

**Beacon Minerals Limited**

**TERMS AND CONDITIONS OF DIRECTOR OPTIONS EXPIRING 31 MAY 2011**

1. Options expire on 31 May 2011.
2. Each Option shall entitle the holder the right to subscribe for one (1) fully paid ordinary share in the capital of the Company at an issue price of 20 cents.
3. Each ordinary share allotted as a result of the exercise of an Option will, subject to the Constitution of the Company, rank in all respects pari passu with the existing ordinary fully paid shares in the capital of the Company on issue at the date of allotment.
4. In the event of a reconstruction (including a consolidation, sub-division, reduction, return or pro-rata cancellation) of the issued capital of the Company, the number of Options or the exercise price of the Options or both shall be reconstructed in accordance with ASX Listing Rules such that there will not result in any benefits being conferred on the Option Holders which are not conferred on shareholders (subject to the provision with the respect to rounding of entitlements sanctioned by the meeting of shareholders approving the reconstruction of capital) but in all other respects the terms of the exercise of Options shall remain unchanged.
5. There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its shareholders from time to time prior to the Option Expiry Date unless and until Options are exercised. The Company will ensure that during the exercise period of the Options, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 Business Days after such new issues are announced in order to afford the Option Holder an opportunity to exercise the Options that have vested in the Option Holder at that time.
6. If the Company makes a pro rata issue (except a bonus issue) to the holders of ordinary shares, the exercise price of each Option shall be amended in accordance with the following formula:
7. 
$$O' = O - \frac{E[P - (S + D)]}{N + 1}$$
  - i. Where:
  - ii. O' = the new exercise price of the Option.
  - iii. O = the old exercise price of the Option.
  - iv. E = the number of underlying shares into which one Option is exercisable.
  - v. P = the average market price per share (weighed by reference to volume) of the underlying shares during the 5 trading days ending on the day before the ex rights or the ex entitlements date.
  - vi. S = the subscription price for a share under the pro rata issue.
  - vii. D = any dividend due but not yet paid on the existing underlying share (except those to be issued under the pro rate issue).
  - viii. N = the number of shares with rights or entitlements that must be held to receive a right to one new share.
8. No change will be made pursuant to the application of the above formula to the number of shares to which the Option Holder is entitled.
9. The reduction of the exercise price of each Option in accordance with the above formula shall be subject to the provisions of the Listing Rules of ASX.
10. If the Company makes a bonus issue or other securities convertible into ordinary shares pro rata to holders of ordinary shares the number of shares issued on exercise of each Option will include the number of bonus shares that would have been issued if the Option had been exercised by the Option Holder prior to the books closing date for bonus shares. No change will be made in such circumstances to the exercise price of each Option.