	13,397,353
Exchange movement	2,417
Additions	1,142,257
Acquired with subsidiary	5,700,000
	<hr/>
At 31 December 2011 and 1 January 2012	20,242,027
Exchange movement	(308,994)
Additions	434,359
	<hr/>
<b>At 31 December 2012</b>	<b>20,367,392</b>
	<hr/>
<i>Impairment</i>	
At 1 January 2011	-
Charge for the year	-
	<hr/>
At 31 December 2011 and 1 January 2012	-
Charge for the year	(12,608,000)
	<hr/>
<b>At 31 December 2012</b>	<b>(12,608,000)</b>
	<hr/>
<i>Net book value</i>	
<b>At 31 December 2012</b>	<b>7,759,392</b>
	<hr/>
At 31 December 2011	20,242,027
	<hr/>

At the year end the net exploration and evaluation asset comprised the following individual assets £1,845,558 in relation to the Changara Coal Project (2011 - £5,700,000) and £5,913,834 in relation to Tasmania Magnesite (2011 - £14,542,027)

The provision for impairment of £12,608,000 was made following a review by the Directors, of the carrying values of the assets from which it was concluded that the global decline in mineral prices had brought about an impairment in those values

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (*continued*)

### 12 Mineral properties

£

<i>Cost</i>	39,209,221
At 1 January 2011	186,456
Exchange movements	3,638,952
Capitalised borrowing costs	
	<hr/>
<b>At 31 December 2011 and 1 January 2012</b>	<b>43,034,629</b>
Exchange movements	(1,653,962)
Capitalised borrowing costs	755,869
	<hr/>
<b>At 31 December 2012</b>	<b>42,136,536</b>
	<hr/>
<i>Amortisation</i>	33,304
At 1 January 2011	78,362
Charge for the year	
	<hr/>
<b>At 31 December 2011 and 1 January 2012</b>	<b>111,666</b>
Charge for the year	78,362
	<hr/>
<b>At 31 December 2012</b>	<b>190,028</b>
	<hr/>
<i>Net book value</i>	41,946,508
<b>At 31 December 2012</b>	
	<hr/>
At 31 December 2011	42,922,963
	<hr/>

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

### 13 Mine works, plant and equipment

	Mine works £	Motor vehicles £	Fixtures fittings and office equipment £	Total £
<i>Cost</i>				
At 1 January 2011	1,724,403	113,610	34,257	1,872,270
Exchange Movement	8,749	545	162	9,456
Additions	6,002,514	68,762	83,505	6,154,781
At 31 December 2011 and 1 January 2012	7,735,666	182,917	117,924	8,036,507
Exchange movement	(352,712)	(7,818)	(4,780)	(365,310)
Additions	7,146,225	39,578	56,401	7,242,204
Disposals	(1,145,792)	(16,704)	(726)	(1,163,222)
<b>At 31 December 2012</b>	<b>13,383,387</b>	<b>197,973</b>	<b>168,819</b>	<b>13,750,179</b>
<i>Depreciation</i>				
At 1 January 2011	35,810	12,359	3,141	51,310
Exchange movement	183	60	13	256
Charge for the year	61,890	16,870	18,620	97,380
At 31 December 2011 and 1 January 2012	97,883	29,289	21,774	148,946
Exchange movement	(4,954)	(1,227)	(848)	(7,029)
Charge for the year	357,088	21,456	17,961	396,505
Eliminated on disposals	(200,036)	(13,549)	(704)	(214,289)
<b>At 31 December 2012</b>	<b>249,981</b>	<b>35,969</b>	<b>38,183</b>	<b>324,133</b>
<i>Net book value</i>				
<b>At 31 December 2012</b>	<b>13,133,406</b>	<b>162,004</b>	<b>130,636</b>	<b>13,426,026</b>
At 31 December 2011	7,637,783	153,628	96,150	7,887,561

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

### 14 Subsidiaries

The consolidated financial statements include the financial statements of Beacon Hill Resources Plc and the following subsidiaries

		Proportion of voting rights and of equity interest	
		2012	2011
Minas Moatize Limitada	Mozambique	100%	100%
Midwest 2001 Limitada (formerly Nongo, Limitada)	Mozambique	99%	99%
Baetica Limitada	Mozambique	100%	-
Tasmania Magnesite NL	Australia	100%	100%
BHR Mining Limited	Isle of Man	100%	100%
Beacon Hill Resources Pty Limited (formerly Carnegie Services Australia Pty Limited)	Australia	100%	100%
BHR Mining Limited	United Kingdom	100%	100%
BHR Mining Mauritius Limited	Mauritius	100%	100%
Cambridge Investments BV	Mauritius	100%	100%
BHR Ventures Mauritius Limited	Mauritius	100%	100%
BHR Coal Mauritius Limited	Mauritius	100%	100%
BHR Investments Mauritius Limited	Mauritius	100%	100%
BHR Projects Mauritius Limited	Mauritius	100%	100%
Minas Moatize SA (Pty) Ltd	Mauritius	100%	-

#### Nature of business

The principal activity of Minas Moatize Limitada is coal mining

The principal activity of Tasmania Magnesite NL and Nongo, Limitada is mineral exploration

The principal activity of the other subsidiaries is the provision of management services and investment holding

### 15 Inventories

	2012 £	2011 £
Coal	774,802	1,154,061
Consumable supplies	70,005	1,528,156
	<u>844,807</u>	<u>2,682,217</u>



# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

### 16 Trade and other receivables (current)

	2012 £	2011 £
Trade debtors	9,899	494,665
Prepayments	32,194	331,445
Other receivables	663,121	567,497
	<u>705,121</u>	<u>1,393,607</u>

### 17 Trade and other payables (current)

	2012 £	2011 £
Trade payables	1,509,143	1,303,298
Other payables	3,387,072	3,541,354
Accruals	399,166	873,632
	<u>5,295,381</u>	<u>5,718,284</u>

Other payables includes a deposit of £3,075,220 (2011 - £3,219,782) received under a coal offtake agreement

### 18 Convertible loan notes (non current)

	2012 £	2011 £
Opening Balance	-	9,351,630
Issued in year	5,886,997	-
Exchange movements	(61,821)	-
Classified as equity	(1,786,785)	-
Converted	-	(11,299,886)
Accrued interest	176,613	1,948,256
	<u>4,215,004</u>	<u>-</u>

The loan notes were issued in August and November 2012 expiring on 30 June 2015 and bear interest at an annual rate of 10% over 3 month LIBOR and are convertible, into ordinary shares of the company at a price of 5 5p per share at the option of the note holders. The directors considered that the notes represented a compound instrument. Accordingly, the liability component was valued in accordance with the accounting policy set out in note 1 using an interest rate of 25%

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

### 19 Other loans (non-current)

	2012 £	2011 £
Opening Balance	-	-
Drawdown during the year	6,304,773	-
Exchange movement	(154,333)	-
	<u>6,150,440</u>	<u>-</u>

The loan was drawn down in April 2012 under a facility made available by Vitol SA as part of its marketing partnership with the Company. The loan is secured over the Minas Moatize Limitada coal mine, bears interest at 8.75% over LIBOR and is repayable from coal sales proceeds by 31 December 2016.

### 20 Provision for site rehabilitation

	2012 £	2011 £
Opening Balance	1,344,445	575,305
Exchange movement	(65,442)	4,408
Additional provision	1,958,414	678,260
Unwinding of discount	226,172	86,472
	<u>3,463,589</u>	<u>1,344,445</u>

In respect of the additional provision, a corresponding asset of £1,958,414 (2011 - £678,260) was recognised within the mine works asset. The costs associated with the provision are expected to be realised over a 10 year period. The asset is being amortised as part of the cost of mine works in line with the accounting policy set out in note 1 to the financial statements.

The amount relating to the unwinding of the discount amounting to £226,172 (2011 - £86,472) has been charged as a finance cost to the consolidated income statement.

### 21 Deferred tax

	2012 £	2011 £
<i>Recognised liability</i>		
Liability arising on unrealised value of mineral properties	11,480,166	12,009,433
Less: available tax losses of subsidiary at acquisition	(190,613)	(199,400)
	<u>11,289,553</u>	<u>11,810,033</u>
<i>Unrecognised asset</i>		
Unused losses carried forward	4,969,712	1,371,947

In accordance with the accounting policy set out in note 1, no deferred tax asset has been recognised on these unused losses owing to the uncertainty of future profit streams against which they could be utilised.

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

### 22 Financial instruments

The group's principal financial instruments are trade and other receivables, trade and other payables and cash. The main purpose of these financial instruments is to finance the group's ongoing operational requirements.

The major financial risks faced by the group which remained unchanged throughout the year are interest rate risk, credit risk, foreign exchange risk and liquidity risk.

Policies for the management of these risks are shown below and have been consistently applied, subject to the subsequent event disclosed in note 28.

#### Market risks

##### Interest rate risk

The group is exposed to interest rate risk as cash balances in excess of immediate needs are placed on short-term deposits in the money markets at variable rates of interest. The group seeks to optimise the rates received by continuously monitoring those available.

##### Foreign exchange risk

The group's activities expose it to fluctuations in the exchange rate for the US dollar and Australian dollar.

Funds are maintained in sterling and foreign currency is acquired on the basis of committed expenditure.

The group's results are not considered to be materially sensitive to the above risks and therefore no sensitivity analysis has been provided.

#### Non-market risks

##### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group's policy is to deal only with credit worthy counterparties.

##### Liquidity risk

Group management has responsibility for reducing exposure to liquidity risk and for ensuring that adequate funds are available to meet anticipated requirements from existing operations. Furthermore, it has responsibility for ensuring adequate funding is available for potential new ventures before entering into investment commitments. It operates according to the policies and guidelines established by the Board. Cash management is carried out centrally.

#### Fair and book values

	Carrying amount	
	2012	2011
	£	£
<i>Financial assets – classified as loans and receivables</i>		
- cash and short-term deposits	1,214,424	4,358,862
- other receivables (current)	663,121	567,497
- trade debtors	9,899	494,665
<i>financial liabilities – measured at amortised cost</i>		
- trade and other payables (current)	5,295,381	5,718,284
- convertible loan notes	4,215,004	-
- other loans	6,150,440	-

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

### 22 Financial instruments (continued)

#### Interest rate risk

	2012 £	2011 £
Floating rate financial assets maturing within 1 year	1,214,424	4,358,862
Cash and short-term deposits		

	2012 £	2011 £
Interest free financial liabilities maturing within 1 year	5,295,381	5,718,284
Trade and other payables		

	2012 £	2011 £
Floating rate financial liabilities maturing greater than 1 year	10,365,444-	
Convertible loan notes and other loans		

#### Liquidity table

The following table details the remaining contractual maturity for financial liabilities based on undiscounted cash flows

	Less than six months £	One to four years £
<b>2012</b>		
Trade payables	5,295,381	-
Convertible loan notes	-	4,215,004
Other loans	-	6,150,440
	Less than six months £	One to four years £
<b>2011</b>		
Trade payables	1,303,298	-

#### Cash balance analysis by currency

	2012 £	2011 £
Sterling	37,425	3,746,651
United States dollar	917,389	362,488
Australian dollar	170,433	249,723
South African rand	89,177	-
	1,214,424	4,358,862

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

### 22 Financial instruments (continued)

#### Significant non cash transactions

	2012 £	2011 £
Equity consideration for acquisition of subsidiary	-	5,700,000
Debt converted into equity	-	19,873,681
	<u>          </u>	<u>          </u>

#### Capital risk management

The group manages its capital to ensure that entities within the group will be able to continue as going concerns. In order to achieve this objective, the Group seeks to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

The capital structure of the group consists of equity, comprising issued share capital and reserves and cash and cash equivalents.

### 23 Share options and warrants

The company has two equity-settled share based payment schemes for directors and employees. (In respect of schemes pre-dating the share capital consolidation, numbers of options and exercise prices have been appropriately adjusted.)

#### 2006 Scheme

Under the 2006 scheme, options are exercisable at a price equal to the market price of the company's shares on the date of grant which was the placing price on 14 August 2006. The vesting period was 1 year. If the options remain unexercised after a period of 6 years from the date of grant, the options expire. Options are forfeited if the directors or employees leave the group before the options vest.

During the year and previous year no options were granted, exercised or expired. During the year no options were forfeited (2011 – Nil). Options over a total of 10,000 Ordinary shares at an exercise price of 200p per share were outstanding at 31 December 2012 and 31 December 2011 and were exercisable. The estimated total fair value of the options granted in prior periods was £150,000 or 75p per option (calculated with the Black-Scholes model), all of which was recognised in 2007 and prior periods.

#### 2009 Scheme

Under the 2009 scheme, the vesting period is set at the time of grant. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the directors or employees leave the group before the options vest, although the board has the discretion to overrule this condition and to allow the options to remain in place.

12,000,000 options were granted under this scheme on 14 October 2009 exercisable at 6.25p with a vesting period of 3 years and were outstanding at 31 December 2012 and 31 December 2011. The estimated total fair value of these options was £390,000, or 3.25p per option (calculated with the Black-Scholes model). The company recognised expenses of £73,081 in respect of these options in the year ended 31 December 2012 (2011 - £92,620).

8,000,000 options were granted under this scheme on 16 April 2010 exercisable at between 7p and 12.5p with a vesting period of two years and were outstanding at 31 December 2011 and December 2010. The estimated total fair value of these options was £311,000 or 2.15p to 3.33p per option (calculated with the

Black-Scholes model) The company recognised expenses of £nil in respect of these options in the year ended 31 December 2012 (2011 - £70,977)

## Beacon Hill Resources Plc

### Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

#### 23 Share options and warrants (continued)

2,500,000 options were granted under this scheme on 10 August 2010 exercisable at between 8p and 16p. The vesting period was one to two years. They were outstanding at 31 December 2012 and 31 December 2011. The estimated total fair value of these options was £58,150 or 1.82p to 3.23p per option (calculated with the Black-Scholes model).

16,050,000 options were granted under this scheme on 29 December 2010 exercisable at 14p. Some vested immediately and some had a vesting period of two years. They were outstanding at 31 December 2012 and 31 December 2011. The estimated total fair value of these options was £1,011,150 or 6.3p per option (calculated with the Black-Scholes model). 14,150,000 options were granted under this scheme on 21 December 2011 exercisable at 9.5p. Some vested immediately and some have a vesting period of two years and all were outstanding at 31 December 2012 and 31 December 2011. The estimated total fair value of these options was £757,025 or 5.35p per option (calculated with the Black-Scholes model).

3,138,493 options were granted under this scheme on 11 December 2012 exercisable at 3.0p. The options vested immediately and all were outstanding at 31 December 2012. The estimated total fair value of these options was £53,041 or 1.69p per option (calculated with the Black-Scholes model).

The inputs to the Black-Scholes model were as follows

Share price	3.0p
Exercise price	3.0p
Expected volatility	70%
Risk free rate of interest	1.2%
Expected dividend yield	0%
Expected life	5 years

Expected volatility was determined by reference to the historical volatility of similar listed entities

The company recognised an expense of £205,798 in respect of 2009 Scheme options in the year ended 31 December 2012 (2011, £968,171)

The board has exercised its discretion in respect of 16,400,000 options granted under the 2009 scheme to three former directors such that these options were not forfeited upon the resignation of those directors, but remain in place and exercisable until their original expiry date. The expenses associated with those options were recognised in full in prior periods.

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

### 23 Share options and warrants (continued)

A summary of these schemes is as follows

	Exercise price	Held at 1 January 2012	Granted	Exercised	Forfeited	Held at 31 December 2012
<b>2006 Scheme</b>						
Director	200p	10,000	-	-	-	10,000
<b>2009 Scheme</b>						
Directors	6 25p	6,400,000	-	-	-	6,400,000
Former directors	6 25p	2,400,000	-	-	-	2,400,000
Others	6 25p	3,200,000	-	-	(2,000,000)	1,200,000
<b>April 2010 scheme</b>						
Directors	7p	3,000,000	-	-	-	3,000,000
Director	8p	1,000,000	-	-	-	1,000,000
Director	10p	1,000,000	-	-	-	1,000,000
Directors	12 5p	1,000,000	-	-	-	1,000,000
Former directors	7p	2,000,000	-	-	-	2,000,000
<b>August 2010 scheme</b>						
Directors	12p	500,000	-	-	-	500,000
Directors	16p	500,000	-	-	-	500,000
Other	8p	500,000	-	-	-	500,000
Others	12p	500,000	-	-	-	500,000
Others	16p	500,000	-	-	-	500,000
<b>December 2010 scheme</b>						
Directors	14p	12,000,000	-	-	-	12,000,000
Others	14p	4,050,000	-	-	(1,750,000)	2,300,000
<b>December 2011 scheme</b>						
Directors	9 5p	12,000,000	-	-	-	12,000,000
Others	9 5p	2,150,000	-	-	(950,000)	1,200,000
		<u>52,710,000</u>	<u>-</u>	<u>-</u>	<u>(4,700,000)</u>	<u>48,010,000</u>
<b>Weighted average</b>						
Exercise price		10 125p	-	-	9 79p	10 16p

#### Summary of share options awarded to directors

Murray d'Almeida	11,200,000	-	-	-	11,200,000
Timothy Jones	14,210,000	-	-	-	14,210,000
Justin Lewis (resigned 1 11 12)	12,000,000	-	-	-	12,000,000
	<u>37,410,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,410,000</u>

Of the share options shown above, 44,910,000 (2011 – 36,160,000) are currently exercisable at a weighted average exercise price of 10 22p (2011 – 10 72p)

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

### 23 Share options and warrants (continued)

#### Other Options

As at 31 December 2012, the Company had the following outstanding options

Option Holder	Pursuit Capital Ltd
Date of Grant	28 September 2009
Number of Options	2,000,000
Option	The option to acquire a fully paid ordinary share in the Company at the subscription price during the exercise period
Subscription Price	6 25 pence per share

Option Holder	Fortrend Small Cap Investors Limited
Date of Grant	26 February 2010
Security Type	Standby Subscription Agreement dated 2 March 2010
Option	The option to acquire a fully paid ordinary share in the Company at the subscription price during the exercise period
Number of Options	833,333
Subscription Price	7 50 pence per share
Exercise Period	At any time prior to 2 March 2013

Option Holder	Fortrend Small Cap Investors Limited
Date of Grant	11 March 2010
Security Type	Standby Subscription Agreement dated 2 March 2010
Number of Options	1,250,000
Option	The option to acquire a fully paid ordinary share in the Company at the subscription price during the exercise period
Subscription Price	7 35 pence per share
Exercise Period	At any time prior to 13 March 2013

Option Holder	Fortrend Small Cap Investors Limited
Date of Grant	25 January 2011



Security Type	Standby Subscription Agreement dated 2 March 2010
Number of Options	1,250,000
Option	The option to acquire a fully paid ordinary share in the Company at the subscription price during the exercise period
Subscription Price	20 94 pence per share
Exercise Period	At any time prior to 25 January 2014

Option Holder	<b>Fortrend Small Cap Investors Limited</b>
Date of Grant	5 October 2010
Security Type	Option Certificate dated 5 October 2010
Number of Options	1,293,750
Option	The option to acquire a fully paid ordinary share in the Company at the subscription price during the exercise period
Subscription Price	15 68 pence per share
Exercise Period	At any time on or before 4 October 2013

Option Holder	<b>Fortrend Small Cap Investors Limited</b>
Date of Grant	10 October 2012
Security Type	Standby Subscription Agreement dated 2 March 2010
Number of Options	1,125,000
Option	The option to acquire a fully paid ordinary share in the Company at the subscription price during the exercise period
Subscription Price	4 68 pence per share
Exercise Period	11 October 2015

### *Warrants*

As at 31 December 2012, the Company had the following outstanding warrants

Warrant Holder	<b>Renaissance Africa Mining Limited (formally known as Jaiinda Investment Limited)</b>
Date of Grant	19 July 2010
Number of Warrants	16,650,000
Warrant	The right to acquire a fully paid ordinary share in the Company at the subscription price during the exercise period
Subscription Price	8 00 pence per share
Expiry Date	19 July 2013

<b>Warrant Holder</b>	<b>Latitude Zero Financial Investment Fund</b>
<b>Date of Grant</b>	13 November 2012
<b>Number of Warrants</b>	1,500,000
<b>Warrant</b>	The right to acquire a fully paid ordinary share in the Company at the subscription price during the exercise period
<b>Subscription Price</b>	4.00 pence per share
<b>Expiry Date</b>	30 June 2015

<b>Warrant Holder</b>	<b>Latitude Zero Financial Investment Fund</b>
<b>Date of Grant</b>	10 December 2012
<b>Number of Warrants</b>	1,500,000
<b>Warrant</b>	The right to acquire a fully paid ordinary share in the Company at the subscription price during the exercise period
<b>Subscription Price</b>	4.00 pence per share
<b>Expiry Date</b>	30 June 2015

## 24 Partly Paid Share Scheme ("PPSS")

A PPSS for Directors and employees was established in December 2011 to provide Directors and senior management with the opportunity to purchase shares in the company. Under the plan, shares are issued by the company and acquired beneficially by the director/employee and held by the BHR Trust. The company makes a non-recourse loan to the BHR Trust to allow it to purchase or subscribe for ordinary shares in the company. Pursuant to the rules of the PPSS, an employee can acquire ordinary shares at full market value from the BHR Trust but the full amount of the consideration will be deferred. The balance is payable to the Trust on demand by the Trust, on cessation of employment or when the relevant ordinary shares are sold.

No shares were awarded and acquired under this scheme during the year. At 31 December 2012, 20,000,000 shares were held by the BHR Trust. Of these, 17,500,000 were allocated to Justin Lewis, a former director, and 2,500,000 to members of senior management. Title to the shares transferred to these individuals in January 2012.

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

### 25 Share capital

	Ordinary shares		Deferred shares	
	Number	£	Number	£
<i>Issued</i>				
At 31 December 2010 and 1 January 2011	610,554,956	1,526,387	83,000,000	821,700
Issue of shares	440,887,181	1,102,218	-	-
	<u>1,051,442,137</u>	<u>2,628,605</u>	<u>83,000,000</u>	<u>821,700</u>
At 31 December 2011 and 1 January 2012				
Issue of shares	59,392,016	148,480	-	-
	<u>1,110,834,153</u>	<u>2,777,085</u>	<u>83,000,000</u>	<u>821,700</u>
<b>At 31 December 2012</b>				

The deferred shares carry no rights to dividends or other distributions and no voting rights. Upon a return of assets on a winding up, the deferred shares only entitle the holder to amounts paid up on such shares after the repayment of £10,000,000 per Ordinary share.

#### *Issue of shares*

On 10 October 2012, 4,500,000 ordinary shares of 0.25p were issued for cash at 4.3p per share.

On 18 October 2012, 54,892,016 ordinary shares of 0.25p were issued at 4.5p per share pursuant to subscriptions by three of the Group's principal contractors.

# Beacon Hill Resources Plc

## Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

### 26 Reserves

Reserve	Description and purpose
Share capital	Amount of the contributions made by shareholders in return for the issue of shares
Share premium	Amount subscribed for share capital in excess of nominal value
Merger reserve	Premium on shares issued in consideration for the acquisition of subsidiaries where a holding in excess of 90 per cent is acquired via the issue of equity shares
Foreign exchange reserve	Gains/losses arising on re-translating the net assets of overseas operations into sterling
Warrant reserve	Fair value of warrants issued in connection with share placing
Loan note reserve	Equity component of convertible loan notes
Minority acquisition reserve	Premium on acquisition of non-controlling interest in existing subsidiary
EBT reserve	Shares in the company purchased by the BHR Trust under the Partly Paid Share Scheme
Retained earnings	Cumulative net gains and losses recognised in the consolidated balance sheet

Details of movements in each reserve are set out in the Consolidated Statement of Changes in Equity on pages 18 and 19

### 27 Related party transactions

Disclosure regarding remuneration of the directors is given in note 7, and the Director's Report Details of the group's subsidiaries, which are considered to be related parties, are given in note 14

### 28 Subsequent events

On 1 February 2013, it was announced that Minas Moatize Limitada had signed a lease for the provision of five locomotives and ninety coal wagons

On 11 February 2013, it was announced that Minas Moatize Limitada had entered into an Interim Rail Access Agreement under which it will receive a capacity allocation of 0.5 million tonnes per annum on the Sena Rail Line in Mozambique, commencing in April 2013

In January 2013, Beacon Hill announced an upgrade to the Minas Moatize JORC Resource to 86.8Mt (Measured and Indicated of 76.3Mt) compared to the previous Resource statement of 66.4Mt all of which was Measured and Indicated. This upgrade, which represents an increase of 31% on the previous JORC resource statement, followed the completion of an infill drilling programme undertaken in 2012

On 12 March 2013, it was announced that the Company had raised approximately £14.1 million through a placing of 464,122,967 new Ordinary Shares of 0.25p each at a price of 3p per share

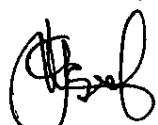
# Beacon Hill Resources Plc

## Parent company balance sheet for the year ended 31 December 2012

Company number 5696680

	Notes	2012 £	2011 £
<b>Fixed assets</b>			
Investments in subsidiaries	4	33,894,284	42,764,284
<b>Current assets</b>			
Debtors	5	46,133,570	42,794,019
Cash and short-term deposits		336,355	3,761,904
		46,469,925	46,555,923
<b>Creditors: amounts falling due within one year</b>	6	426,511	327,058
<b>Net current assets</b>		46,043,414	46,228,865
<b>Net assets</b>		<b>79,937,698</b>	<b>88,993,149</b>
<b>Capital and reserves</b>			
Issued capital	7	3,598,785	3,450,305
Share premium	8	82,815,713	80,300,552
Merger reserve	9	18,389,346	18,389,346
EBT Reserve	10	(1,900,000)	(1,900,000)
Profit and loss account	11	(22,966,146)	(11,247,054)
<b>Shareholders' funds</b>		<b>79,937,698</b>	<b>88,993,149</b>

The financial statements were approved by the board of directors and authorised for issue on 21 March 2013 and were signed on its behalf by



Rowan Karstel  
Director



Timothy Jones  
Director

# Beacon Hill Resources Plc

## Notes to the parent company financial statements for the year ended 31 December 2012

The separate financial statements of the company are presented as required by the Companies Act 2006

### 1 Accounting policies

#### *Basis of preparation*

The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards

#### *Going concern*

The financial statements have been prepared on the going concern basis as, in the opinion of the directors, at the time of approving the financial statements, there is a reasonable expectation that the group will continue in operational existence for the foreseeable future. The assumptions made by the directors in support of this opinion are set out in the directors' report on page 10.

#### *Investments*

Investments are stated at cost less provision for any permanent diminution in value

#### *Share based payment*

The share option programme allows directors and employees to acquire shares of the company. The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the directors and employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted.

#### *Employee Benefit Trust (EBT)*

As the company is deemed to have control of its EBT, it is treated as a subsidiary and consolidated for the purposes of the consolidated financial statements. The EBT's assets (other than investments in the company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements. The EBT's investment in the company's shares is deducted from equity in the consolidated statement of financial position and disclosed as the EBT reserve.

### 2 Loss attributable to members of the parent company

The loss dealt with in the financial statements of the parent company is £11,924,890 (2011 - £5,130,924). As permitted by s408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the period.

### 3 Staff costs and directors' emoluments

These are disclosed in note 7 to the consolidated financial statements.

# Beacon Hill Resources Plc

## Notes to the parent company financial statements for the year ended 31 December 2012 (*continued*)

<b>4 Investments</b>	<b>£</b>
<i>Cost</i>	
At 1 January 2012	42,764,284
<i>Provision for Impairment</i>	
At 1 January 2012	-
Charge for the year	(8,870,000)
<b>At 31 December 2012</b>	<b>(8,870,000)</b>
<i>Net book value</i>	
<b>At 31 December 2012</b>	<b>33,894,284</b>
At 31 December 2011	42,764,284

Details of holdings in subsidiary companies are set out in note 14 to the consolidated financial statements

<b>5 Debtors</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<i>Current</i>		
Amount owing by group undertaking	45,664,000	42,438,974
Other debtors	457,261	38,586
Prepayments	12,309	316,459
	<u>46,133,570</u>	<u>42,794,019</u>

# Beacon Hill Resources Plc

## Notes to the parent company financial statements for the year ended 31 December 2012 (continued)

### 6 Creditors: amounts falling due within one year

	2012 £	2011 £
Amount owed to group undertaking	92,491	92,491
Trade creditors	213,482	73,741
Accruals	114,002	160,800
Other creditors	6,536	26
	<u>426,511</u>	<u>327,058</u>

### 7 Share capital

Details of share capital and movements for the year are set out in note 25 to the consolidated financial statements

### 8 Share premium

	2012 £	2011 £
At 1 January	80,300,552	45,472,435
Premium on issue of shares	2,515,161	35,463,916
Expenses of issue	-	(635,799)
	<u>82,815,713</u>	<u>80,300,552</u>
<b>At 31 December</b>		

### 9 Merger reserve

	2012 £	2011 £
At 1 January	18,839,346	12,839,346
Arising on issue of shares to acquire subsidiary	-	5,550,000
	<u>18,839,346</u>	<u>18,839,346</u>
<b>At 31 December</b>		



# Beacon Hill Resources Plc

## Notes to the parent company financial statements for the year ended 31 December 2012 (continued)

### 10 EBT Reserve

	2012 £	2011 £
At 1 January	(1,900,000)	-
Purchase of shares during the year	-	(1,900,000)
	<u>(1,900,000)</u>	<u>(1,900,000)</u>
<b>At 31 December</b>	<b>(1,900,000)</b>	<b>(1,900,000)</b>

### 11 Profit and loss account

	2012 £	2011 £
At 1 January	(11,247,054)	(7,084,301)
Loss for the year	(11,924,890)	(5,130,924)
Share based payment charge	205,798	968,171
	<u>(22,966,146)</u>	<u>(11,247,054)</u>
<b>At 31 December</b>	<b>(22,966,146)</b>	<b>(11,247,054)</b>

### 12 Subsequent events

On 1 February 2013, it was announced that Minas Moatize Limitada had signed a lease for the provision of five locomotives and ninety coal wagons

On 11 February 2013, it was announced that Minas Moatize Limitada had entered into an Interim Rail Access Agreement under which it will receive a capacity allocation of 0.5 million tonnes per annum on the Sena Rail Line in Mozambique, commencing in April 2013

In January 2013, Beacon Hill announced an upgrade to the Minas Moatize JORC Resource to 86.8Mt (Measured and Indicated of 76.3Mt) compared to the previous Resource statement of 66.4Mt all of which was Measured and Indicated. This upgrade, which represents an increase of 31% on the previous JORC resource statement, followed the completion of an infill drilling programme undertaken in 2012

On 12 March 2013, it was announced that the Company had raised approximately £14.1 million through a placing of 464,122,967 new Ordinary Shares of 0.25p each at a price of 3p per share

# Beacon Hill Resources Plc

## Corporate governance

Beacon Hill has adopted a formal written Corporate Governance Statement. The Board believes that good corporate governance improves corporate performance and benefits all shareholders.

To further enhance listed entities disclosure of corporate governance issues, the ASX Corporate Governance Council (CGC) was established on 1 August 2002. The CGC was established for the purpose of setting an agreed set of corporate governance standards of best practice for Australian listed entities. These standards are contained in the ASX Corporate Governance Principles and Recommendations (ASX Guidelines). The ASX Guidelines articulate eight core principles that CGC believes underlie good corporate governance. The ASX Guidelines provide that a listed entity's Annual Report is required to disclose its main corporate governance practices and also the extent to which the entity complies with the ASX Guidelines and where it does not, explain why.

This section sets out the Company's approach to corporate governance and addresses the Company's compliance with the ASX Guidelines.

### Principle 1 - Lay solid foundations for management and oversight

The Principle requires the Company to establish and disclose the respective roles and responsibilities of both the Board and Management.

ASX Recommendation	Company's Response
1.1 Establish functions reserved to Board and those delegated to senior executives	<p>The Company is managed under the direction of the Board of Directors. The Company considers that it has an effective Board that has been structured in such a way that it</p> <ul style="list-style-type: none"> <li>Has a proper understanding of, and competence to deal with, the current and emerging issues affecting the business,</li> <li>Exercises independent judgement,</li> <li>Encourages enhanced performance of the Company, and</li> <li>Can effectively review and challenge the performance of management.</li> </ul> <p>The Board meets regularly throughout the year and the Board is responsible for</p> <ul style="list-style-type: none"> <li>Increasing shareholder value through leadership and direction of the Company,</li> <li>Formulating, reviewing and approving the Company's strategy,</li> <li>Budgeting and reviewing financial performance,</li> <li>Ensuring adequate capital resources are available to the Company,</li> <li>Reporting to shareholders,</li> <li>Compliance, and</li> <li>Corporate Governance.</li> </ul> <p>The Board effectively delegates the day to day management of the Company to the Managing Director and the Executive Management Team.</p>
1.2 Process for evaluating performance of senior executives	<p>The Executive Directors are responsible for evaluating the performance of Senior Management. Each member of the Senior Management Team has their performance assessed on an informal basis throughout the year and on a formal basis once a year.</p>

### Principle 2 - Structure the Board to add value

The Principle requires the Company to have a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

It is the objective that the Board comprises directors with an appropriate mix of skills, experience and personal attributes that allow the directors individually and the Board collectively to supervise the operations of the Company.

# Beacon Hill Resources Plc

## Corporate governance (continued)

### Principle 2 - Structure the Board to add value (continued)

ASX Recommendation	Company's Response
2.1 Majority of Board should be independent directors	<p>The Board has 5 directors</p> <ul style="list-style-type: none"> <li>▪ Justin Farr-Jones (Non-Executive Chairman),</li> <li>▪ Rowan Karstel (Managing Director)</li> <li>▪ Timothy Jones (Group Finance Director &amp; Company Secretary),</li> <li>▪ David Premraj (Director, Corporate Development), and</li> <li>▪ Murray d'Almeida (Independent Non-Executive Director)</li> </ul> <p>The Board acknowledges that the Board of Directors does not currently comprise a majority of independent Directors. Whilst the Board does not comprise a majority of independent directors, the Board believes that all of its Directors exercise due care and skill with respect to the matters which they consider and bring objective judgement to bear in decision making.</p>
2.2 Chair should be an independent director	<p>The Company acknowledges that the current Non-Executive Chairman is not independent. It is the Company's intention to review the composition of the Board on an ongoing basis, which may require the Company to appoint an Independent Non-Executive Chairman in the future.</p>
2.3 Roles of Chair and Chief Executive Officer should not be the same individual	<p>The Company has both a Non-Executive Chairman and Managing Director.</p>
2.4 Establish a Nomination Committee	<p>The Board undertakes the role of a Nomination Committee given the size and scale of the Company's operations. The Board's policy for nomination and appointment of Directors is to fulfil its responsibilities to shareholders by ensuring that the Board is comprised of individuals who are best able to discharge their responsibilities as Directors, having regard to the law and the highest standards of governance.</p> <p>The specific responsibilities that the Board has undertaken in completing the Nomination Committee's role include</p> <ul style="list-style-type: none"> <li>▪ Regularly review the structure, size and composition of the Board</li> <li>▪ Evaluating the balance of skills, knowledge and experience on the Board,</li> <li>▪ Identifying and nominating candidates to fill Board vacancies</li> <li>▪ Making recommendations concerning the re-election by Shareholders of Directors who have retired by rotation, and</li> <li>▪ Making recommendations concerning the re-election by Shareholders of Directors to the positions of Chairman and Managing Director</li> </ul>
2.5 Process for performance evaluation of Board, its committees and individual directors	<p>The Company does not have in place formal evaluation measures and processes for the Board, its committees and individual directors as the nature and size of the business to date has justified only an informal process.</p> <p>It is the Company's intention to produce a policy that will outline the process for performance evaluation of the Board, its committees and individual directors. A performance evaluation will be undertaken at the earliest opportunity following implementation of the policy.</p>

# Beacon Hill Resources Plc

## Corporate governance (continued)

### Principle 2 - Structure the Board to add value (continued)

ASX Recommendation	Company's Response
2.6 Availability of Information	<p><i>Information on Directors</i> Details on each Director's relevant skills, experience and expertise, as well as their independence status and period in office can be found on <a href="http://www.bhrplc.com">www.bhrplc.com</a></p> <p><i>Independent professional advice</i> All directors have the right to seek independent professional advice at the Company's expense</p>

### Principle 3 - Promote ethical and responsible decision making

The Principle requires that the Board should actively promote ethical and responsible decision making

ASX Recommendation	Company's Response
3.1 Establish a Code of Conduct	Beacon Hill has established a Code of Conduct as per ASX recommendation 3.1 to provide Directors and employees' guidance on what is acceptable behaviour. Specifically, the Company requires all Directors and employees to maintain the highest standards of integrity and honesty. A copy of the Code of Conduct for Directors and employees is available on the Company's website <a href="http://www.bhrplc.com">www.bhrplc.com</a>
3.2 Establish a Diversity Policy	The Company does not currently have a 'Diversity Policy' in place. It is the Company's intention to develop a Diversity Policy.
3.3 Disclose measurable objectives for achieving gender diversity and progress achieving them	The Company is committed to diversity in the workplace. The company currently employs [276 employees, of which 10 are female]
3.4 Disclose proportion of women employed in organisation	Refer to 3.3
3.5 Availability of Information	The Company's Code of Conduct is available from the Company's Website <a href="http://www.bhrplc.com">www.bhrplc.com</a>

### Principle 4 - Safeguard integrity in financial reporting

This Principle requires that the Company has a structure in place to independently verify and safeguard the integrity of its financial reporting

ASX Recommendation	Company's Response
4.1 Establish an Audit Committee	<p>Beacon Hill is committed to a transparent system for auditing and reporting of the Company's financial performance. The Board has established an Audit Committee which performs a central function in achieving this goal.</p> <p>The purpose of the Audit Committee is</p> <ul style="list-style-type: none"> <li>To give the Board of directors of the company critical and independent advice on the integrity of the Company's financial statements and to provide a forum at which any employee of the Company or other interested person, such as the Company's auditors, can discuss financial matters concerning the Company,</li> <li>To be available on an ad hoc basis to consider and resolve any financial problems relating to the Company,</li> <li>To ensure a thorough and detailed review is carried out by non-executive directors of audit matters before approval by the Board, and</li> <li>To investigate audit matters with full access to information and the resources to do so</li> </ul>

# Beacon Hill Resources Plc

## Corporate governance (continued)

### Principle 4 - Safeguard integrity in financial reporting (continued)

ASX Recommendation	Company's Response
4 2 Structure of Audit Committee	<p>The Audit Committee is currently comprised of Murray d'Almeida (Chairman of the Committee) and Justin Farr-Jones</p> <p>The Company acknowledges the ASX's recommendation for the committee to have 3 members and for the committee to have a majority of independent directors. It is the Company's intention to appoint further non-executive directors and following these appointments further non-executive directors will be appointed to the Audit Committee such that the Committee will comprise at least 3 members with a majority of independent directors</p> <p>The Board notes that it is compliant with the requirements of the UK Corporate Governance Code which requires a two-member Audit Committee for smaller companies (defined as those not within the FTSE-350 index)</p>
4 3 Formal Charter	The Audit Committee is governed by a 'Terms of Reference' which is similar in nature to a 'Committee Charter'
4 4 Availability of Information	The Audit Committee Terms of Reference is available from the Company's website <a href="http://www.bhrplc.com">www.bhrplc.com</a>

### Principle 5 - Make timely and balanced disclosure

The Principle requires the Company to promote timely and balanced disclosure of all material aspects concerning the Company

ASX Recommendation	Company's Response
5 1 Continuous Disclosure Policy	<p>The Company has been listed on the AIM since 14 August 2006 and the ASX since 4 April 2012 and has at all times complied with its continuous disclosure obligations under the AIM Rules for Companies and under ASX Listing Rule 3 1</p> <p>The Company has a Continuous Disclosure Policy which is compliant with both the AIM Rules for Companies and the requirements under ASX Listing Rule 3 1</p> <p>Under the AIM Rules for Companies Beacon Hill is required to issue notification without delay of any new developments which are not public knowledge concerning a change in the following factors that if made public, would be likely to lead to a substantial movement in the price of its AIM securities</p> <ul style="list-style-type: none"> <li>▪ Financial condition</li> <li>▪ Sphere of activity</li> <li>▪ Performance of its business</li> <li>▪ Expectation of its performance</li> </ul> <p>Under ASX Listing Rule 3 1, Beacon Hill is required to immediately disclose to the ASX information once the Company becomes aware of any material information concerning it that a reasonable person would expect to have a material effect on the price and value of the Company's securities</p> <p>All disclosures to the AIM and ASX are reviewed and authorised by the Company and Beacon Hill's Nominated Advisor in the UK to ensure that Company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to access the impact of the information when making investment decisions</p> <p>The Company's Continuous Disclosure Policy is contained within the Company's Corporate Governance Statement, which is available on the Company's website <a href="http://www.bhrplc.com">www.bhrplc.com</a></p>
5 2 Availability of Information	Refer to response above at 5 1

# Beacon Hill Resources Plc

## Corporate governance (continued)

### Principle 6 - Respect the rights of shareholders

The Principle requires the Company to respect the rights of shareholders and facilitate the exercise of those rights

ASX Recommendation	Company's Response
6.1 Communications Policy	<p>Beacon Hill is focussed on communicating effectively with the Company's shareholders, giving them ready access to balanced and understandable information about the Company and corporate proposals and making it easy for these shareholders to participate in general meetings</p> <p>Beacon Hill has been listed on the AIM since 14 August 2006 and on the ASX since 4 April 2012, and has at all times complied with its continuous disclosure obligations under the AIM Rules for Companies and under ASX Listing Rule 3.1</p> <p>Under the AIM Rules for Companies, Beacon Hill is required to issue notification without delay of any new developments which are not public knowledge concerning a change in the following factors that if made public, would be likely to lead to a substantial movement in the price of its AIM securities</p> <ul style="list-style-type: none"> <li>▪ Financial condition</li> <li>▪ Sphere of activity</li> <li>▪ Performance of its business</li> <li>▪ Expectation of its performance</li> </ul> <p>Under ASX Listing Rule 3.1 Beacon Hill is required to immediately disclose information to the ASX once it has become aware of any information concerning it that a reasonable person would expect to have a material effect on the price and value of the Company's securities</p> <p>The Company Secretary, the Managing Director and the Chairman are responsible for</p> <ul style="list-style-type: none"> <li>▪ Overseeing and co-ordinating disclosure of information to the relevant stock exchanges and shareholder, and</li> <li>▪ Providing guidance to Directors and employees on disclosure requirements and procedures</li> </ul> <p>Beacon Hill's primary means of communicating with its shareholders is via the Company's announcements on the AIM and the ASX and via the Company's website <a href="http://www.bhrplc.com">www.bhrplc.com</a></p> <p>On the website the Company makes the following information available on a regular and up to date basis</p> <ul style="list-style-type: none"> <li>▪ Company announcements,</li> <li>▪ Recent presentations made to media, analysts and investors,</li> <li>▪ Notices of meetings and explanatory material,</li> <li>▪ Financial information, and</li> <li>▪ Annual Reports</li> </ul>
6.2 Availability of Information	<p>The Company's Communication's policy is contained within the Company's Corporate Governance Statement, which is available on the Company's website</p>

# Beacon Hill Resources Plc

## Corporate governance (continued)

### Principle 7 - Recognise and manage risk

The Principle requires the Company to establish a sound system of risk oversight and management and internal control

ASX Recommendation	Company's Response
7.1 Establish policies for the oversight and management of material business risks	<p>The Board constantly monitors the operational and financial aspects of the Company's activities and is responsible for the implementation and ongoing review of business risks that could affect the Company. Whilst the Board does not currently have a formal risk management policy in place, the Board believes that it operates a sufficiently rigorous risk framework appropriate to a company of its size and scope.</p> <p>Duties in relation to risk management that are conducted by the Board of Directors include but are not limited to:</p> <ul style="list-style-type: none"> <li>Identifying, assessing, monitoring and managing risks in an effective and efficient manner,</li> <li>Using risk management to assist the business with decision making</li> <li>Identifying and evaluating opportunities based on their risk/reward balance,</li> <li>Communicating and consulting internally and externally as appropriate, and</li> <li>Informing investors of material changes to the Company's risk profile</li> </ul> <p>Ongoing review of the overall risk management program is conducted by external parties where appropriate. The Board ensures that recommendations made by external parties are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.</p>
7.2 Design and implement a risk management and internal control system to manage material business risks and report thereon to Board	Refer to 7.1
7.3 Availability of Information	Risk management duties that are undertaken by the Board of Directors are available from the Corporate Governance Statement, which is available on the Company's website <a href="http://www.bhrplc.com">www.bhrplc.com</a>

# Beacon Hill Resources Plc

## Corporate governance (continued)

### Principle 8 - Remunerate fairly and responsibly

The Principle requires that the Company ensures that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear

ASX Recommendation	Company's Response
8 1 Establish a Remuneration Committee	Beacon Hill has a Remuneration Committee. The purpose of the Remuneration Committee is to determine and review the remuneration of executives on behalf of the Board of Directors and to ensure that the remuneration policies and packages attract, retain and motivate quality directors whilst not exceeding market rates.
8 2 Structure of Remuneration Committee	<p>The remuneration committee is comprised of Murray d'Almeida (Chairman of the Committee) and Justin Farr-Jones. The remuneration committee reviews the performance of executive Directors and sets their remuneration, determines the payment of bonuses to executive Directors and considers the future allocation of share options to directors and employees.</p> <p>The Company acknowledges the ASX's recommendation for the committee to have a majority of independent directors. The Company's intention is to appoint further non-executive directors and following these appointments further non-executive directors will be appointed to the Remuneration Committee such that the Committee will comprise a majority of independent directors.</p>
8 3 Distinguish between structure of non-executive directors' remuneration and remuneration of directors and senior executives	The Company distinguishes between the remuneration structure of non-executive directors' and that of executive directors and senior executives. Executive directors' and senior executives' remuneration packages involve a balance between fixed and incentive pay, reflecting short and long-term performance objectives appropriate to the Company's circumstances and goals.
8 4 Availability of Information	The remuneration committee is governed by a 'Terms of Reference' which is available from the Company's website <a href="http://www.bhrplc.com">www.bhrplc.com</a> .



# Beacon Hill Resources Plc

## Shareholder Information

The shareholder information set out below was applicable as at the dates specified

### 1 Capital Structure (as at 28 February 2012)

Equity Class	Number of Securities	Voting Rights
Ordinary Shares	1,114,470,517	Yes (one vote per share)
Deferred Shares <sup>1</sup>	83,000,000	No
Warrants	20,275,000	No
Options	69,185,499	No
Fully Diluted	1,286,931,016	

<sup>1</sup> The Deferred Shares were issued following a capital reorganisation by the Company in 2008. The Deferred Shares are not quoted on AIM and have no voting or income rights. The Deferred Shares are not convertible into ordinary shares. Holders of Deferred Shares are only entitled to a capital distribution after repayment of capital paid up on the Shares together with a payment of £10,000,000 on each Share.

### 2 Distribution of Equity Securities (as at 28 February 2013)

Range	No of Shareholders	Shares	Percentage
0 - 1,000	74	50,722	0.00%
1,001 - 5,000	197	656,360	0.06%
5,001 - 10,000	205	1,675,351	0.16%
10,001 - 100,000	393	13,927,043	1.32%
100,001 and Over	177	1,035,132,661	98.45%
<b>Total</b>	<b>1046</b>	<b>1,051,442,137</b>	<b>100.00%</b>

There are 165 shareholders that hold less than a marketable parcel of ordinary shares

### 3. Top 20 Shareholders (as at 28 February 2013)

	SHAREHOLDER	CLASS	HOLDING	%
1	HANOVER NOMINEES LIMITED	Ordinary Shares	293224670	26.31%
2	ZZ AUSTRALIA CONTROL ACCOUNT	Ordinary Shares	88141998	7.91%
3	HANOVER NOMINEES LIMITED	Ordinary Shares	59356735	5.33%
4	PERSHING NOMINEES LIMITED	Ordinary Shares	52635057	4.72%
5	BARCLAYSHARE NOMINEES LIMITED	Ordinary Shares	47736505	4.28%
6	TD DIRECT INVESTING NOMINEES	Ordinary Shares	41270477	3.70%
7	L R NOMINEES LIMITED	Ordinary Shares	32121953	2.88%
8	FOREST NOMINEES LIMITED	Ordinary Shares	31709770	2.85%
9	CITY OF BRADFORD METROPOLITAN	Ordinary Shares	23814575	2.14%
10	HSDL NOMINEES LIMITED	Ordinary Shares	23606097	2.12%
11	NUTRACO NOMINEES LIMITED	Ordinary Shares	22007974	1.97%
12	AURORA NOMINEES LIMITED	Ordinary Shares	22000000	1.97%
13	NUTRACO NOMINEES LIMITED	Ordinary Shares	19289002	1.73%
14	TD WEALTH INSTITUTIONAL NOMINEES	Ordinary Shares	18388288	1.65%
15	HARGREAVES LANSDOWN (NOMINEES)	Ordinary Shares	17865294	1.60%
16	HSBC CLIENT HOLDINGS NOMINEE (UK)	Ordinary Shares	17568158	1.58%
17	MR JUSTIN LLEWELLYN GARETH LEWIS	Ordinary Shares	17500000	1.57%
18	SHARE NOMINEES LTD	Ordinary Shares	13743329	1.23%
19	HARGREAVES LANSDOWN (NOMINEES)	Ordinary Shares	13251343	1.19%
20	SHAREHOLDER	CLASS	HOLDING	%

# Beacon Hill Resources Plc

## Shareholder Information (*continued*)

### 4. Substantial Shareholders (as at 28 February 2013)

<b>Shareholder</b>	<b>No. of Shares</b>	<b>%</b>
Renaissance Financial Holdings Limited	240,203,261	21.56%
Latitude Zero Financial Investment Fund, Siverano Nominees Inc	142,254,896	12.76%
Consolidated Group (Consolidated Minerals Pte Ltd, Asia Carbon Pacific Pty Ltd & Consolidated Resources Pte Ltd)	140,966,556	12.69%
BlackRock, Inc	57,774,398	5.18%

### 5. Additional Information

- There is no current on-market buy-back
- The Company is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act (Corporations Act 2001 (Cth)) dealing with the acquisition of shares (including substantial holdings and takeovers)