



## CLARIFICATION OF TOLL TREATMENT COSTS

### ASX RELEASE

28-Feb-12

Dear Shareholders

Beacon Minerals Ltd (Company) will hold a General Meeting on 12 March to approve the sale of the Barlee Mining Lease M77/1254 to Ramelius Resources Ltd (Ramelius).

The Directors evaluated various options with regard to the development of the Halleys East resource and are confident the Ramelius Offer provides the best return for all shareholders of Beacon. **We urge all shareholders to support this sale.**

The Company engaged independent consultants last year to complete both:

- A review of the JORC resource model following infill drilling at the Halleys East deposit; and
- A Proposal to Mine for the Department of Mines and Petroleum which included a conceptual study for estimated costs for toll treatment, based on current industry figures, the geological resource model and optimisation of the mine plan to support this.

Recently a group of shareholders (Requisitioning Shareholders), who oppose the sale of the Barlee Mining Lease M77/1254, have circulated alternative numbers for the estimated return under the toll treatment option.

**The Directors are unsure of the source of these figures but they ARE NOT based on the actual resource model or Whittle mine plan optimisations used by the Company's' independent consultants to determine the project economics.**

The Company has completed an independent review based on the alternate costs proposed:

Variable	Requisitioning Shareholders Review	COMPANY REVIEW
Tonnes	89,509	51,823
Grade g/t	12.41	12.36
Contained ozs	35,716	20,594
Waste Tonnes	? (1)	1,070,744
Processing Recovery %	94	93
Recovered Ounces	33,570	19,152
Au Sell Price per oz \$	1,600	1,500
Royalty per oz (2.5%) \$	?	38
Estimated CAPEX \$	?	8,318,000
Gross Receipts \$	53,718,000	28,009,858
Operating Costs \$	17,746,310	11,944,980
Surplus (OPEX only) \$	35,971,690	16,064,878
Surplus (OPEX and CAPEX) \$	?	7,746,878
<b>BCN Surplus less Duketon Revenue \$</b>	<b>?</b>	<b>6,140,390</b>
Cost / Recovered oz (OPEX only) \$	469 (2)	624
Cost / Recovered oz (OPEX and CAPEX) \$	?	1,058

(1) ? - Figures not provided

(2) This appears to be incorrect based on recovered ounces and operating costs (Est : \$ 529/oz)

**THE FIGURES PROPOSED BY THE REQUISITIONING SHAREHOLDERS ARE UNREALISTIC AND INACCURATE.**

It can be seen from the Company Review, which is based on a study using the actual resource model and mine plan, that key parameters such as ounces recovered, operating and capital costs and the cash surplus margins are considerably different from those projected by the Requisitioning Shareholders. **Any minor movement in gold price, exchange rate, operational efficiency and costs and numerous other variables could potentially lead to even more reduced margins or possibly even a loss making situation.**

Stock Exchange

ASX: BCN

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The capital and operating costs utilised in the analysis of toll treatment by the Company were based on a combination of current known industry figures for similar operations and quotes from appropriate contractors. In summary the key input variables were:

### Operating Costs

**Mining** – This input is based on current known mining contracts and allowance for infrastructure requirements due to the location of the resource - **\$ 9.50 / bcm.**

**Transport** – Of the various plants evaluated, the closest plant was Sandstone at 220 Km and the furthest at Edna May - 345 Km. Based on current haulage rates a minimum value of **\$60 / tonne** was used for project economics. Various plants were discounted for other technical and commercial reasons.

**Metallurgical Processing** – Current known metallurgical toll treatment costs in the Goldfields region are in the order of **\$80 / tonne**. In this market there is no guarantee that these costs are achievable and there is no guarantee that a third party plant will even treat the ore in preference to treating their own material.

### Capital Costs

**Department of Mines and Petroleum (DMP) Bond** – estimated rehabilitation bond prior to mining commencement - **\$0.65 Million.**

**Roads** – new and upgraded haulage road from the Halleys East deposit was quoted by contractors at **\$3.5 Million.**

**Site Infrastructure** – This includes accommodation and messing facilities, water supply - **\$1.8 Million.**

**Management Team and Working Capital** – Managed operation would require an appropriate mine manager, geologists, surveyors and other site personnel to be employed prior to commencing operation and for the estimated 6 months of operation, plus working capital would be required for the Company to continue normal operations and complete further requirements (eg DMP Operations Proposal) before mining commences - **\$2.3 Million.**

Apart from the anticipated **High Capital and Operating Costs** there is a **minimisation of risk** with the Ramelius Offer that would be much higher if the Company elected to manage toll treatment. These have been outlined in a Company release dated 23 February 2012. The recent closure of another toll treatment operation at Kalgoorlie Mining Company's (KMC) Bullant operations demonstrates the consequences of failing to minimise the risks of toll treatment. **Ramelius have a proven track record in managing these risks and returning cash to the Company.**

Should you have any questions in relation to the above matters, please contact the undersigned on telephone (08) 9476 9200 or 0419 908645, or Paul Lloyd on 0419 945395.

For and on behalf of  
BEACON MINERALS LIMITED



**Darryl Harris**  
**Managing Director**

*The information in this report, as it relates to:*

- A) Exploration Results, is based on information compiled and/or reviewed by Mr. Lyle Thorne who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM).*
- B) Resource Estimates, is based on information compiled and/or reviewed by Mr. Byron Dumbleton who is a member of the AIG (Australian Institute of Geoscientists).*
- C) Mining and Processing Estimates, is based on information compiled and/or reviewed by Auralia Mining Consulting Pty Ltd.*
- D) Metallurgical and Processing Estimates is based on information compiled and/or reviewed by Mr. Darryl Harris who is a member of the AusIMM.*

*All persons have the relevant experience with the mineralisation reported on to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". All persons consent to the inclusion in the report of the matters based on the information in the form and context in which they appear.*

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