



Notice of General Meeting and Explanatory Statement

**General Meeting to be held at
Level 2, 16 Ord Street, West Perth on 12 March 2010 commencing at 10am WST**

**Beadell Resources Limited
ABN 50 125 222 291**

This Notice of General Meeting and Explanatory Statement should be read in its entirety.
If shareholders are in doubt as to how they should vote, they should seek advice from their accountant,
solicitor or other professional adviser without delay.

Notice of General Meeting

Notice is given that a General Meeting of Beadell Resources Limited (the **Company**) will be held at Level 2, 16 Ord Street West Perth on 12 March 2010 commencing at 10am WST. Information on the proposals to which the following Resolutions relate is contained in the Explanatory Statement which accompanies and forms part of this Notice of General Meeting. Terms defined in Section 3 of the Explanatory Statement–Glossary of Terms have the same meaning when used in this Notice of Meeting.

1 Change in Scale of Activities as a result of the Acquisition

To consider and, if thought fit, pass the following resolution as an **ordinary** resolution:

That, subject to the passing of Resolutions 2 and 3, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, Shareholders approve of the Company undertaking a change in the scale of its activities as a result of the acquisition of the issued capital of Mineração Pedra Branca do Amapari Ltda (MPBA) the owner and operator of the Amapari Gold Mine and holder of the Amapá Iron Ore Royalty, on Completion of the Share Purchase Agreement, on the terms set out in the Explanatory Statement.

Note:

1. Completion of the Acquisition pursuant to the Share Purchase Agreement is conditional upon a number of conditions which are described in the Explanatory Statement, including the passage of this Resolution and Resolutions 2 and 3.
2. The Company will disregard any votes cast on Resolution 1 by any person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 1 is passed, and any of their associates, unless it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the Meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

2 Issue of Shares as part consideration for the Acquisition

To consider and, if thought fit, pass the following resolution as an **ordinary** resolution:

That, subject to the passing of Resolutions 1 and 3 and Completion of the Share Purchase Agreement, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to issue and allot on Completion of the Share Purchase Agreement to Peak Mines Ltd of the number of Shares calculated in accordance with the following formula:

$$CS = US\$17,000,000/IP$$

Where:

CS is the number of Shares to be issued and allotted rounded up to the nearest whole Share (the **Consideration Shares**); and

IP is the price per Share of the Placement Shares.

The applicable A\$/US\$ exchange rate for IP is the Reserve Bank of Australia exchange rate identified at www.rba.gov.au for the Business Day immediately preceding the Completion date under the Share Purchase Agreement.

Note:

1. The Company will disregard any votes cast on Resolution 2 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 2 is passed, and any of their associates, unless it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the Meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).
2. The Consideration Shares will be issued and allotted to Peak Mines Ltd, a wholly owned subsidiary of New Gold Inc. and the seller of 99.99% of the shares in MPBA.
3. The Consideration Shares will rank pari passu in all respects with the Company's existing Shares.
4. The Consideration Shares will be issued within 3 months of the date of this Meeting (or such later date to the extent permitted by any waiver that may be granted by ASX); they are to be issued on Completion of the Acquisition which is expected to occur within that period.
5. The Consideration Shares will be issued as part consideration for the acquisition of MPBA.
6. No funds will be raised by the issue of the Consideration Shares.

3 Issue of Shares to professional and sophisticated investors

To consider and, if thought fit, pass the following resolution as an **ordinary** resolution:

That, subject to the passing of Resolutions 1 and 2, for the purposes of ASX Listing Rule 7.1, and for all other purposes, Shareholders approve and authorise the Directors to issue and allot to professional and sophisticated investors the number of Shares calculated in accordance with the following formula:

$$PS = \$75,000,000 / IP$$

Where:

PS is the number of Shares to be issued and allotted (the **Placement Shares**); and

IP is the issue price for each of the Placement Shares (the **Issue Price**).

Note:

1. The Company will disregard any votes cast on Resolution 3 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of a security holder, if Resolution 3 is passed, and any of their respective associates, unless it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the Meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).
2. The funds raised from the issue of the Placement Shares will be used to enable the Company to complete the Acquisition and to provide funds for exploration and development at the Amapari Gold Mine and working capital requirements.
3. The Placement Shares will be issued and allotted to professional and sophisticated investors who have been allocated Placement Shares pursuant to the Placement Bookbuild. Depending on the Issue Price, such investors may potentially include Macquarie Capital Group Limited (**MCGL**) and Macquarie Bank Limited (**MBL**).
4. The Issue Price will be not less than the Minimum Price.

5. Based on the amount of \$75 million being raised pursuant to the Placement and assuming the Minimum Price, then a maximum of 500 million Shares will be issued under the Placement. If the Placement Shares are issued at a price per Placement Share greater than the Minimum Price, then the maximum number of Shares issued under the Placement will be less than 500 million.
6. As soon as practicable after the Issue Price has been determined an announcement (**Issue Price Announcement**) will be made to ASX and the Issue Price Announcement will be published on the Company's website www.beadellresources.com.au.
7. MCGL has committed to subscribe (itself or through one or more of its subsidiaries) for \$5 million of Placement Shares (**MCGL Subscription**) at the Issue Price (subject to paragraph 9 below) and subject to a number of additional conditions including successful completion of the Placement and the Acquisition (**MCGL Conditions**).
8. MBL has committed to subscribe for \$5 million of Placement Shares (**MBL Subscription**) at the Issue Price (subject to paragraph 9 below) and subject to a number of additional conditions including successful completion of the Placement and the Acquisition (**MBL Conditions**).
9. If the Issue Price is greater than \$0.25, MCGL will not be required to complete the MCGL Subscription and MBL will not be required to complete the MBL Subscription even though the MCGL Conditions are satisfied (in respect of the MCGL Subscription) or the MBL Conditions are satisfied (in respect of the MBL Subscription). However, this does not mean that the Placement will not be completed by the issue of Placement Shares to sophisticated and professional investors at an Issue Price greater than \$0.25.
10. Further, in consideration for MCGL and MBL giving Beadell their commitment to subscribe for the MCGL Subscription and the MBL Subscription respectively, Beadell will issue to each of MCGL and MBL, 5 million options over Shares on the terms set out in the Explanatory Memorandum in Section 1, Resolution 3 (**Options**).
11. In these circumstances, the issue of the Options will be counted for the purposes of calculating the 15% threshold in respect of the prohibition in ASX Listing Rule 7.1 on issuing shares or options to subscribe for shares equal to more than 15% of the company's issued share capital in any 12 months without obtaining shareholder approval.
12. Macquarie Capital Advisers Limited (**MCAL**) has been engaged to sole lead manage and bookrun the Placement. Beadell and MCAL propose to enter into an offer management agreement (**OMA**) in relation to the Placement containing agreed conditions precedent, termination events and other customary provisions, subject to final satisfaction with the contents of the Offer Materials and conduct of the due diligence process for the Placement.
13. The Placement Shares will rank pari passu in all respects with the Company's existing Shares.
14. The Placement Shares will be issued within 3 months of the date of this Meeting (or such later date to the extent permitted by any waiver that may be granted by ASX); they are to be issued following approval of this Resolution and prior to Completion of the Acquisition which is expected to occur within that period.

4 Participation of Mike Donaldson in the Placement

To consider and, if thought fit, pass the following resolution as an **ordinary** resolution:

That subject to the passing of Resolutions 1, 2 and 3, for the purposes of Chapter 2E of the Corporations Act 2001 (Cth) and Listing Rule 10.11 and for all other purposes, Shareholders approve and authorise the Directors to issue and allot Placement Shares on the same terms and conditions as the other participants in the Placement to Mike Donaldson (or his nominee) of up to \$50,000 of Placement Shares.

5 Participation of Peter Bowler in the Placement

To consider and, if thought fit, pass the following resolution as an **ordinary** resolution:

That subject to the passing of Resolutions 1, 2 and 3, for the purposes of Chapter 2E of the Corporations Act 2001 (Cth) and Listing Rule 10.11 and for all other purposes, Shareholders approve and authorise the Directors to issue and allot Placement Shares on the same terms and conditions as the other participants in the Placement to Peter Bowler (or his nominee) of up to \$500,000 of Placement Shares.

Notes to Resolutions 4 and 5:

1. The Company will disregard any votes cast on Resolution 4 by any person who might obtain a benefit (including Mike Donaldson) or his nominee, except a benefit solely in the capacity of a security holder, if Resolution 4 is passed, and any of their associates, unless it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the Meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).
2. The Company will disregard any votes cast on Resolution 5 by any person who might obtain a benefit (including Peter Bowler) or his nominee, except a benefit solely in the capacity of a security holder, if Resolution 5 is passed, and any of their associates, unless it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the Meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).
3. The Placement Shares described in Resolutions 4 and 5 will be issued and allotted to:
 - (a) Mike Donaldson (or their respective nominee) (in respect of Resolution 4); and
 - (a) Peter Bowler (or their respective nominee) (in respect of Resolution 5),(collectively, **Participating Directors**).
4. The maximum number of Placement Shares to be offered to each of the Participating Directors will be their maximum investment (\$50,000 in the case of Mike Donaldson (in respect of Resolution 4) and \$500,000 in the case of Peter Bowler (in respect of Resolution 5)) divided by the Issue Price for each Placement Share. Any Placement Shares issued as a result of Resolution 4 or Resolution 5 being passed will be issued at the same price and on the same terms and conditions as those Placement Shares issued to other participants in the Placement and therefore will be issued at a price no less than the Minimum Price. Based on the Participating Directors each subscribing for their maximum investment and assuming the Minimum Price, Mike Donaldson will be issued 333,333 Placement Shares and Peter Bowler will be issued 3,333,333 Placement Shares. If the Placement Shares are issued at a price per Placement Share greater than the Minimum Price, then the maximum number of Shares issued under the Placement to each of the Participating Directors will be less than the amounts stated.
5. As soon as practicable after the Issue Price has been determined the Issue Price Announcement will be made to ASX and published on the Company's website www.beadellresources.com.au.
6. The Placement Shares described in Resolution 4 and Resolution 5 will rank pari passu in all respects with the Company's existing Shares.
7. The Placement Shares described in Resolution 4 and Resolution 5 will be issued within 1 month of the date of this Meeting (or such later date to the extent permitted by any waiver that may be granted by ASX); they are to be issued at the same time as the other participants in the Placement which is expected to occur within that period.

8. The funds raised from the issue of the Placement Shares will be applied in the same manner as the other funds raised under the Placement.
9. For further information relating to the approval of issue of the Placement Shares for the purposes of Chapter 2E of the Corporations Act, see the section of the Explanatory Statement relating to Resolution 4 (in respect of Mike Donaldson) and Resolution 5 (in respect of Peter Bowler).

Proxies

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

“Snap-shot” Time

The Company may specify a time, not more than 48 hours before the Meeting, at which a “snap-shot” of shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Meeting.

The Directors have determined that all Shares that are quoted on ASX at 4.00pm WST on 10 March 2010 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the Shares at that time.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative. An appointment of Corporate Representative form is available upon request from the Company Secretary.

By Order of the Board of Directors



Greg Barrett
Company Secretary
Beadell Resources Limited

9 February 2009

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions.

This Explanatory Statement should be read in conjunction with the Notice of General Meeting. Capitalised terms in the Notice of Meeting and in this Explanatory Statement are defined in the Glossary.

Section 1 Executive Summary

Resolution 1 – Change of Activities

Since listing on ASX in 2007, the Company has been actively seeking acquisition opportunities in the gold sector.

On 28 January 2010, the Company announced that a conditional sale and purchase agreement (**Share Purchase Agreement**) had been executed with New Gold Inc (NYSE AMEX: NGD; TSX NGD:CA) (**New Gold**) to acquire 100% of the issued capital of New Gold's Brazilian subsidiary Mineração Pedra Branca do Amapari Ltda (**MPBA**) which includes:

- (a) the Amapari Gold Mine (**Amapari**); and
- (b) a royalty of 1% of gross iron ore revenue (net of 2% federal tax) received from the sale of iron ore from certain tenements forming part of the Amapá Iron Ore Project (**Amapá Iron Ore Royalty**);

all located 15 km from the town of Serra do Navio in Amapá State, Brazil for US\$63 million via a cash and scrip deal.

MPBA is:

- (a) the owner and operator of the Amapari Gold Mine, an open pit, gold facility and approximately 2,500 km² of highly prospective surrounding tenements located 15 kilometres from the town of Serra do Navio in Amapá State, in the Amazon region of Northern Brazil; and
- (b) the recipient of the Amapá Iron Ore Royalty, which is a royalty of 1% of the gross iron ore revenue (net of 2% federal tax) received from the sale of iron ore from certain tenements forming part of the Amapá Iron Ore Project in the vicinity of Amapari.

For further information on the Acquisition, Amapari and the Amapá Iron Ore Royalty, refer to Section 2.

Shareholders should note the key terms of the Share Purchase Agreement are summarised in Annexure A.

Resolution 2 – Issue of Consideration Shares

Under the Share Purchase Agreement, the Company has agreed to pay New Gold US\$63 million to be satisfied by:

- (a) a cash payment of US\$46 million (**Cash Consideration**); and
- (b) the issue of Shares to the value of US\$17 million at the prevailing exchange rates to Peak Mines Ltd, a wholly owned subsidiary of New Gold Inc. and the seller of 99.99% of the shares in MPBA (**Consideration Shares**),

on Completion.

Completion of the Acquisition is subject to the conditions in the Share Purchase Agreement being satisfied or, if applicable, waived; the passage of Resolutions 1, 2 and 3 are conditions. Completion is scheduled to occur not later than 3 Business Days after the satisfaction of certain conditions set out in the Share Purchase Agreement (for further information, see Annexure A).

Resolution 3 – Placement

It is proposed that the Cash Consideration will be funded from the proceeds of a placement of Shares lead managed by MCAL to raise \$75 million. The Placement will be to sophisticated and professional investors.

Subject to Shareholder approval, each of the Participating Directors intends to participate in the Placement to the extent described in Resolution 4 (in respect of Mike Donaldson) and Resolution 5 (in respect of Peter Bowler).

The Issue Price for the Placement Shares will be determined following the Placement Bookbuild to be lead managed and bookrun by MCAL. The Issue Price will be determined by Beadell, after consultation with its advisers and brokers. As soon as practicable after the Issue Price has been determined the Issue Price Announcement will be made to ASX and that information will be published on the Company's website www.beadellresources.com.au.

MCGL (itself or through one or more of its subsidiaries) has committed to subscribe for the MCGL Subscription, subject to the MCGL Conditions, and MBL has committed to subscribe for the MBL Subscription, subject to the MBL Conditions. If the Issue Price is greater than \$0.25, MCGL will not be required to complete the MCGL Subscription and MBL will not be required to complete the MBL Subscription even though the MCGL Conditions are satisfied (in respect of the MCGL Subscription) or the MBL Conditions are satisfied (in respect of the MBL Subscription). However, this does not mean that the Placement will not be completed by the issue of Placement Shares to sophisticated and professional investors at an Issue Price greater than \$0.25.

In consideration for MCGL and MBL giving Beadell their respective commitments to subscribe for the MCGL Subscription and the MBL Subscription respectively, Beadell will issue to each of MCGL and MBL, the Options. As the Options will only be granted if the Placement is completed no funds will be raised from the grant of Options to MCGL and MBL. Each Option has a term of 4 years, converts into 1 Share and will have an exercise price at 25% above the Issue Price. The Options will be issued within 10 business days of completion of the Placement. Any funds raised from the exercise of the Options will be used to provide funds for exploration and development at the Amapari Gold Mine and working capital requirements.

Resolutions 4 and 5 – Participating Directors' participation in the Placement

The Participating Directors wish to participate in the Placement on the same terms as other participants. The extent of each Participating Director's participation is described in Resolution 4 (in respect of Mike Donaldson) and Resolution 5 (in respect of Peter Bowler) and is subject to Shareholder approval in each case. The participation of the Participating Directors in the Placement are not interdependent and there may be circumstances where the Company issues Placement Shares to neither or only one of Mike Donaldson and Peter Bowler.

Share Purchase Plan

In the Acquisition Announcement the Company also announced its intention to undertake the Share Purchase Plan to raise up to \$5 million. The Share Purchase Plan will permit eligible Shareholders registered as holders of Shares on the record date (to be advised) to each subscribe for up to \$15,000 worth of Shares at the same issue price as the Placement Shares on the terms and subject to the conditions of the Share Purchase Plan (subject to receipt of appropriate waivers from ASX as set out below). The Share Purchase Plan is a convenient and cost effective way for eligible Shareholders to acquire Shares at the Placement Price, free of brokerage and other transaction costs.

The Company reserves the right to vary the record date and to scale back applications to remain within the \$5 million limit for the Share Purchase Plan.

The Share Purchase Plan will be subject to shareholders approving Resolutions 1, 2 and 3, completion of the Acquisition and receipt of certain waivers as set out below.

The Company will apply for a waiver of certain ASX Listing Rules to offer Shareholders the opportunity to subscribe up to the maximum participation limit of \$15,000 of new Beadell Shares, to allow the Share Purchase Plan to be offered at the same price as under the Placement, and to allow the Directors to

participate. The terms and conditions of the Share Purchase Plan will be set out in the Share Purchase Plan offer documents.

The key dates of the Share Purchase Plan will be advised in due course.

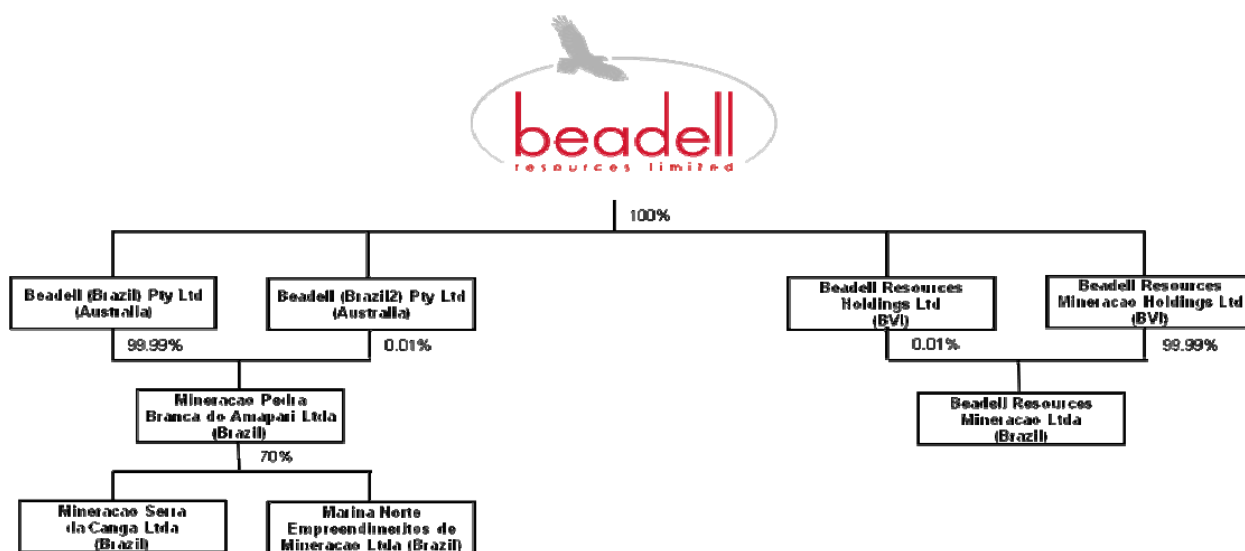
Timing

The Acquisition Announcement included an indicative date for the Placement Bookbuild, being 17 February 2010. This date was indicative only and may change, at the discretion of Beadell in consultation with its advisors. It is currently envisaged that the Placement Bookbuild will be conducted prior to the General Meeting but may occur before or afterwards. As the timing of the Placement Bookbuild will influence the timing of completion of the Acquisition, it is not appropriate to include a detailed timetable in this Notice of Meeting. Beadell will provide an update to Shareholders in relation to the Acquisition timetable at the appropriate time.

Completion is scheduled to occur not later than 3 Business Days after the satisfaction of certain conditions set out in the Share Purchase Agreement. Under the terms of the Share Purchase Agreement, completion of the Acquisition must occur prior to 30 April 2010, unless otherwise agreed between the parties to the Share Purchase Agreement.

Structure of the Beadell Group post Acquisition

The structure of the Company post completion under the Share Purchase Agreement will be as follows:



*The holding of the shares in Marina Norte Empreendimentos De Minderaçao Ltda is reflective of an aggregate holding of common and preferred shares.

Director's Intentions

Each of the Directors (other than the Participating Directors in respect of Resolutions 3, 4 and 5) have announced their intention to vote in favour of each of the Resolutions. The Chairman intends to vote all open proxies in favour of all Resolutions.

Section 2 - The Resolutions

Resolution 1: Approval of Change in Scale of Activities

Change in Scale of Activities

Listing Rule 11.1.2 provides that if a company proposes to make a significant change to the scale of its activities it must notify ASX as soon as practicable and ASX may require the company to obtain the approval of Shareholders.

ASX has indicated that in view of the size and effect of the proposed Acquisition, Beadell is required to seek the approval of Shareholders for the change in scale of Beadell's activities resulting from the Acquisition of a 100% interest in the Amapari Gold Mine.

The proposed change in scale of activities is consistent with the business strategy disclosed to the market and as understood by the Company's Shareholders:

- (a) Beadell's IPO prospectus issued in 2007 highlights as one of its objectives the prompt discovery and development of deposits and opportunistic acquisitions of developed deposits, emphasising and referring to the proven track record of its personnel in achieving rapid growth and success in exploration and seeking out and securing opportunistic acquisitions;
- (b) as suggested at the IPO stage, Beadell has followed this specific objective and desire to change its scale of activities in a short timeframe from its admission to ASX; and
- (c) on 4 April 2008 the Company announced that it had reached agreement for the acquisition of the Cracow Mine in Queensland from Newcrest Limited but that transaction was unable to be completed due to funding difficulties.

The Acquisition is a result of the efforts of Beadell's board and management whose objectives and experience in making opportunistic acquisitions was emphasised at the IPO stage. Beadell's clear objective of acquiring projects to elevate Beadell within the gold industry was endorsed by the IPO shareholders' investment in Beadell.

Summary of the Acquisition

As outlined above, the acquisition of 100% of the issued capital of New Gold's Brazilian subsidiary MPBA includes:

- (a) the Amapari Gold Mine; and
- (b) the Amapá Iron Ore Royalty;

all located 15 km from the town of Serra do Navio in Amapá State, Brazil for US\$63 million via a cash and scrip deal.

Amapari is a significant gold development opportunity consisting of a 2.9 million ounce resource including a 1.2 million ounce open pit gold resource (pit optimisation at US\$1,000/oz gold price) and approximately 2,500 km² of highly prospective surrounding tenements. The Acquisition includes existing gold inventory valued at US\$7 million (at a spot gold price of US\$1,100 per ounce) and a modern fleet of earthmoving equipment capable of mining 3 million tonnes of ore and 12 million tonnes of waste per annum.

Following completion of the Acquisition, Beadell is proposing to undertake a Feasibility Study to support construction of a 2 to 2.5 million tonne per annum Carbon in Leach (**CIL**) processing plant at Amapari, utilising the existing gold elution infrastructure. The capital cost associated with construction of the CIL plant is estimated to be US\$65 to 80 million and will be verified as part of the Feasibility Study. The Macquarie Fixed Income, Currencies and Commodities Group (**FICC**) of MBL has been engaged to act as sole arranger of the project finance required to fund the development of Amapari, on terms to be agreed at the time. Beadell estimates that production at Amapari will resume by 2012.

The Amapá Iron Ore Royalty provides immediate and ongoing cashflow linked to production at the Amapá Iron Ore Project, majority owned and operated by Anglo American plc (70%) and Cliffs Natural Resources Inc (30%). The operation comprises an open pit iron ore mine beneficiation plant and railroad to the Santana Port on the Amazon River. Production was initiated in December 2007 and is ramping up to a projected 6.5 Mtpa of pellet and sinter feed production (from 2009 estimated levels of 3.0 Mtpa) which is anticipated to occur between 2011 and 2012.¹ The annual cashflow Beadell will earn from the Amapá Iron Ore Royalty is 1% of the gross iron ore revenue (net of 2% federal tax) at the Amapá Iron Ore Project.

Key highlights of the Acquisition include:

- a) high quality, near term, long life gold project with attractive economics;

¹ Cliffs Natural Resources Inc 2008 Annual Report pages 3 and 12.

- b) existing processing plant, infrastructure and mining fleet, significantly reducing capital expenditure requirements;
- c) production forecast of 110,000 – 130,000 ounces per annum with a forecast mine life of 7 – 10 years, following construction and commissioning of the CIL plant;
- d) significant exploration potential with an aggressive drilling program planned;
- e) complementary fit with Beadell's existing Tartaruga Gold Project also located in Amapá, Brazil;
- f) sustainable and regular cashflow via the Amapá Iron Ore Royalty;
- g) management team on site and in Amapá and Rio de Janeiro; and
- h) a platform for future growth which repositions Beadell as a diversified gold company.

Shareholders should note the key terms of the Share Purchase Agreement (including the conditions precedent to the Acquisition) are summarised in Annexure A.

Consideration for the Acquisition

The consideration for the Acquisition is US\$63 million of which US\$48 million is attributed to Amapari and US\$15 million is attributed to the Amapá Iron Ore Royalty. The consideration will be satisfied by the issue of the Consideration Shares and the balance (US\$46 million) will be paid in cash upon closing the Acquisition. In respect of the Consideration Shares, Beadell has 12 months from settlement to obtain an Exemption Order from the relevant Canadian securities authorities with respect to New Gold holding greater than 10% of Beadell's issued capital. The Consideration Shares will be issued to Peak Mines at the same Issue Price as the Placement. New Gold and Peak Mines have agreed to enter into a 12 month voluntary escrow arrangement in relation to the Consideration Shares, demonstrating support for both Beadell and the Amapari asset.

Beadell intends to fund the cash component of the Acquisition consideration by conducting an equity raising of up to \$75 million via the issue of the Placement Shares. MCAL has been engaged as Sole Lead Manager to the Placement. MCGL and MBL have committed to subscribe for a total \$10 million of Placement Shares (\$5 million each) at the Placement Price up to \$0.25 per Placement Share, subject to, in respect of MCGL, the MCGL Conditions and, in respect of MBL, the MBL Conditions. However, if the Placement Price is greater than \$0.25 per Placement Share, MCGL and MBL will not subscribe for the Placement Shares. For more information on MCGL and MBL's conditional commitments, refer to information relating to Resolution 3.

Reflecting MBL and MCGL's involvement and commitment to the transaction, Beadell will, following completion of the Placement, grant MBL and MCGL 5 million Options. Each Option has a term of 4 years, converts into 1 Share and will have an exercise price at 25% above the Issue Price.

Overview of Amapari

The Amapari site is located in Amapá State in northern Brazil, covering approximately 2,500 km² of mostly contiguous exploration licences and a mining concession. The nearest major populated centre to the Amapari site is Macapá, situated on the northern bank of the Amazon River (Figure 1).

Road access to the site is via 100 km of paved road from Macapá to Porto Grande followed by 116 km of unpaved road. The site is just north of the equator, with annual rainfall averaging 2,370 mm. The Amapari Mine site is currently powered by a 13.8 KVa substation sourced from the Caoraci Nunes hydroelectric power station in Porto Grande.



Figure 1. Location plan of Amapari Gold Project

History of the Amapari Project

Gold mineralisation was discovered at Amapari in 1994 by Anglo American who completed intensive exploration from 1995 to 2002. A feasibility study by AngloGold on the oxide resources was completed in October 2002. The property was acquired by EBX Gold Ltd (**EBX**) in May 2003. EBX carried out a feasibility study based on the AngloGold feasibility study for the oxide mineral resources and produced a pre-feasibility study for the mining of the sulphide mineral resources. The property was acquired by Wheaton River Minerals Ltd. (which later merged with Goldcorp Inc.) in January 2004. The Operational License for the Amapari mining concession was issued on 25 February 2005. On 15 February 2007, Peak Gold Ltd (which later merged with New Gold) entered into an agreement with Goldcorp Inc. (**Goldcorp**) to acquire the Amapari Mine. The company completed the acquisition on April 3, 2007. Mine construction was initiated in July of 2004 and gold production commenced in late 2005. The Amapari Mine was operated as an open-pit and heap leach operation by MPBA until 2 January 2009, when surface mining operations were suspended and the mine was placed on a care and maintenance basis. Particularly instrumental in the decision to cease operations at the end of 2008 was the increasing occurrence of transition material in the pits and the inability to process this material economically under the current processing set-up. The transition material is mineralisation at the bottom of the strongly oxidized boundary that has not been weathered as much as the upper saprolite. It is much harder and thus requires drilling and blasting and additional primary crushing. It is also less amenable to heap leaching.

Exploitation of the oxide mineral reserves to the cessation of mining operations at the end of 2008 was by conventional open-pit mining and heap leaching of agglomerated crushed ore. Operations carried out in 2008 were in the Taperebá AB, Taperebá C and Urucum pits.

Mining from two small pits at Taperebá D was completed in 2006. To the end of 2008, total life-of-mine production from the heap leach operation was in excess of 8.8 million tonnes of ore mined with production of approximately 292,000 ounces of gold.

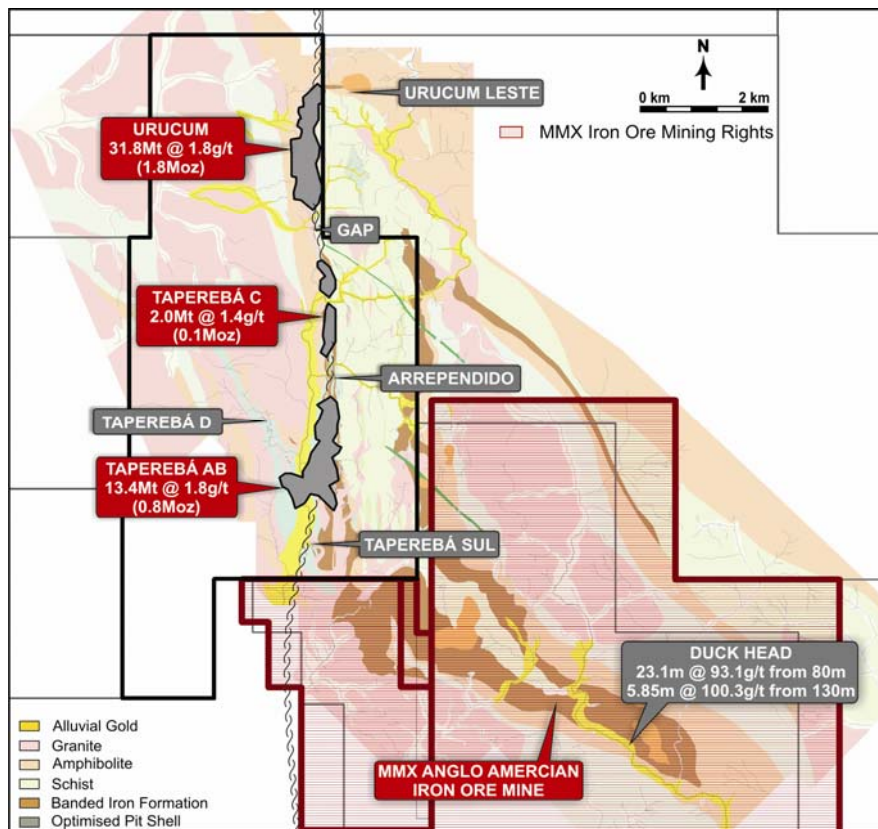


Figure 2. Plan showing location of Amapari gold deposits and interpreted geology

Geology of Amapari

The Amapari Mine area is located within the Guyana Craton in what has been described as the Maroni-Itacaiunas Mobile Belt, a tectonic unit running from Venezuela through the Guyanas and into Amapá and Para States. The western part of the area is underlain by basement gneiss and the balance is underlain by ortho-amphibolite and meta-sedimentary rocks of the Vila Nova Group. These units are intruded by granitic pegmatites, diabase dykes and gabbro.

Gold mineralisation is associated with iron and carbonate-rich units of the chemical sedimentary unit known as the William Formation, within the Vila Nova Group. This unit comprises of a basal calc-magnesian domain of carbonate schist and calcsilicates, and an iron domain of banded iron formations (**BIF**). The locus for the mineralisation on the property comprising the Amapari mine site is a north-south shear zone exhibiting intense hydrothermal alteration, particularly silicification and sulphidation, bearing auriferous pyrrhotite and pyrite. The alteration is most intense in BIF, followed by amphibolite, carbonate schist and calc-silicate rocks.

The mineralisation occurs in a series of deposits over a 7 km strike length of the shear zone (Figure 2).

The Urucum deposit is in the northern part of the zone and Taperebá is in the southern part. Higher grades are associated with the more intensely hydrothermally altered rocks. Deep tropical weathering and oxidation has produced near-surface saprolitic mineral deposits overlying the primary sulphide mineralisation. The primary mineralisation consists of a series of sulphide-bearing lenses which strike north and north-northwest, and dip 60 to 80° east except for the western zone in Taperebá AB1 pit which dips shallowly 45° west. Individual lenses achieve a thickness of between 5 and 25 metres. Sulphide content ranges from 5% to 10% and is mostly pyrrhotite and pyrite. Chalcopyrite, sphalerite, galena, arsenopyrite and marcasite occur in lesser amounts. Sulphides are found also as disseminations and fracture fillings on the margins of the mineralised bodies. Gold occurs as free gold, not tied into the crystal lattice of the sulphide minerals (and, is therefore more easily liberated during processing). Intense tropical weathering, reaching down 100 to 130 metres, has formed saprolite consisting mainly of iron oxides and hydroxides, clay and silica. These saprolite bodies follow the strike, dip and plunge of the massive sulphides. As well, extensive blankets of gold-bearing colluvium, up to 10 metres thick made up of laterite/saprolite fragments in a ferruginous clay-sand mix, overlie the saprolite. Together, gold-bearing saprolite and colluvium are referred to as “oxide mineralisation”.

Gold deposits such as those at Amapari are typically encountered in greenstone belts of metasedimentary/volcanic rocks in Archaean-Proterozoic terranes worldwide and, specifically, in the Guyana

Shield areas north of Brazil. Locally, some mineralised zones indicate high temperature hydrothermal activity with skarn-type characteristics.

Resources and development potential

Mineral resources for the Amapari project are divided into open pit and underground resources based on detailed scoping level analysis of cost inputs to derive cut off grades (see Table 1 below). Total resources for the project are **54.6 Mt @ 1.65 g/t gold for 2.9 Moz**. This includes open pit resources totalling **26.3 Mt @ 1.45 g/t gold for 1.2 Moz** based on optimised pit shells using a US\$1,000 gold price from the three main deposits of Urucum, Taperebá AB and Taperebá C (Figure 2). The open pit resources are based on optimised pit shells using a US\$1,000 gold price. Metallurgical testwork completed to date indicates free milling oxide and sulphide ore with expected recoveries of between 90 and 95%. A conventional CIL processing facility to liberate the gold is considered to be the most appropriate extraction technique.

Table 1. Amapari Mineral Resources

| Brazil Amapari | Measured | | | Indicated | | | Inferred | | | Total | | |
|--------------------------|--------------|-------------|------------|---------------|-------------|--------------|---------------|-------------|--------------|---------------|-------------|--------------|
| | Tonne ('000) | g/t Au | Oz ('000) | Tonne ('000) | g/t Au | Oz ('000) | Tonne ('000) | g/t Au | Oz ('000) | Tonne ('000) | g/t Au | Oz ('000) |
| Urucum | 551 | 1.32 | 23 | 11,680 | 1.44 | 539 | 3,676 | 1.11 | 131 | 15,907 | 1.36 | 693 |
| Tapereba AB | 1,263 | 2.18 | 88 | 5,886 | 1.53 | 290 | 1,245 | 1.49 | 60 | 8,393 | 1.62 | 438 |
| Tapereba C | 234 | 1.55 | 12 | 1,078 | 1.40 | 48 | 708 | 1.43 | 33 | 2,020 | 1.43 | 93 |
| Total Open Pit | 2,048 | 1.87 | 123 | 18,644 | 1.46 | 877 | 5,629 | 1.24 | 224 | 26,320 | 1.45 | 1,224 |
| Urucum | | | | 1,875 | 2.14 | 129 | 14,038 | 2.26 | 1,020 | 15,913 | 2.25 | 1,149 |
| Tapereba AB | | | | 2,023 | 2.26 | 147 | 2,949 | 1.99 | 189 | 4,972 | 2.10 | 336 |
| Total Underground | | | | 3,898 | 2.20 | 276 | 16,987 | 2.21 | 1,209 | 20,885 | 2.21 | 1,485 |
| Spent Ore | 5,808 | 0.75 | 140 | | | | | | | 5,808 | 0.75 | 140 |
| Low Grade | 1,545 | 0.89 | 44 | | | | | | | 1,545 | 0.89 | 44 |
| Total Stockpile | 7,353 | 0.78 | 184 | | | | | | | 7,353 | 0.78 | 184 |
| Total Amapari | 9,400 | 1.02 | 308 | 22,542 | 1.59 | 1,153 | 22,616 | 1.97 | 1,432 | 54,558 | 1.65 | 2,893 |

Mineral resources were calculated as at 31 December 2008 using a combination of Ordinary Kriging (OK) and Multiple Indicated Kriging (MIK) methodology prepared on the basis of a US\$1,000 per ounce gold price. The resources have been divided into open pit and underground based on detailed scoping study cost indications to derive a cut off grade of between 0.48g/t gold and 0.61g/t gold for open pit resources and 1.3g/t gold for underground resources.

Exploration potential

The Amapari project covers approximately 2,500 km² of highly prospective and sparsely explored greenstone terrain. In the near mine area significant exploration potential exists along the 7 km strike of the three deposits of Urucum, Tapereba AB and Tapereba C in the gap between the deposits where only limited drilling is present. Significant exploration upside also exists in the deeper untested plunges of the main ore bodies. Several other targets have been identified in the near mine area within trucking distance of the plant

including the Duckhead prospect where diamond drill intersections including **23.1 m @ 93.1 g/t** gold from 80.9 m and **5.85 m @ 100.3 g/t** from 130 m have been obtained.

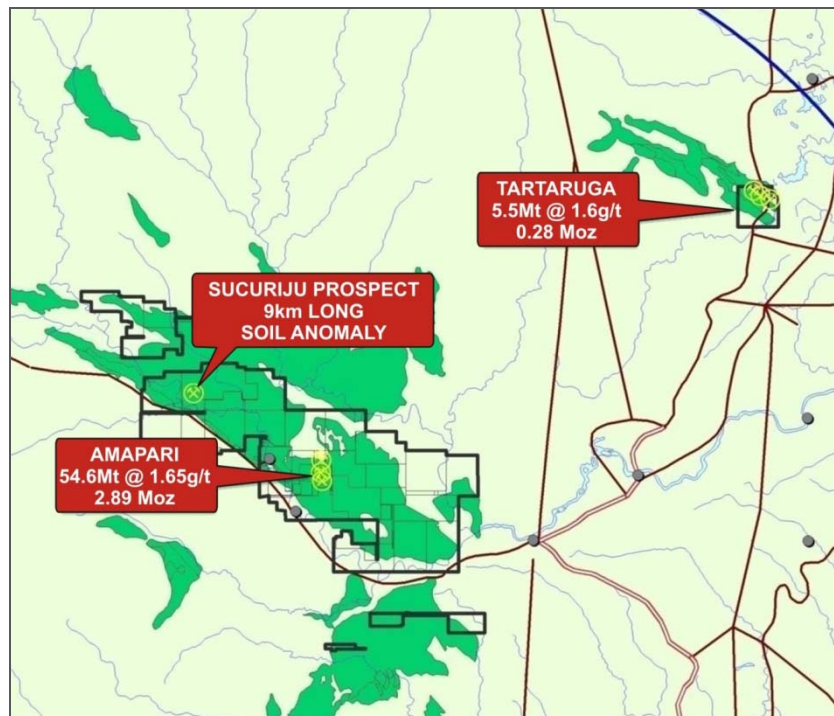


Figure 3. Amapari project location map

Regionally there are numerous geochemical and geophysical targets that remain sparsely explored and very little drilling has been completed outside of the Amapari near mine area. Of particular note is the Sucuriju prospect located 35 km to the northwest where a 9 km long north striking surface geochemical anomaly of comparable size to the Amapari Mine footprint is at a very early stage of exploration (Figure 3). Extensive Garimpeiro alluvial workings indicate significant gold enrichment in this area. A large coincident resistivity and chargeability anomaly has been generated by an Induced Polarisation (IP) survey over the southern portion of the Sucuriju prospect in an area covered by duricrust laterite on a topographic high. Considerable exploration potential also exists within the tenement package for extensions of the iron ore mineralisation with extensive occurrences of the same Banded Iron Formation (BIF) unit which hosts the active iron ore mining area operated by Anglo American.

Infrastructure

The Amapari project has significant infrastructure in place associated with the open pit and heap leach operation which was placed on care and maintenance in January 2009. All three deposits have established mining and haul road access including a fully operational and well maintained mining fleet with a capacity to mine 3 million tonnes of ore and 12 million tonnes of waste per year. Existing infrastructure also includes grid power, airstrip, accommodation village, workshops and a gold extraction circuit that will be incorporated into the new plant design.

Occupational Health and Safety, Environment and Social

All environmental licences and operating permits are in place for ongoing feasibility study and exploration work. Surface and ground water monitoring includes solids in suspension and water quality controls. Hydro seeding of pit walls and waste dumps has proven to be very effective at stabilising and regenerating native vegetation. Ongoing reclamation and rehabilitation work is being undertaken on the previously disturbed areas

A strong relationship and established network support with local community is already present at Amapari as a result of the previous operating mine at the site. Social and Community Funds for self-sustainable projects that generate employment and income have been implemented with significant funds already distributed to community trusts.

Brazil has a long history of mining and an educated mining culture. The National Department of Mineral Production (DNPM) controls the legal framework by which the government monitors and supervises exploitation of mineral resources within the country. Brazilian mining legislation is well established and of

comparable level of sophistication to first class mining jurisdictions around the world with the DNPM operating at both a federal and a state level.

Litigation and Claims

Beadell has been advised that MPBA has had legal claims in the amount of approximately \$47 million filed in Brazilian courts which allege that MPBA has adversely impacted the quality of William Creek causing economic loss and health concerns. These claims are being vigorously defended by MPBA and the directors believe that the maximum probable loss is likely to be a fraction of the amount claimed.

A tax claim has been received by MPBA for approximately \$9 million. Beadell has been advised that MPBA has lodged an appeal to the effect that the tax payable should be \$3.3 million.

Beadell has been advised of one criminal law suit against MPBA in respect of an alleged environmental crime (damages to archaeological sites) and five ongoing police investigations of MPBA relating to environmental matters, bidding process irregularities and fraud. The investigations do not entail, in and of themselves, any financial contingency, but if criminal suits are commenced (and in respect of the criminal suit that has commenced) the potential consequences, including fines, may adversely impact MPBA.

Beadell is aware of two infraction notices imposing fines on MPBA including one for \$1.8 million and another for \$0.6 million which it intends to take actions to revoke or reduce. Also, claims in the amounts of approximately \$1.7 million and approximately \$1.5 million have been filed in Brazilian courts against MPBA alleging rents are payable for the occupation of land where Amapari was developed. Again, the claims are being vigorously defended and settlement opportunities may be explored. MPBA is involved in various other claims, legal proceedings and complaints arising in the ordinary course of business.

Beadell cannot reasonably predict the likelihood or outcome of these actions. These potential claims have been reflected in the purchase price for the Acquisition.

Amapá Iron Ore Royalty

The Amapari project contains significant deposits of Hematite Iron Ore hosted in an extensive Banded Iron Formation that occurs throughout the greenstone belt. Anglo American plc and Cliffs Natural Resources Inc commenced an open pit mining operation and beneficiation plant in December 2007 and is ramping up to a projected 6.5 Mtpa of pellet and sinter feed production (from 2009 estimated levels of 3.0Mtpa) which is anticipated to occur between 2011 and 2012². The mining concession that makes up the Amapá Iron Ore Project is located immediately southeast of the Amapari gold deposits and is hosted in the same Banded Iron Formation (Figure 2). A 1% gross iron ore revenue royalty (net of 2% federal tax) over the Amapá Iron Ore Project mining concession is currently in place.

Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 1.

Shareholders should note the key terms of the Share Purchase Agreement (including conditions precedent to the completion of the Share Purchase Agreement) are summarised in Annexure A.

Resolution 2 – Approval of the issue of the Consideration Shares.

ASX Listing Rule 7.1 provides that subject to certain exceptions (which do not apply) a listed company may not, subject to certain exceptions, issue shares or options to subscribe for shares equal to more than 15% of the company's issued share capital in any 12 months without obtaining shareholder approval. However, issues made with the prior approval of the shareholders in a general meeting are not subject to this restriction and will not be counted as part of the 15% limit. Accordingly, if Shareholders approve the proposed issue of the Consideration Shares to Peak Mines on completion of the Acquisition they will not be counted towards the 15% limit in respect of issues of equity securities in the following 12 month period.

The Consideration Shares will be issued to Peak Mines, a wholly owned subsidiary of New Gold Inc. and the seller of 99.99% of the shares in MPBA at the same issue price as the Placement. Peak Mines has agreed to enter into a 12 month voluntary escrow arrangement in relation to the Consideration Shares.

The information required by ASX Listing Rule 7.3 in relation to the issue of the Consideration Shares is set out in the Notes to Resolution 2.

² Cliffs Natural Resources Inc 2008 Annual Report pages 3 and 12.

The Consideration Shares will be allotted at the same issue price as the Placement Shares and the number of Consideration Shares to be issued will be determined in accordance with the formula set out in Resolution 2. As soon as practicable after the issue of the Consideration Shares has been completed an announcement will be made to ASX and that information will be published on the Company's website www.beadellresources.com.au.

Resolution 3: Approval of Issue of Placement Shares

Approval for the issue of the Placement Shares is also sought under ASX Listing Rule 7.1. The information required by ASX Listing Rule 7.3 in relation to the issue of the Placement Shares is set out in the Notes to Resolution 3.

The Placement Shares will be allotted at the Issue Price which is to be determined by Beadell in consultation with the Company's advisory team and brokers following the Placement Bookbuild. Beadell has engaged MCAL as lead manager of the Placement. As soon as practicable after the Issue Price has been determined the Issue Price Announcement will be made to ASX and published on the Company's website www.beadellresources.com.au.

Because it is not possible at the date of this Explanatory Statement to determine the exact number of Consideration Shares or Placement Shares that will be issued, or their Issue Price, it is also not possible to provide Shareholders now with the approximate percentage of total share capital that the Consideration Shares and Placement Shares will bear in relation to the Company's fully-diluted Share capital.

By way of illustration only, set out below is a range of scenarios that could apply if the Placement Shares (and therefore the Consideration Shares) were issued at various hypothetical prices:

| Issue Price | Placement Shares issued | Consideration Shares issued | Expanded post-Placement and Consideration Share issued capital |
|----------------------------------|-------------------------|-----------------------------|--|
| \$0.15 (being the Minimum Price) | 500,000,000 | 113,333,333 | 706,933,336 |
| \$0.20 | 375,000,000 | 94,444,445 | 563,044,448 |
| \$0.25 | 300,000,000 | 75,555,556 | 469,155,559 |
| \$0.30 | 250,000,000 | 62,962,963 | 406,562,966 |
| \$0.35 | 214,285,714 | 53,968,254 | 361,853,971 |
| \$0.40 | 187,500,000 | 47,222,223 | 328,322,226 |

Robert Watkins (being a director who is not a Participating Director) believes that the proposed issue of the Placement Shares is beneficial for the Company and recommends that Shareholders vote in favour of the resolution as it will allow the Company to proceed with the Acquisition. Robert Watkins intends to vote in favour of Resolution 3 in respect of any Shares he owns or controls. The Chairman intends to vote all open proxies in favour of all Resolutions. The Participating Directors will not make a recommendation in relation to the Placement as they may participate in the Placement, subject to the passing of Resolutions 3 (in both cases), 4 (in the case of Mike Donaldson) and 5 (in the case of Peter Bowler).

Resolutions 4 and 5: Participation of Participating Directors in the Placement

ASX Listing Rule 10.11 provides that a listed company must not, without the approval of Shareholders, issue equity securities to a *related party*. A director of a company (and certain parties related to, or associates of, a director) are *related parties* of a company.

The Participating Directors wish to participate in the Placement. The extent of their respective participation is set out in Resolution 4 (in the case of Mike Donaldson) and Resolution 5 (in the case of Peter Bowler) and each of the Participating Directors' participation must be separately approved by Shareholders in accordance with ASX Listing Rule 10.11.

The information required by ASX Listing Rule 10.13 in relation to the issue of Placement Shares to each Participating Director is set out in the Notes to Resolution 4 (in the case of Mike Donaldson) and Resolution 5 (in the case of Peter Bowler).

As set out in the Notes in respect of Resolution 4 and Resolution 5 in the Notice of Meeting, the Company is seeking separate Shareholder approval under Chapter 2E of the Corporations Act to each of the Participating Directors' participation in the Placement. Chapter 2E of the Corporations Act requires shareholder approval where a public company seeks to give a "financial benefit" to a "related party". Each of the Participating Directors is considered to be a related party within the meaning of the Corporations Act. Any Placement Shares issued to a Participating Director will constitute a financial benefit for the purposes of Chapter 2E of the Corporations Act. The Placement Shares will be allotted at an arms' length issue price to be determined by Beadell in consultation with the Company's advisory team and brokers following the Placement Bookbuild and therefore the Board believes that the "arms length" exception in section 210 of the Corporations Act to the requirement to seek Shareholder approval under Chapter 2E of the Corporations Act is available to the Company. However, as the Company is already required to seek Shareholder approval to the issue of any Placement Shares to the Participating Directors under the ASX Listing Rules, the Company has decided to also seek Shareholder approval under Chapter 2E of the Corporations Act.

In accordance with the requirements of Chapter 2E of the Corporations Act, and in particular, section 219 of the Corporations Act, the following information is provided to Shareholders to enable them to assess the proposed participation of the Participating Directors in the Placement and the potential issue of Placement Shares to each of them:

- (a) each of the Participating Directors is a related party of the Company to whom approval of proposed Resolution 4 (in the case of Mike Donaldson) and Resolution 5 (in the case of Peter Bowler) would permit financial benefits to be given;
- (b) the nature of the financial benefit to be given to a Participating Director (or their nominee) is the issue of, and subscription for, up to:
 - (i) \$50,000 of Placement Shares in the case of Mike Donaldson (in respect of Resolution 4); and
 - (ii) \$500,000 of Placement Shares in the case of Peter Bowler (in respect of Resolution 5);
- (c) the maximum number of Placement Shares to be offered to each Participating Director will be their maximum investment (\$50,000 in the case of Mike Donaldson and \$500,000 in the case of Peter Bowler) divided by the Issue Price for each Placement Share. Any Placement Shares issued as a result of Resolution 4 or Resolution 5 being passed will be issued on the same terms and conditions as the Placement Shares issued to other participants in the Placement. By way of illustration only, set out below is a range of scenarios that could apply for illustrative purposes, assuming the maximum number of Placement Shares are issued to each Participating Director for each scenario and the volume weighted average price (**VWAP**) calculated for the period before the date of the Notice (5 day VWAP of \$0.22 per Share and 30 day VWAP of \$0.33 per Share). As noted above, the price of a Placement Share will be set by Beadell in consultation with the Company's advisory team and brokers following the Placement Bookbuild. Given it is not possible to prescribe an exact price of the Placement Shares at this time, a range of prices has been provided below for illustrative purposes only:
 - (i) Mike Donaldson (a maximum of \$50,000 subscription for Placement Shares pursuant to Resolution 4)

| Issue Price | Placement Shares issued | Aggregate value of Placement Shares issued if they were valued on the 5 day VWAP of \$0.22 per Share | Aggregate value of Placement Shares issued if they were valued on the 30 day VWAP of \$0.33 per Share |
|----------------------------------|-------------------------|--|---|
| \$0.15 (being the Minimum Price) | 333,333 | \$73,333 | \$110,000 |
| \$0.20 | 250,000 | \$55,000 | \$82,500 |
| \$0.25 | 200,000 | \$44,000 | \$66,000 |
| \$0.30 | 166,667 | \$36,667 | \$55,000 |
| \$0.35 | 142,857 | \$31,429 | \$47,143 |
| \$0.40 | 125,000 | \$27,500 | \$41,250 |

(ii) Peter Bowler (a maximum of \$500,000 subscription for Placement Shares pursuant to Resolution 5)

| Issue Price | Placement Shares issued | Aggregate value of Placement Shares issued if they were valued on the 5 day VWAP of \$0.22 per Share | Aggregate value of Placement Shares issued if they were valued on the 30 day VWAP of \$0.33 per Share |
|----------------------------------|-------------------------|--|---|
| \$0.15 (being the Minimum Price) | 3,333,333 | \$733,333 | \$1,100,000 |
| \$0.20 | 2,500,000 | \$550,000 | \$825,000 |
| \$0.25 | 2,000,000 | \$440,000 | \$660,000 |
| \$0.30 | 1,666,667 | \$366,667 | \$550,000 |
| \$0.35 | 1,428,571 | \$314,286 | \$471,429 |
| \$0.40 | 1,250,000 | \$275,000 | \$412,500 |

(d) the highest, lowest and last trading prices of the Shares during the 12 months prior to the last practicable day for finalising this Explanatory Statement (being 8 February 2010) are set out below:

| | Price per Share | Date |
|---------|-----------------|-----------------|
| Highest | \$0.40 | 5 January 2010 |
| Lowest | \$0.041 | 12 March 2009 |
| Last | \$0.21 | 8 February 2010 |

(e) as at 8 February 2010, being the last practicable date before finalising this Explanatory Statement, the Participating Directors each had the following relevant interests in Shares and options of the Company:

| | Shares | Options |
|----------------|-----------|---------|
| Mike Donaldson | 1,800,000 | 500,000 |

| | | |
|--------------|-----------|-----------|
| Peter Bowler | 9,110,001 | 1,500,000 |
|--------------|-----------|-----------|

- (f) the issue of Placement Shares to the Participating Directors will have a dilutionary impact on the percentage interests of existing Shareholders. Based on the number of Shares on issue as at 8 February 2010, being the last practicable date before finalising this Explanatory Statement, set out below is a range of scenarios that could apply in respect of the dilutionary impact on existing Shareholders of the issue of Placement Shares to the Participating Directors, assuming the Consideration Shares are issued, the maximum number of Placement Shares are issued in respect of the Placement and the maximum number of Placement Shares are issued to each Participating Director:

| Issue Price | Mike Donaldson | Peter Bowler |
|-------------|----------------|--------------|
| \$0.15 | 0.047% | 0.47% |
| \$0.20 | 0.044% | 0.44% |
| \$0.25 | 0.043% | 0.43% |
| \$0.30 | 0.041% | 0.41% |
| \$0.35 | 0.039% | 0.39% |
| \$0.40 | 0.038% | 0.38% |

- (g) any funds raised from the issue of the Placement Shares to the Participating Directors will be applied in the same manner as the other funds raised in the Placement;
- (h) there are no significant opportunity costs to the Company, taxation consequences or benefits foregone in issuing the Placement Shares to the Participating Directors upon the terms proposed; and
- (i) the Directors are not aware of any information other than that set out in the Notice or this Explanatory Memorandum that is reasonably required by Shareholders in order for them to decide whether or not it is in the Company's interest to pass the proposed Resolution 4 or Resolution 5.

Robert Watkins (being a director who is not a Participating Director) intends to vote in favour of each of Resolution 4 and Resolution 5 in respect of any Shares he owns or controls. The Chairman intends to vote all open proxies in favour of all Resolutions. The Participating Directors will not make a recommendation in relation to either of Resolutions 4 or Resolution 5 as they may participate in the Placement and be issued Shares pursuant to Resolution 4 (in the case of Mike Donaldson) and Resolution 5 (in the case of Peter Bowler).

Competency Statement: The information in this Explanatory Statement relating to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Robert Watkins who is a member of the Australian Institute of Mining and Metallurgy and has sufficient exploration experience which is relevant to the various styles of mineralisation under consideration to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Watkins is a full time employee of the Company and he consents to the inclusion in this Explanatory Statement of the matters based on his information in the form and context in which it appears.

Important Statement: This Explanatory Statement has been prepared by Beadell based on information available to it. It contains references to certain intentions, expectations, future plans, strategy and prospects of Beadell, which are based on certain assumptions which may or may not be met or on which views may differ and which may be affected by known and unknown risk, and which may or not be achieved. No representation, warranty or guarantee, express or implied, is made as to the fairness, accuracy, completeness, reliability or correctness of the information, opinions and conclusions contained in this announcement. Since anticipated events may not occur as expected and variations may be material, actual results may be different from those forecast. To the maximum extent permitted by law, none of Beadell,

Macquarie Group Limited, their related bodies corporate and other affiliates and their respective directors, employees or agents, nor any other person, accepts any liability, including without limitation any liability arising from fault or negligence on the part of any of them or any other person, for any loss (including without limitation consequential loss, direct, indirect or consequential loss or damage or loss or damage arising by negligence) arising from the use of or reliance on this notice of meeting or its contents or otherwise arising in connection with it. The forecasts used in this Explanatory Statement are still subject to change.

Important Statement: This document should not be considered as a disclosure document of New Gold and investors in New Gold securities should not rely on information contained herein with respect to their investment decisions in New Gold securities. New Gold takes no responsibility for the information contained herein.

Exchange Rates

For the purposes of this Explanatory Statement, the following approximate exchange rates have been applied: 1 Australian Dollar = 0.9 United States Dollar and 1 Australian Dollar = 1.6 Brazilian Reais

Section 3 – Glossary of Terms

In this Explanatory Statement, the following terms have the following meanings unless the context otherwise requires:

| | |
|---------------------------------|---|
| A\$ | an Australian dollar. |
| Acquisition | the proposed acquisition by Beadell (Brazil 1) Pty Ltd. and Beadell (Brazil 2) Pty Ltd., each wholly owned Australian subsidiaries of Beadell, of the whole of the issued capital of MPBA. |
| Acquisition Announcement | the Company's announcement to ASX dated 28 January 2010 in relation to, among other things, the Acquisition, which includes descriptions of the Amapari Gold Mine and the Board's proposals for its future and the Amapari Iron Ore Royalty. |
| Amapari Gold Mine | an open pit, heap leach gold facility located 15 kilometres from the town of Serra do Navio in Amapari State, in the Amazon region of Northern Brazil. |
| Amapari Iron Ore Royalty | a royalty of 1% of gross iron ore revenue (net of 2% federal tax) received from the sale of iron ore from certain tenements forming part of the Amapari Iron Ore Project near Serra do Navio in Amapari State, in the Amazon region of Northern Brazil. |
| ASX | ASX Limited. |
| Board | board of Directors. |
| Company or Beadell | Beadell Resources Limited ABN 50 125 222 291. |
| Constitution | constitution of the Company. |
| Consideration Share | a Share which is the subject of Resolution 2 to be issued to New Gold (or as it directs) as part consideration for the Acquisition. |
| Corporations Act | Corporations Act 2001 (Cth). |
| Issue Price | the issue price of each Placement Share which will be determined following the Placement Bookbuild to be sole lead managed and bookrun by MCAL. |
| Listing Rules | the Listing Rules of ASX. |
| MCAL | Macquarie Capital Advisers Limited ACN 123 199 548. |
| MCGL | Macquarie Capital Group Limited ACN 54 096 705 109. |
| MBL | Macquarie Bank Limited ABN 46 008 583 542. |
| Meeting | the General Meeting the subject of this Notice. |
| Minimum Price | the minimum price of each Placement Share, being not less than 15 cents. |
| MPBA | Mineração Pedra Branca do Amapari Ltda. |
| Offer Materials | means the offer materials including any short form prospectus, |

"cleansing statement", notices of meeting, investor presentation and all other marketing material necessary or appropriate to promote the Placement.

| | |
|---------------------------------|--|
| Option | means an option to acquire a Share. |
| Participating Directors | Mike Donaldson and Peter Bowler, and each is a Participating Director. |
| Peak Mines | Peak Mines, Ltd., the majority holder of the issued capital of MPBA. |
| Placement | the issue of the Placement Shares. |
| Placement Bookbuild | the process by which the Issue Price of a Placement Share will be determined. |
| Placement Share | a Share which is the subject of Resolution 3. |
| Share | fully paid ordinary share in the capital of the Company. |
| Shareholder | a holder of a Share. |
| Share Purchase Agreement | the agreement dated 28 January 2010 between Peak Mines and 0786244 B.C. Limited, as sellers, Beadell (Brazil 1) Pty Ltd. and Beadell (Brazil 2) Pty Ltd. (each wholly owned Australian subsidiaries of Beadell) as buyers, New Gold as guarantor of the sellers' obligations and the Company as guarantor of the buyers' obligations; the key terms of which are summarised in Annexure A. |
| Share Purchase Plan | the share purchase plan referred to in the Acquisition Announcement where all eligible Shareholders will be able to purchase Shares in the Company on the terms and subject to the conditions of the share purchase plan. |
| US\$ | an United States dollar. |

Annexure A – Key Terms of the Share Purchase Agreement

Under the terms of the Share Purchase Agreement, Beadell (Brazil) Pty Ltd and Beadell (Brazil 2) Pty Ltd (each wholly-owned Australian subsidiaries of Beadell) will acquire 100% of the issued capital of Mineração Pedra Branca do Amapari (**MPBA**) the owner and operator of the Amapari Gold Mine and recipient of the Royalty.

The consideration for the Acquisition is US\$63 million. The consideration will be satisfied by the issue of fully paid ordinary shares in Beadell to the value of US\$17 million (at the prevailing exchange rate) and the balance will be paid in cash.

MPBA may terminate the Share Purchase Agreement prior to completion in the event that a material adverse change affects MPBA or Amapari during the pre-completion period, or certain key conditions to the Share Purchase Agreement are not satisfied or waived by 30 April 2010, or such later date as the parties may agree.

Completion is scheduled to occur not later than 3 business days after the satisfaction of certain conditions set out in the Share Purchase Agreement (some of which are set out below). Under the terms of the Share Purchase Agreement, completion of the Acquisition must occur prior to 30 April 2010, unless otherwise agreed between the parties to the Share Purchase Agreement.

Conditions of the Acquisition

The Acquisition is conditional upon Beadell's shareholders approving in general meeting.

- (a) Resolution 1 - a change in the scale of activities of the Company for the purposes of ASX Listing Rule 11.2;
- (b) Resolution 2 - the issue of the Consideration Shares in partial satisfaction of the consideration for the Acquisition, for the purposes of ASX Listing Rule 7.1;
- (c) Resolution 3 - the issue of the Placement Shares to effect the Financing (as defined below) for the purposes of ASX Listing Rule 7.1.

The Acquisition is subject to the following additional key conditions:

- (a) the completion of an equity financing that results in the Company raising net proceeds of (and receiving cleared funds of) not less than \$65 million (**Financing**);
- (b) no material adverse events; and
- (c) normal regulatory and third party approvals for this type of transaction.



Proxy Form

Shareholder Details

Name:

Address:

Contact Telephone No:

Contact Name (if different from above):

Appointment of Proxy

I/We being a shareholder/s of Beadell Resources Limited and entitled to attend and vote hereby appoint

The Chairman
of the meeting

OR

Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting.

(mark with an 'X')

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to attend and act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Beadell Resources Limited to be held at Level 2, 16 Ord Street, West Perth, Western Australia on 12 March 2010 at 10am WST and at any adjournment of that meeting.



IMPORTANT

If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on resolutions 3 and 4, please place a mark in this box with an 'X'. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of the resolutions and that votes cast by him, other than as a proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on resolutions 3 or 4 and your votes will not be counted in computing the required majority if a poll is called. The Chairman of the Meeting intends to vote undirected proxies in favour of each resolution.

Voting directions to your proxy – please mark to indicate your directions

| | For | Against | Abstain |
|---|--------------------------|--------------------------|--------------------------|
| 1. Change in Scale of Activities as a result of the Acquisition | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Issue of Shares as part consideration for the Acquisition | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Issue of Shares to sophisticated and professional investors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Participation of Mike Donaldson in the Placement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Participation of Peter Bowler in the Placement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

*If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Appointment of a second proxy (see instructions overleaf).

If you wish to appoint a second proxy, state the % of your voting rights applicable to the proxy appointed by this form

PLEASE SIGN HERE: This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented

Individual or Shareholder 1

Sole Director and
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

How to complete this Proxy Form

Your Name and Address

Please print your name and address as it appears on your holding statement and the company's share register. If shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company.

Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Greg Barrett on +61 8 9429 0800 or you may photocopy this form.

To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the shareholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate is either included in the Notice of Extraordinary General Meeting or may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting. ie. no later than 10am WST on 10 March 2010. Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the company's registered office at 2nd Floor, 16 Ord Street, West Perth 6005 Western Australia or sent by facsimile to the registered office on +61 8 9481 3176.