

4 December 2013

Beacon Hill Resources Plc / AIM: BHR / ASX: BHU / Sector: Mining

**Beacon Hill Resources Plc ('Beacon Hill or 'the Company')
BHR enters into Mozambique Iron Ore/ Pig Iron Transaction**

Beacon Hill Resources plc, the AIM and ASX listed coal producer, is pleased to announce that it has entered into an agreement to acquire, in stages, up to a 70% interest in the prospecting and exploration licence 3788L ('Licence 3788L') which has strong potential for Pig Iron mineralisation located in the Tete Province of Mozambique (the 'Project'). The agreement is between BHR Investments Mauritius Ltd ('BHRIM'), a wholly owned group subsidiary, and Acácia Mineração, Lda ('Acacia').

Transaction Highlights

- Initial BHR due diligence based on several exploration studies completed between 1960 and 1980 over Licence 3788L indicates the potential suitability for a Pig Iron Project
- The farm-in transaction provides a low cost opportunity to implement the Company's strategy to vertically integrate its operations, thus reducing costs and providing a platform for BHR to expand in steel related commodities around its critical infrastructure at the Minas Moatize Coking Coal mine
- The Project also has the potential to be a source of magnetite, which is used by BHR in its coal washing process
- The Company is ideally positioned to implement a low cost work programme to develop the Project which would benefit from; (i) Minas Moatize's existing infrastructure; (ii) reduced power costs provided by BHR's proposed greenfield metallurgical coke plant and co-generation project currently under review; and (iii) existing Sena railway access to Beira port.

Rowan Karstel CEO of Beacon Hill Resources commented:

"We have demonstrated that our Minas Moatize Coking Coal Project has the potential to be a Tier 1 cash producer and having commenced the wash plant development towards this target, we are also focusing on maximising our margin potential through the development of our business model and portfolio through vertical integration opportunities.

"Following many months of due diligence, we are confident that Licence 3788L represents a significant potential pig iron opportunity, and that this transaction provides us with an ideal, low cost opportunity to vertically integrate our portfolio and broaden our exposure to a broader group of steel

related commodities. Maintaining low costs is very important to us and of particular importance is both the Project's close proximity to our existing Minas Moatize project, which will enable us to utilise existing infrastructure and personnel, and the implications of our proposed co-generation project on processing costs. We will now proceed to complete our sampling work to understand the size of the deposit better and look forward to providing updates at the appropriate time."

Transaction Overview

Under the terms of the agreement, Licence 3788L will be transferred to a newly incorporated entity after mining licences have been granted for Aggregates and Magnetite for coal washing projects (the 'SPV'). BHRIM will commence sampling work to determine the prospectivity of the licence area and to define its exploration programme. If BHRIM has spent US\$200k or more within 12 months, BHRIM shall be entitled to a 20% share in the SPV, with Acacia holding the balance.

BHRIM thereafter can further earn into (at its sole discretion) (i) an aggregate 51% stake in the SPV if a maiden JORC inferred resource is completed within 36 months and/or (ii) an aggregate 70% stake in the SPV if a Definitive Feasibility Study is completed within 48 months, in each case funded by BHRIM. Thereafter the parties share expenditure proportionately. If BHRIM does not achieve the farm in milestones (i) and (ii) above (i.e. within 36 months and 48 months respectively) Acacia shall have the right to repurchase the BHRIM shares in the SPV at a discount to the expenditure undertaken by BHRIM. The agreement is binding on both parties.

BHRIM will also review the potential for mining aggregates and magnetite for coal washing on the property. The transfer of the licence to a new SPV is also subject to the approval of H.E. the Minister of Mineral Resources of the Republic of Mozambique, which is expected to be obtained in due course.

About License 3788L

The licence is located approximately 35km east of Tete, and accessible via the road that links Tete and Malawi. Prospecting and exploration Licence 3788L was issued to Acácia Mineração, Lda. in June 2011 for a period of five years and can be renewed subject to any renewal conditions existing at the time of renewal or converted into a mining concession subject to Ministry of Mines approval.

The existence of magmatic injection titanomagnetite iron ore deposits in the Tete Suite has been known since the 1960s and among the most important of these deposits are the Antiga Caldas Xavier and Machédua deposits that overlay the area of Licence 3788L. The Tete complex can be compared to other layered intrusions such as the Stillwater Complex in the U.S.A., the Great Dyke in Zimbabwe and the Noril'sk/Talnakh Complexes in Russia.

A number of surface exploration studies were completed in the 1960s, 70s and 80s that have yielded varying estimations of surface resources, which remain unsubstantiated and require further exploration work. Reliability of previous work and targets for further exploration work were confirmed in August 2011 by mining consultants and by BHR's own due diligence this year.

The Licence 3788L is just east of Baobab Resources' project. BHR is confident that Licence 3788L is highly prospective for mineralisation and intends to undertake a limited work programme to review its potential for development.

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