

Beadell Resources Limited

ABN 50 125 222 291

Financial Report 2008

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Directors' report

From incorporation to 30 June 2008

The directors present their report together with the financial report of Beadell Resources Limited ("the Company") and of the Group, being the Company and its subsidiaries, for the period from incorporation, being 3 May 2007 to 30 June 2008 and the auditor's report thereon.

1. Directors

The directors of the Company at any time from the date of incorporation to 30 June 2008 or since the end of the financial year:

| Name and qualifications | Experience, special responsibilities and other directorships |
|---|--|
| Dr Michael Donaldson BA (Hons), PhD Chairman Non-Executive Director <i>Appointed 31 July 2007</i> | Dr Donaldson has over 25 years experience in the minerals industry, including 15 years with WMC in nickel, gold and base metals. Dr Donaldson was the Exploration Manager of Coolgardie Gold NL, and General Manager Exploration of Sons of Gwalia Ltd and Ashton Mining Ltd. Most recently Dr Donaldson was the General Manager Mapping with the Geological Survey of Western Australia. Dr Donaldson is currently the Group Chief Geologist of AIM-listed Lithic Metals and Energy Ltd. He is a Member of the Australian Institute of Geoscientists, the Society of Exploration Geologists, and the Geological Society of Australia. |
| Mr Peter Bowler Dip Farm Management (Hons) Managing Director <i>Appointed 3 May 2007</i> | Mr Bowler has most recently been the Managing Director of Agincourt Resources Limited and oversaw its rapid growth. He was also a founding Director of Nova Energy Limited. As Managing Director of Agincourt, he oversaw the takeover by Oxiana Limited in April 2007. Mr Bowler was previously the Director of Operations for Agincourt and responsible for all facets of the Wiluna Gold Operation including contract negotiations, overseeing feasibility studies, employee health and welfare, completion of sensitive heritage clearances with local indigenous communities, environmental management and business development. |
| Mr Robert Watkins BSc (Hons), MAusIMM Exploration Director <i>Appointed 3 May 2007</i> | Mr Watkins is the former Exploration Manager for Agincourt and has over 13 years exploration experience in Australia and Africa with Placer Dome Asia Pacific Limited and Delta Gold Limited. He has a recent track record of exploration success in Indonesia and in Brazil. Mr Watkins is a member of the Australian Institute of Mining and Metallurgy. |
| Mr Gregory Barrett CA, FFin, B.Comm Director <i>Appointed 3 May 2007</i> <i>Resigned 31 July 2007</i> | Mr Barrett resigned as a Director of the Company during the period but remains the Company's Chief Financial Officer and Company Secretary. |

2. Company secretary

Mr Gregory Barrett CA, FFin, B.Comm was appointed to the position of company secretary in 2007. Mr Barrett is a member of the Institute of Chartered Accountants and a Fellow of the Financial Services Institute of Australasia. He has over 15 years management, corporate advisory, finance and accounting experience working for several listed and unlisted public companies for which he has held the role as company secretary for over ten years. He is the former finance executive and Company Secretary for Agincourt Resources Limited and had previously worked for KPMG before specialising in the mining industry. Mr Barrett is also the Company's Chief Financial Officer.

3. Directors' meetings

The number of directors' meetings and number of meetings attended by each director in the capacity of director of the Company from incorporation to the end of the financial year are:

| Director | Board Meetings | |
|-------------------------------|-----------------------|----------|
| | A | B |
| Dr Michael Donaldson | 7 | 7 |
| Mr Peter Bowler | 11 | 11 |
| Mr Robert Watkins | 11 | 11 |
| Mr Gregory Barrett (resigned) | 4 | 4 |

A – Number of meetings attended

B – Number of meetings held

Directors' report

From incorporation to 30 June 2008

4. Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

4.1 Board of directors

Role of the board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

The Board has delegated responsibility for the operation and administration of the Company to the Managing Director and the executive management team. The Board Charter supports this delegation of responsibility by formally defining the specific functions reserved for the Board and those matters delegated to management.

It is also responsible for approving and monitoring financial and other reporting. Details of the board's charter are located on the Company's website (www.beadellresources.com.au).

Board processes

The Company does not have any formally constituted committees of the Board of Directors. The size and scope of the Company's activities does not justify the establishment of separate or special committees. All matters which might properly be dealt with by special committees are subject to regular scrutiny at full board meetings.

The Board regularly and closely monitors the Company's financial performance and ensures that accurate and timely reporting systems are established in consultation with its auditors.

No Director participates in any deliberation regarding his own remuneration or related issues.

The Board has implemented internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations.

The full board currently holds six scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the chairman, executive directors and company secretary. Standing items include the financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors are in continual contact with the wider group of employees.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the chairman, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the board.

Composition of the board

The names of the directors of the Company in office at the date of this report are set out in the Directors' report on page 3 of this report. The composition of the board is determined using the following principles:

- a minimum of three directors, but no more than 10 directors,
- a maximum period of 3 years service, eligible for re-election,
- one third of all directors must retire at each annual general meeting, and are eligible for re-election.

No members of the Board are independent directors. The Board supports the principle of having a majority of non-executive and independent directors. However, it is mindful that in the early stages of the Company's development other competing priorities which may impact on the Board's structure could be of greater importance, in terms of increasing shareholder value, than the independence of directors.

Directors' report

From incorporation to 30 June 2008

4.1 Board of directors (continued)

Composition of the board (continued)

The Chairman is a non-executive but not an independent director as defined. The Board considers that the role carried out by the Chairman (Dr Michael Donaldson) is in the best interests of the Company. Dr Donaldson's relevant industry experience of over 30 years is viewed positively by Directors.

4.2 Remuneration report - audited

4.2.1 Principles of compensation - audited

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives of the Company and the Group.

Compensation levels for key management personnel and secretaries of the Company and key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board of Directors determines compensation packages of both the Company and the Group given trends in comparative companies and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control the relevant segment/s' performance
- the Group's performance regarding exploration success and the growth in share price and delivering constant returns on shareholder wealth.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Board of Directors through a process that considers individual, segment and overall performance of the Group. In addition external consultants may be engaged to provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place.

Performance linked compensation

Key management personnel currently receive no performance based compensation.

Other benefits

Key management personnel are not entitled to receive additional benefits as part of the terms and conditions of their appointment.

Service contracts

It is the Group's policy that service contracts for key management personnel are unlimited term and capable of termination on three months' notice. In the case of wilful or fraudulent misconduct, the Group retains the right to terminate the contract without notice. Key management personnel are entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. Each service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year and any changes in remuneration are made in accordance principles of the compensation policy.

Directors' report

From incorporation to 30 June 2008

4.2 Remuneration report - audited (continued)

4.2.2 Directors' and executive officers' remuneration (Company and Consolidated) - audited

Details of the nature and amount of each major element of remuneration of each director of the Company, each of the five named Company executives and relevant Group executives who receive the highest remuneration and other key management personnel are:

| | Salary & fees \$ | Superannuation \$ | Total \$ |
|--|---------------------|----------------------|----------------|
| Directors | | | |
| Non-executive directors | | | |
| <i>Michael Donaldson, Chairman (appointed 31 July 2007)</i> | 53,100 | 4,779 | 57,879 |
| Executive directors | | | |
| <i>Peter Bowler, Managing Director (appointed 3 May 2007)</i> | 158,308 | 14,248 | 172,556 |
| <i>Robert Watkins, Exploration Director, (appointed 3 May 2007)</i> | 150,769 | 13,569 | 164,338 |
| <i>Gregory Barrett, Director (appointed 3 May 2007, resigned 31 July 2007)</i> | - | - | - |
| Executives | | | |
| <i>Gregory Barrett, Company Secretary, CFO (appointed 3 May 2007)</i> | 150,769 | 13,569 | 164,338 |
| Total compensation: key management personnel (consolidated) | 512,946 | 46,165 | 559,111 |
| Total compensation: key management personnel (company) | 512,946 | 46,165 | 559,111 |

4.2.3 Details of performance related remuneration - audited

No amount of remuneration during the period from incorporation to 30 June 2008 was performance related.

4.2.4 Equity instruments - audited

No equity instruments were granted as compensation to directors or executives during the period from incorporation to 30 June 2008.

4.2.5 Payments to persons before taking office – audited

There were no payments made to persons before taking office in the period from incorporation to 30 June 2008.

4.3 Risk management

Oversight of the risk management system

The size and scope of the Company's activities does not justify the establishment of a formal documented risk management strategy. However, the following is a framework for the Company's approach to risk management. All members of the Board are responsible for risk management and oversight of internal controls. The day to day responsibilities for risk management and internal control rest with the Managing Director. The Managing Director reports on these matters, using an exception reporting basis, to the full Board as part of his report to directors at each Board meeting.

Risk profile

Given the speculative nature of the Group's business it is subject to general risks and certain specific risks. The major risks arise from such matters as (but not limited to):

- Underlying land tenure mining title;
Several of the Group's projects are located on land:
 - (a) on which native title has been determined to exist;
 - (b) which is aboriginal land, and;
 - (c) which contains nature reserves.
- Third party risks;

Financial failure, default or contractual non-compliance of a number of third parties, including suppliers and contractors may have a material impact on the Group's operations and performance.

Directors' report

From incorporation to 30 June 2008

4.3 Risk management (continued)

Oversight of the risk management system (continued)

Risk profile (continued)

- Sovereign risk;
One of the Group's projects is located in Brazil, there is no assurance that the systems of government and the political system will remain stable and that government regulations relating to foreign investment, repatriation of foreign currency, taxation and the mining industry in Brazil will not be amended or replaced in the future to the detriment of the Group's business.
- Exploration and development risks;
There is no assurance that exploration of the mineral interests currently held by the Group, or any other projects that may be acquired in the future, will result in the discovery of an economically viable mineral deposit. Even if an apparently viable mineral deposit is identified, there is no guarantee that it can be profitably exploited.
- Operational risks;
The operations of the Group may be affected by various factors which are beyond the control of Group, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration, operational and technical difficulties encountered in exploration, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of the Group.
- Tenement title;
Interests in tenements in Western Australia, South Australia and Victoria are governed by legislation and are evidenced by the granting of licences. Each licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Group could lose title to or its interest in Tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise. All tenements are subject to applications for renewal or grant (as the case may be) at the discretion of the relevant government authority. If a Tenement is not renewed or granted, the Group may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that Tenement.
- Environmental risks;
Mining is an industry that has become subject to increasing environmental responsibility and liability. The potential for liability is an ever present risk. Future legislation and regulations governing production may impose significant environmental obligations on the Group in relation to mining. Although the Group intends to conduct its operations in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject the Group to extensive liability.

Risk management framework

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The following is a summary of the current areas of risk and management strategies the Group has in place:

Financial

There is a budgeting system with an annual budget approved by the Board of Directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The Group reports its financial results to shareholders on a half yearly basis.

Capital expenditure commitments above a certain amount and non-capital expenditure commitments outside of the approved annual budget must obtain approval from the Managing Director. Where the commitment is in excess of the Managing Directors limits, the commitment must receive Board approval.

Practices have been established to ensure business transactions are properly authorised and executed and financial exposures are controlled. Further details of the Company's policies relating to financial risk management can be found at note 4 of the financial statements.

Directors' report

From incorporation to 30 June 2008

4.3 Risk management (continued)

Oversight of the risk management system (continued)

Risk management framework (continued)

Operational

The Group has in place a Safety Management Plan. The plan sets out procedures to manage risks in the following areas:

- safety management including procedures and delegated responsibilities;
- emergency procedures;
- occupational rehabilitation, and;
- safety training and education.

The Group also has an Induction Manual containing detailed safety procedures in relation to plant, equipment and raw materials, a code of conduct and an environmental policy.

Insurances

The Group maintains a suite of insurances which are reviewed annually or as appropriate.

Financial reporting

The Managing Director and the Chief Financial Officer have declared, in writing to the board that the Group's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Environmental regulation

The Company's projects are subject to regulations regarding environmental matters. The Governments and other authorities that administer and enforce environmental laws determine these requirements. As with all exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if mine development proceeds. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws. Based on enquiries made, the Board is not aware of any significant breaches during the period covered by this report.

Assessment of effectiveness of risk management

Internal audit

Due to the size and scope of the Company's activities the Board has not established an internal audit department. The Managing Director and Chief Financial Officer are responsible for assessing the effectiveness of the Group's compliance and control systems.

4.4 Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a supervisor to whom they may refer any issues arising from their employment. The board reviews the Code of Conduct regularly and processes are in place to promote and communicate its requirements.

Conflict of interest

The Board, management and employees must not involve themselves in situations where there is a real or apparent conflict of interest between them as individuals and the interest of the Group. Where a real or apparent conflict of interest arises the matter should be brought to the attention of the Chairman in the case of a board member or the Managing Director, the Managing Director in the case of a member of management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner for all concerned. Details of director related entity transactions with the Company and the Group are set out in note 23 or to the financial statements.

Code of conduct

The Group has advised each director, manager and employee that they must comply with the Group's Corporate Code of Conduct. The code may be viewed on the Company's website, and covers the following:

- commitment of the Board and management to the corporate code of conduct;

Directors' report

From incorporation to 30 June 2008

4.4 Ethical standards (continued)

Code of conduct (continued)

- responsibilities to shareholders and the financial community generally to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and the financial community;
- comply with systems of control and accountability which the Company has in place as part of its corporate governance with openness and integrity;
- responsibilities to clients, customers and consumers to comply with all legislative and common law requirements which affect its business, in particular those in respect of occupational health and safety, the environment, native title and cultural heritage;
- employment practices so that the best available staff and consultants with skills carry out vacant positions and to ensure a safe work place and maintain proper occupational health and safety practices commensurate with the nature of the Company's business and activities;
- responsibilities to the community to recognise, consider and respect environmental issues which arise in relation to the Company's activities and comply with all applicable legal requirements;
- responsibilities to the individual to recognise and respect the rights of individuals and to the best of its ability will comply with the applicable legal rules regarding privacy, privileges, private and confidential information;
- obligations relative to fair trading to deal with others in a way that is fair and will not engage in deceptive practices;
- conflicts of interest;
- compliance with the code so that any breach of compliance with the code is reported as appropriate;
- periodic review of the code, and;
- code of conduct for executives, covering;
 - (a) active promotion of the highest standards of ethics and integrity,
 - (b) disclosure of any actual or perceived conflicts of interest of a direct or indirect nature,
 - (c) respecting the confidentiality of information,
 - (d) dealing with the Company's customers, suppliers, competitors and each other,
 - (e) protection of the assets of the Company,
 - (f) reporting any breach of the code of conduct to the chairman.

Trading in general Company securities by directors and employees

The key elements of the Trading in General Company Securities by Directors and Employees Policy, are that directors and employees;

- must not deal in any security of the Company whilst in possession of inside information;
- should never engage in short term trading of any securities of the Company, and;
- should advise the Company Secretary, or in his absence, a Director, of any purchase or sale of securities in the Company within 2 business days.

Directors, employees and their associates may;

- not deal in any security of the Company within 5 days prior to the release of:
 - (a) the half-yearly financial report to ASX;
 - (b) the annual financial report to ASX, and;
 - (c) a prospectus for the offer of equity securities in Beadell Resources Limited;
- acquire securities in the Company under a bonus issue made to all holders of securities of the same class;
- acquire securities of the Company under a dividend reinvestment, or top-up plan that is available to all holders of securities of the same class;
- acquire, or agree to acquire, shares or options under any employee share or option plan implemented by the Company;
- exercise options granted by the Company (pursuant to any option plan or otherwise), but may only sell all or part of the shares received upon exercise of the options only in accordance with the above Policy and these Procedures.

In the case of Directors only, section 205G of the Corporations Act requires that a Director must notify the Australian Stock Exchange Limited of the acquisition or disposal of any security of the Company. A copy of any such notification should be forwarded by the relevant Director to the Company Secretary within 2 business days of a deal occurring.

Directors' report

From incorporation to 30 June 2008

4.5 Communication with shareholders

General Communication

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders as follows:

- the annual report is distributed to all shareholders. The Board ensures that the annual report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of future developments, in addition to the other disclosures required by the Corporations Act;
- the half yearly report contains summarised financial information and a review of the operations of the Group during the period. The half year audited financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act and is lodged with the Australian Stock Exchange. The half yearly report is available on the Company's website and sent to any shareholder who requests it;
- the quarterly report contains summarised cash flow financial information and details about the Company's activities during the quarter. The quarterly report is available on the Company's website and is sent to any shareholder who requests it;
- proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders;
- the Company's website is well promoted to shareholders and shareholders may register to receive updates.

Continuous Disclosure

The Board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. More details of the policy are available on the Company's website.

In summary, the Continuous Disclosure Policy operates as follows:

- the Company Secretary is responsible for all communications with the ASX;
- the Company must ensure that once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities, the Company must immediately advise ASX of that information;
- the Company acknowledges that it is not required to disclose information to ASX if any of the following applies:
 - (a) a reasonable person would not expect the information to be disclosed;
 - (b) the information is confidential, and;
 - (c) one of the following applies:
 - (i) it would be a breach of a law to disclose the information;
 - (ii) the information concerns an incomplete proposal or negotiation;
 - (iii) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - (iv) the information is generated for the internal management purposes of the Company, or;
 - (v) the information is a trade secret.

Company website

All of the above information is made available on the Company's website within one day of public release, and is e-mailed to all shareholders who lodge their e-mail contact details with the Company. Information on lodging e-mail addresses with the Company is available on the Company's website.

Participation at the annual general meeting

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment directors, the granting of options and shares to directors and changes to the constitution. Copies of the constitution are available to any shareholder who requests it.

Directors' report

From incorporation to 30 June 2008

5. Principal activities

The principal activity of the Group during the period was to conduct mineral exploration. There were no significant changes in the nature of the activities of the Group during the period from incorporation to 30 June 2008.

6. Operating and financial review

Operating results

The loss after income tax for the period ended 30 June 2008 was \$5,336,000.

Review of operations

Beadell Resources Limited was incorporated on 3 May 2007 as a public company limited by shares.

On 2 July 2007 the Company entered into a tenement sale agreement with Oxiana Limited, Wiluna Operations Limited and Agincourt Resources (Exploration) Pty Ltd to acquire various Australian tenements. Consideration provided for the tenements was \$3,200,000 and was settled by way of issue of 12,800,000 shares at 25 cents per share.

On 31 July 2007 the Group entered into an agreement for the assignment of mineral rights and other covenants with Brazmin Ltda for the acquisition of mineral rights for the Brazilian Tartaruga project. Consideration provided for the mineral rights was \$612,500 and was settled by way of issue of 2,450,000 shares at 25 cents per share.

On 14 September 2007 the Company successfully completed its Initial Public Offering. The placement was fully subscribed, raising \$15,000,000 through the issue of 60,000,000 shares at 25 cents each. The Company was accepted into the official list of the ASX and commenced trading on 26 September 2007.

On 6 November 2007 a major drilling alliance was signed with Challenge Drilling. The two million dollar cash/scrip deal locked in the availability of drill rigs over three years coincident with effectively raising an additional one million dollars at an issue price of 48 cents per share.

During the period and up to the date of this report, the Group has conducted exploration activities on key exploration targets and continues to evaluate and assess its exploration projects in Australia and Brazil.

The Company has evaluated and pursued potential acquisitions and investments in the resources sector during the period and continues to assess future acquisition opportunities.

7. Dividends

No dividends were declared or paid during the period from incorporation to, or since 30 June 2008.

8. Events subsequent to reporting date

The Company signed two conditional agreements to acquire 100% of the Cracow Gold Mine ("Cracow"), located in Queensland, Australia. The first conditional agreement was signed with 70% owner Newcrest Mining Limited ("Newcrest") on 4 April 2008 for the acquisition of their interest in Cracow for \$200 million. The second conditional agreement was signed with 30% owner Lion Selection Limited ("Lion") for the acquisition of their interest in Cracow for \$80 million.

On 4 April 2008 the Company paid a deposit of \$2 million to Newcrest. \$1 million, plus interest, was refundable if the Company proved unsuccessful in obtaining finance, the balance of \$1 million, plus interest, was refundable should Newcrest consider that the failure to secure finance was the result of prevailing market conditions, and not through any act or omission by the Company or its advisors. In an ASX announcement, dated 4 July 2008, the Company conceded that the condition precedent regarding financing the acquisition of Cracow had not been met and as a result the acquisition did not proceed. On 23 July 2008 Newcrest refunded the Company's \$2 million deposit, plus accrued interest of \$43,000.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' report

From incorporation to 30 June 2008

9. Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report are;

| Director | Ordinary shares | Options over ordinary shares |
|-------------------|-----------------|------------------------------|
| Michael Donaldson | 1,800,000 | - |
| Peter Bowler | 9,110,001 | 1,000,000 |
| Robert Watkins | 5,750,001 | 1,000,000 |

10. Share options

Unissued shares under unlisted options related to remuneration

At the date of this report unissued ordinary shares of the Company under option that are related to remuneration are:

| Expiry date | Exercise price | Number of shares |
|--------------|----------------|------------------|
| 30 June 2011 | \$0.25 | 540,000 |
| 30 June 2011 | \$0.35 | 300,000 |
| 30 June 2012 | \$0.30 | 570,000 |

All options expire on the earlier of their expiry date or termination of the employee's employment. Further details are included in the in the note 17 to the financial report.

Unissued shares under unlisted options not related to remuneration

At the date of this report unissued ordinary shares of the Company under option issued to shareholders of the Company are:

| Expiry date | Exercise price | Number of shares |
|--------------|----------------|------------------|
| 30 June 2012 | \$0.35 | 1,500,000 |
| 30 June 2012 | \$0.50 | 1,500,000 |

The options expire on the expiry date and are in escrow until 26 September 2009. Further details are included in the in the note 18 to the financial report.

Shares issued on exercise of options

During or since the end of the period from incorporation to 30 June 2008, the Company issued no ordinary shares as a result of the exercise of options.

11. Indemnification and insurance of directors and officers

The Group provides insurance to cover legal liability and expenses for the Directors and Executive Officers of the Company. The Directors' and Officers' Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers. Disclosure of the nature of the liability cover and amount of the premium is subject to a confidentiality clause under the insurance policy.

The Group has not provided any insurance or indemnity for the auditor of the Company.

12. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 39 and forms part of the directors' report for the period from incorporation to 30 June 2008.

Directors' report

From incorporation to 30 June 2008

13. Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:



PETER BOWLER

Managing Director

Dated at Perth, this 22nd day of September 2008.

Balance sheets

As at 30 June 2008

| | Note | Consolidated \$'000 | Company \$'000 |
|-----------------------------------|------|------------------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | 14 | 6,346 | 6,036 |
| Cash deposits | 25 | 2,000 | 2,000 |
| Prepayments | 13 | 729 | 729 |
| Trade and other receivables | 12 | 23 | 23 |
| Total current assets | | 9,098 | 8,788 |
| Exploration and evaluation assets | 10 | 3,989 | 3,263 |
| Trade and other receivables | 12 | - | 767 |
| Property, plant and equipment | 9 | 399 | 330 |
| Other non-current assets | 11 | 206 | 206 |
| Total non-current assets | | 4,594 | 4,566 |
| Total assets | | 13,692 | 13,354 |
| Liabilities | | | |
| Trade and other payables | 19 | 799 | 485 |
| Employee benefits | 16 | 91 | 83 |
| Total current liabilities | | 890 | 568 |
| Total liabilities | | 890 | 568 |
| Net assets | | 12,802 | 12,786 |
| Equity | | | |
| Share capital | 18 | 18,045 | 18,045 |
| Reserves | 18 | 93 | 76 |
| Retained earnings | 18 | (5,336) | (5,335) |
| Total equity | 18 | 12,802 | 12,786 |

The notes on pages 17 to 35 are an integral part of these consolidated financial statements.

Income statements

For the year ended 30 June 2008

| | Note | Consolidated \$'000 | Company \$'000 |
|--|-------------|--------------------------------|---------------------------|
| Administrative expenses | | (1,380) | (1,359) |
| Project exploration and evaluation expenses | | (4,532) | (3,015) |
| Results from operating activities | | (5,912) | (4,374) |
| Finance income | | 576 | 576 |
| Finance expense | | - | (1,537) |
| Net finance income/(expense) | 7 | 576 | (961) |
| Loss for the period before income tax | 5 | (5,336) | (5,335) |
| Income tax expense | 8 | - | - |
| Loss for the period after income tax | | (5,336) | (5,335) |
| Attributable to: | | | |
| Equity holders of the Company | 18 | (5,336) | (5,335) |
| Loss for the period | | (5,336) | (5,335) |
| Loss per share: | | | |
| Basic Loss per share | 15 | (0.08) | |
| Diluted Loss per share | 15 | (0.08) | |

The notes on pages 17 to 35 are an integral part of these consolidated financial statements.

Statements of recognised income and expense

For the year ended 30 June 2008

| | Note | Consolidated \$'000 | Company \$'000 |
|---|-------------|--------------------------------|---------------------------|
| Foreign currency translation differences for foreign operations | | 17 | - |
| Income and expense recognised directly in equity | | 17 | - |
| Loss for the period | | (5,336) | (5,335) |
| Total recognised income and expense for the period | 18 | (5,319) | (5,335) |
| Attributable to: | | | |
| Equity holders of the Company | | (5,319) | (5,335) |
| Total recognised income and expense for the period | | (5,319) | (5,335) |

The notes on pages 17 to 35 are an integral part of these consolidated financial statements.

Statements of cash flows

For the year ended 30 June 2008

| | Note | Consolidated \$'000 | Company \$'000 |
|--|------|------------------------|-------------------|
| Cash flows from operating activities | | | |
| Cash paid to suppliers and employees | | (1,130) | (1,120) |
| Net cash used in operating activities | 14b | (1,130) | (1,120) |
| Cash flows from investing activities | | | |
| Interest received | 7 | 576 | 576 |
| Payments for evaluation and exploration expenditure | | (4,521) | (3,321) |
| Cash paid as security for bank guarantees | 11 | (206) | (206) |
| Payments for acquisition of property, plant and equipment | 9 | (449) | (377) |
| Payments for acquisition of exploration assets | | (176) | (176) |
| Refundable deposit paid for the acquisition of mine assets | 25 | (2,000) | (2,000) |
| Net cash used in investing activities | | (6,776) | (5,504) |
| Cash flows from financing activities | | | |
| Proceeds from issue of share and options | 18 | 15,185 | 15,185 |
| Transaction costs paid related to the issue of shares | 18 | (950) | (950) |
| Loans to subsidiaries | | - | (1,576) |
| Net cash from financing activities | | 14,235 | 12,659 |
| Net increase in cash and cash equivalents | | 6,329 | 6,035 |
| Cash and cash equivalents at 3 May 2007 | | - | - |
| Effect of exchange rate fluctuations on cash held | | 17 | 1 |
| Cash and cash equivalents at 30 June 2008 | 14a | 6,346 | 6,036 |

The notes on pages 17 to 35 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Reporting entity

Beadell Resources Limited (the "Company") is a company limited by shares and incorporated in Australia, whose shares are publicly traded on the Australian Stock Exchange. The address of the Company's registered office is Level 2, 16 Ord Street, West Perth, Western Australia.

The consolidated financial statements of the Company as at and for the period from incorporation, being 3 May 2007 to 30 June 2008 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 22 September 2008.

(b) Basis of measurement

The consolidated financial statements have been prepared on the accruals basis and are based on historical costs and do not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- note 4: financial risk management
- note 10: exploration and evaluation assets
- note 12: trade and other receivables
- note 17: measurement of share-based payments
- note 22: contingencies

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. The Company and Group has not elected to early adopt the following any accounting standards or amendments.

Notes to the financial statements

3. Significant accounting policies (continued)

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. In the Company's financial statements, investments in subsidiaries are carried at cost.

(ii) Transactions and balances eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the operation at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are translated to the presentation currency at the balance date at the exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value in a foreign currency are translated using the exchange rate at the date when fair value was determined.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the income statement.

(c) Financial instruments

(i) Derivative financial instruments

The Group does not hold or deal in derivative financial instruments.

(ii) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument.

Notes to the financial statements

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Non-derivative financial instruments (continued)

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled. Impairment of the Group's financial instruments is discussed at note 3(h).

Accounting for finance income and expense is discussed in note 3(k).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Trade and other receivables

Trade and other accounts receivable are stated at amortised cost and are usually settled in no more than 30 days. Trade and other accounts receivable are reviewed on an ongoing basis.

Trade and other payables

Are recognised for amounts to be paid in future periods for goods and services provided to the Group prior to the end of the reporting period and are stated at amortised cost. The amounts are unsecured and typically paid within 30 days of recognition.

Loans

Comprise intercompany loans and receivables, recorded at amortised cost. The treatment of these balances on consolidation is described in note 3(a)(ii).

(iii) Share capital

Ordinary shares

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(d) Exploration, evaluation and development expenditure

Exploration and evaluation costs, excluding acquisition costs are expensed as incurred. Acquisition costs are accumulated in respect of each separate area of interest.

Exploration and evaluation assets are only recognised if the rights to the area are current and either:

- (i) the acquisition costs are expected to be recouped through successful development and exploitation of the area of interest, or;
- (ii) activities in the area of interest have not at the reporting date, reached a state which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

- (i) sufficient data exists to determine technical feasibility and commercial viability, and;
- (ii) facts and circumstances suggest the carrying amount exceeds the recoverable amount

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units (CGU's) to which the exploration activity relates. The CGU shall not be larger than the area of interest.

Notes to the financial statements

3. Significant accounting policies (continued)

(d) Exploration, evaluation and development expenditure (continued)

Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine property assets within property, plant and equipment.

In the event that an area of interest is abandoned or if the directors consider the exploration and evaluation assets attributable to the area of interest to be of reduced value, the exploration and evaluation assets are impaired in the period in which the assessment is made. Each area of interest is reviewed at each reporting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

- plant and equipment 2 - 20 years
- fixtures and fittings 5 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases the leased assets are not recognised on the Group's balance sheet.

(g) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Notes to the financial statements

3. Significant accounting policies (continued)

(h) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit or loss and any subsequent reversals of impairment losses are also recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets (excluding exploration, evaluation and development expenditure) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, otherwise known as cash-generating unit ("CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGU's are allocated to reduce the carrying amount of assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related, where material, on-costs, such as workers compensation insurance and payroll tax. Non-accumulating benefits, such as sick leave, are expensed based as the benefits are taken by the employees.

Notes to the financial statements

3. Significant accounting policies (continued)

(i) Employee benefits (continued)

(iii) Long-term benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and, where applicable, prior periods plus related on costs; that benefit is discounted to determine its present value and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on national government bonds that have maturity dates approximating the terms of the Group's obligations.

(iv) Share-based payment transactions

The Group provides benefits to employees of the Group in the form of share-based payment transactions, whereby employees render services in exchange for share options. The fair value of employee stock options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The cost of share based payment transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for share based payment transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(j) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Notes to the financial statements

3. Significant accounting policies (continued)

(j) Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Finance income

Finance income comprises interest income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance expense comprises impairment losses recognised on financial assets.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(m) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(o) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on geographical segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(p) Comparative results

Beadell Resources Limited was incorporated on 3 May 2007. The period of this report is 3 May 2007 to 30 June 2008 and accordingly there are no comparative results for prior periods.

(q) New standards and interpretations not yet adopted

The following standards and amendments may impact the Group's 30 June 2010 financial statements. The Group has not yet assessed any potential effect on the Group's disclosures.

- AASB 8 *Operating Segment*: introduces the "management approach" to segment reporting.
- Revised AASB 101 *Presentation of Financial Statements*: introduces the "statement of comprehensive income".
- AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations*: impacts share-based payments with non-vesting conditions.

Notes to the financial statements

4. Financial risk management

Overview

This note presents information about the Company's and Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital

The Company and Group do not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continual basis. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables, cash and cash equivalents. For the Company it also arises from receivables due from subsidiaries.

Geographically, credit risk is significantly concentrated in Australia.

Cash, cash equivalents and security given

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits. The Group limits its credit risk by holding cash balances and demand deposits with reputable counterparties with acceptable credit ratings.

Security given

Security given comprises cash balances used as security for bank guarantees issued by the Group's bankers (refer note 11). Cash balances given as security are held in demand deposits with reputable counterparties with acceptable credit ratings.

Trade and other receivables

Trade and other receivables

The Group operates in exploration activities; it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables. The Group's other receivables at balance date are represented amounts of goods and services tax refundable from the Australian Taxation Office, management does not believe there is any credit risk attached to this receivable. The Company has exposure to credit risk in respect of loans to wholly owned subsidiaries.

Exposure to credit risk

The Group's financial assets represent maximum exposure to credit risk, as set out below.

| | | Consolidated | Company |
|------------------------------------|------|--------------|--------------|
| | Note | \$'000 | \$'000 |
| Cash and cash equivalents | 14 | 6,346 | 6,036 |
| Security given for bank guarantees | 11 | 206 | 206 |
| Other receivables | 12 | 23 | 23 |
| Loans to subsidiaries | 12 | - | 2,304 |
| | | <u>6,575</u> | <u>8,569</u> |

The Company has raised a provision for impairment in respect of a loan to its Brazilian subsidiary. Impairment losses are discussed at note 12.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining adequate cash reserves from funds raised by the Company in its Initial Public Offering ("IPO") and continuously monitoring forecast and actual cash

Notes to the financial statements

4. Financial risk management (continued)

Liquidity risk (continued)

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised by the Company in its Initial Public Offering ("IPO") and continuously monitoring forecast and actual cash flows, the Group does not have any external borrowings. Based on current operating and exploration expenditure requirements, the Company does not anticipate any need to raise additional capital in the next 12 months.

The following are the contractual maturities of financial liabilities:

| Consolidated | Carrying amount | Contractual cash flows | 6 months or less |
|--------------------------|-----------------|------------------------|------------------|
| | \$'000 | \$'000 | \$'000 |
| Trade and other payables | 799 | 799 | 799 |
| | 799 | 799 | 799 |
| Company | | | |
| Trade and other payables | 485 | 485 | 485 |
| | 485 | 485 | 485 |

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Geographically, market risk is significantly concentrated in Australia.

Currency risk

The Group is exposed to currency risk on investments and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are the Brazilian real (BRL) and the United States dollar (USD).

The Group does not use derivative instruments to hedge such transactions.

The Company's investment in, and loans to, its subsidiaries are not hedged as these positions are considered to be long term in nature.

Exposure

The Group's exposure to foreign currency risk at balance date was as follows:

| Consolidated | BRL | USD | Total |
|-----------------------------|--------|--------|--------|
| | \$'000 | \$'000 | \$'000 |
| Cash | - | - | - |
| Trade payables | - | - | - |
| Total exposure | - | - | - |
| Company | | | |
| Subsidiary loans receivable | 1,595 | 709 | 2,304 |
| Total exposure | 1,595 | 709 | 2,304 |

Sensitivity

A 10 percent strengthening in the AUD against the following currencies at 30 June 2008 would have increased equity and would have increased the loss by the amounts shown below, assuming all other variables remain constant.

| Currency | Consolidated | | Company | |
|----------|--------------|--------|---------|--------|
| | Equity | Loss | Equity | Loss |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| BRL | - | - | - | (145) |
| USD | - | - | - | (64) |

A 10 percent weakening of the AUD against the above currencies at 30 June 2008 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis all other variables remain constant.

Notes to the financial statements

4. Financial risk management (continued)

Market risk (continued)

Interest rate risk

The Group is exposed to interest rate risk on cash and cash equivalents, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group's fixed rate financial securities represent amounts of cash held in term deposits, at fixed interest rates maturing over various periods less than one year, typically six to twelve months. The Group's variable rate financial securities consist of cash balances held in deposit accounts at variable interest rates with no fixed term.

Profile

At the reporting date the interest rate profile of the Group and Company's interest-bearing financial instruments was:

| | Consolidated \$'000 | Company \$'000 |
|--|------------------------|-------------------|
| Interest bearing financial instruments | | |
| Financial assets | 6,552 | 6,242 |
| | 6,552 | 6,242 |

Cash flow sensitivity analysis for financial assets

A change of 100 basis points at the reporting date would have increased (decreased) the loss by the amounts shown below. This analysis assumes that all other variables remain constant. For the purposes of this analysis the effect on the Company and the Group are the same, therefore consolidated information has been displayed only.

| | 100bp increase \$'000 | 100bp decrease \$'000 |
|------------------|--------------------------|--------------------------|
| Sensitivity | | |
| Financial assets | 87 | 79 |
| | 87 | 79 |

Fair values versus carrying amounts

Carrying amounts of financial assets and liabilities equate their corresponding fair values.

Other market price risk

The Group's financial assets and liabilities are not exposed any other market price risk.

Commodity price risk

The Group operates in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are not exposed to commodity price risk.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a capital base sufficient to allow future exploration of the Group's current projects and evaluation of potential acquisitions. The Group has raised all capital through the issue of equity to fund its exploration and evaluation activities and does not have any external borrowings at balance date. The Group may raise additional capital through the issue of new shares or debt finance for exploration or asset acquisition, should the Group require additional capital to carry out those activities. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

5. Segment reporting

The Group operates in one industry, minerals exploration (primary segment), in two geographical segments, being Australia and Brazil (secondary segments).

| | Brazil \$'000 | Australia \$'000 | Eliminations \$'000 | Consolidated \$'000 |
|-----------------|------------------|---------------------|------------------------|------------------------|
| Segment revenue | - | 577 | (1) | 576 |
| Segment result | (1,536) | (5,335) | 1,535 | (5,336) |

Notes to the financial statements

6. Personnel expenses

| | | Consolidated | Company |
|---|------|--------------|--------------|
| | Note | \$'000 | \$'000 |
| Wages and salaries | | 1,034 | 995 |
| Contributions to defined contribution plans | | 90 | 90 |
| Increase in liability for annual leave | 16 | 26 | 20 |
| Equity-settled share-based payment transactions | 17 | 73 | 73 |
| | | 1,223 | 1,178 |

7. Finance income and expense

| | | Consolidated | Company |
|---|------|--------------|--------------|
| | Note | \$'000 | \$'000 |
| Recognised in profit or loss | | | |
| Interest income on bank deposits | | 576 | 576 |
| Impairment loss on subsidiary loan receivable | 12 | - | (1,537) |
| Net finance income (expense) | | 576 | (961) |
| Recognised directly in equity | | | |
| Foreign currency translation differences for foreign operations | | 17 | - |
| Finance income recognised directly in equity, net of tax | | 17 | - |
| Attributable to: | | | |
| Equity holders of the Company | | 17 | - |
| Finance income recognised directly in equity, net of tax | | 17 | - |

8. Income tax

No tax is payable by the Group. No tax balances have been brought to account for temporary differences and tax losses as it is not probable that future taxable income will be available against which the Group can utilise these benefits. Temporary differences and tax losses do not expire under current tax legislation.

Income Statement

| | Consolidated | Company |
|---|--------------|---------|
| | \$'000 | \$'000 |
| Current income tax charge | - | - |
| Income tax expense reported in the income statement | - | - |

Numerical reconciliation between tax loss and pre-tax accounting loss

| | Consolidated | Company |
|--|--------------|---------|
| | \$'000 | \$'000 |
| Loss for the period | (5,336) | (5,335) |
| Income tax benefit using the Company's domestic tax rate of 30% | (1,601) | (1,601) |
| Expenditure not allowable for tax purposes | 160 | 621 |
| Current year losses for which no deferred tax asset was recognised | 1,441 | 980 |
| Income tax reported in the income statement | - | - |

Notes to the financial statements

8. Income tax (continued)

Deferred income tax

| | Consolidated \$'000 | Company \$'000 |
|--|------------------------|-------------------|
| Tax assets/(liabilities) | | |
| Exploration and evaluation assets | 523 | - |
| Trade and other payables | 5 | 5 |
| Employee benefits | 15 | 15 |
| Deductible equity raising costs | 285 | 285 |
| Prepayments | (219) | (219) |
| Deferred tax assets not brought to account | (609) | (86) |
| Net deferred tax assets | - | - |

9. Property, plant and equipment

| | Consolidated | | | Company | | |
|-----------------------------|--------------------------------|----------------------------------|-----------------|--------------------------------|----------------------------------|-----------------|
| | Plant & equipment \$'000 | Fixtures & fittings \$'000 | Total \$'000 | Plant & equipment \$'000 | Fixtures & fittings \$'000 | Total \$'000 |
| Cost | | | | | | |
| Balance at incorporation | - | - | - | - | - | - |
| Additions | 424 | 25 | 449 | 352 | 25 | 377 |
| Disposals | - | - | - | - | - | - |
| Balance at incorporation | 424 | 25 | 449 | 352 | 25 | 377 |
| Depreciation | | | | | | |
| Balance at incorporation | - | - | - | - | - | - |
| Depreciation for the period | 50 | - | 50 | 47 | - | 47 |
| Balance at 30 June 2008 | 50 | - | 50 | 47 | - | 47 |
| Carrying amount | | | | | | |
| Balance at incorporation | - | - | - | - | - | - |
| Balance at 30 June 2008 | 374 | 25 | 399 | 305 | 25 | 330 |

10. Exploration and evaluation assets

| | Consolidated \$'000 | Company \$'000 |
|--------------------------|------------------------|-------------------|
| Cost | | |
| Balance at incorporation | - | - |
| Acquisitions | 3,989 | 3,263 |
| Disposals | - | - |
| Balance at 30 June 2008 | 3,989 | 3,263 |

Exploration and evaluation assets reflect capitalised acquisition costs only. The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

As sufficient data does not exist to determine technical feasibility and commercial viability and the facts and circumstances do not suggest the carrying amount exceeds the recoverable amount, no impairment loss has been recognised in respect of exploration and evaluation assets.

Notes to the financial statements

11. Other non-current assets

| | Consolidated \$'000 | Company \$'000 |
|---------------------------------------|------------------------|-------------------|
| Balance at incorporation | - | - |
| Security for bank guarantees given | 206 | 206 |
| Security for bank guarantees released | - | - |
| Balance at 30 June 2008 | 206 | 206 |

The Company's bankers have issued bank guarantees to the Department of Industry and Resources of Western Australia and the Department of Energy and Resources of Victoria to satisfy environmental bond requirements, bank guarantees related to these environmental bonds total \$114,000. In addition, a \$92,000 bank guarantee has been issued to the owners of the Company's corporate offices to satisfy the bond requirements of the office lease.

All bank guarantees are fully secured by cash, held in term deposits with the Company's bankers. Interest accruing to the term deposits is payable to the Company. The term deposits cannot be released without prior consent.

12. Trade and other receivables

| | Consolidated \$'000 | Company \$'000 |
|-----------------------------------|------------------------|-------------------|
| Current | | |
| Goods and services tax receivable | 23 | 23 |
| | 23 | 23 |
| Non-current | | |
| Loans to subsidiaries | - | 2,304 |
| Provision for impairment | - | (1,537) |
| | - | 767 |

Loans are provided to wholly owned subsidiaries of the Group to fund exploration and administrative activities. The loans outstanding between the Company and its subsidiaries have no fixed date of repayment and are non-interest bearing. The ultimate recoverability of the carrying value of loans to subsidiaries is dependent on the successful development and commercial exploitation or sale of the respective areas of interest to which the loans relate.

A provision for impairment has been recognised in respect of the Company's loan to Beadell Resources Mineracao Ltda ("BRM"). The ultimate recoverability of the loan is dependent on the commercial exploitation or sale of the related area of interest. At balance date the carrying amount of the loan exceeds the net assets of BRM, as a result, a conservative approach has been applied and a provision for impairment has been raised against the Company's loan to BRM.

13. Prepayments

| | Consolidated \$'000 | Company \$'000 |
|--------------------|------------------------|-------------------|
| Drilling services* | 648 | 648 |
| Other prepayments | 81 | 81 |
| Prepayments | 729 | 729 |

* On 6 November 2007 an agreement was signed with Challenge Drilling ("Challenge") for the provision of \$2 million of drilling services. The terms of the agreement required the Company to prepay Challenge for \$1 million for drilling services, of which \$648,000 remains prepaid at 30 June 2008. Upon full depletion of the prepayment, liabilities incurred for the remaining \$1 million of drilling services are to be settled by share based payment, issuing shares in the Company to Challenge at an issue price of 48 cents per share.

Notes to the financial statements

14a. Cash and cash equivalents

| | Consolidated \$'000 | Company \$'000 |
|--|------------------------|-------------------|
| Bank balances | 6,346 | 6,036 |
| Cash and cash equivalents in the statement of cash flows | 6,346 | 6,036 |

14b. Reconciliation of cash flows from operating activities

| | Note | Consolidated \$'000 | Company \$'000 |
|--|------|------------------------|-------------------|
| Cash flows from operating activities | | | |
| Loss for the period | | (5,336) | (5,335) |
| Adjustments for: | | | |
| Depreciation | 9 | 50 | 47 |
| Equity-settled share-based payment transactions | 17 | 73 | 73 |
| Impairment losses recognised | 12 | - | 1,537 |
| Cash flows related to exploration expenditure classified as investing activities | | 3,954 | 2,437 |
| Operating loss before changes in working capital and provisions | | (1,259) | (1,241) |
| Change in trade and other receivables | 12 | (23) | (23) |
| Change in trade and other payables | | 76 | 76 |
| Change in prepayments | | (15) | (15) |
| Change in provisions and employee benefits | 16 | 91 | 83 |
| Net cash from operating activities | | (1,130) | (1,120) |

15. Loss per share

Basic loss per share

The basic loss per share for the period was \$0.08. The calculation of basic loss per share at 30 June 2008 was based on the consolidated loss attributable to ordinary shareholders of \$5,336,000 and a weighted average number of ordinary shares outstanding of 68,138,211 calculated as follows:

Loss attributable to ordinary shareholders

| | \$ |
|--|-----------|
| Loss for the period | 5,336,000 |
| Loss attributable to ordinary shareholders | 5,336,000 |

Weighted average number of ordinary shares

| | Shares |
|---|------------|
| <i>Weighted average effects</i> | |
| Issued ordinary shares at 3 May 2007 | - |
| Effect of shares issued 3 May 2007 | 3 |
| Effect of shares issued 5 June 2007 | 16,921,816 |
| Effect of shares issued 14 September 2007 | 41,037,736 |
| Effect of shares issued 21 September 2007 | 10,178,656 |
| Number of ordinary shares at 30 June 2008 | 68,138,211 |

Diluted loss per share

The Company does not have any potential ordinary shares whose conversion to ordinary shares would have a dilutive effect on basic loss per share and as such diluted loss per share is equal to basic loss per share. Potential ordinary shares of the Company consist of 840,000 dilutive share options issued to employees of the Company (refer note 17) and 3,000,000 dilutive share options issued to shareholders of the Company (refer note 18). In accordance with AASB 133 'Earnings per Share' these options have been excluded from the calculation of diluted loss per share due to their anti-dilutive effect.

Notes to the financial statements

16. Employee benefits

| | Consolidated \$'000 | Company \$'000 |
|-----------------------------------|------------------------|-------------------|
| Current | | |
| Salaries and wages accrued | 65 | 63 |
| Liability for annual leave | 26 | 20 |
| Total employee benefits - current | 91 | 83 |

17. Share-based payments

Employee share option scheme

In 2007 the Group established a share option programme that entitles employees to purchase shares in the entity. All options issued under the scheme are subject to the Company's rules for incentive options. No options were granted to any key management personnel as part of their remuneration during, or since the end of the financial year.

The following table illustrates the number and movements in share based payment options issued during the year:

| | Number of options issued |
|--|-----------------------------|
| Options outstanding on incorporation | - |
| Options granted during the period. | 840,000 |
| Options outstanding as at 30 June 2008 | 840,000 |
| Exercisable at the end of the period | 500,000 |

The outstanding balance as at 30 June 2008 is represented by:

| Number of options | Grant period | Vesting | Expiring | Strike price | Weighted average fair value |
|----------------------|-------------------------------|-------------------|--------------|-----------------|-----------------------------------|
| 540,000 | 6 June – 25 September 2007 | 26 September 2007 | 30 June 2011 | \$0.25 | \$0.10 |
| 180,000 | 13 August – 27 September 2007 | 26 September 2007 | 30 June 2011 | \$0.35 | \$0.12 |
| 120,000 | 27 September 2007 | 27 September 2007 | 30 June 2011 | \$0.35 | \$0.22 |

Fair value of options for the period ended 30 June 2008

The weighted average fair value of options granted during the period was \$0.12.

Weighted average inputs to the model used to determine the fair value

Weighted averages

| | |
|---|--------|
| Contractual life (years) | 3.76 |
| Market value of the underlying shares | \$0.21 |
| Exercise price of options granted during the period | \$0.29 |
| Expected volatility of the underlying shares | 72.00% |
| Risk free rate applied | 6.36% |

No other features of options granted were incorporated into the measurement of fair value.

Employee expenses

| | | Consolidated \$'000 | Company \$'000 |
|--|-------------|------------------------|-------------------|
| | Note | | |
| Share options granted in period to 30 June 2008 – equity settled | 18 | 73 | 73 |
| Total share based payment expense recognised as employee costs | | 73 | 73 |

Notes to the financial statements

18. Capital and reserves

Reconciliation of movement in capital and reserves attributable to equity holders

| | Share capital \$'000 | Translation reserve \$'000 | Share based payments reserve \$'000 | Option premium reserve \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|---|----------------------------|----------------------------------|--|--|--------------------------------|---------------------------|
| Consolidated | | | | | | |
| Balance at incorporation | - | - | - | - | - | - |
| Total recognised income and expense | - | 17 | - | - | (5,336) | (5,319) |
| Share-based payments | - | - | 73 | - | - | 73 |
| Issue of ordinary shares for cash | 15,182 | - | - | - | - | 15,182 |
| Issue of ordinary shares for acquisition of tenements | 3,813 | - | - | - | - | 3,813 |
| Issue of options for cash | - | - | - | 3 | - | 3 |
| Equity transaction costs | (950) | - | - | - | - | (950) |
| Balance at 30 June 2008 | 18,045 | 17 | 73 | 3 | (5,336) | 12,802 |
| Company | | | | | | |
| Balance at incorporation | - | - | - | - | - | - |
| Total recognised income and expense | - | - | - | - | (5,335) | (5,335) |
| Share-based payments | - | - | 73 | - | - | 73 |
| Issue of ordinary shares for cash | 15,182 | - | - | - | - | 15,182 |
| Issue of ordinary shares for acquisition of tenements | 3,813 | - | - | - | - | 3,813 |
| Issue of options for cash | - | - | - | 3 | - | 3 |
| Equity transaction costs | (950) | - | - | - | - | (950) |
| Balance at 30 June 2008 | 18,045 | - | 73 | 3 | (5,335) | 12,786 |

Notes to the financial statements

18. Capital and reserves (continued)

Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Option premium reserve

The option premium reserve comprises consideration paid for 3 million options issued to initial shareholders of the Company on 25 June 2007 at an average fair value of \$0.001. The options expire on 30 June 2012 and carry no voting rights.

Share based payments reserve

The share based payments reserve comprises the cumulative expense recognised in respect of options granted to employees of the Company as part of the Company's share option programme. The options expire on the earlier of;

- 30 June 2011;
- the employee ceases employment with the Company;
- 30 days after the employee ceases employment by reason of retirement.

Employee share options carry no voting rights. Share based payments are discussed further at note 17.

19. Trade and other payables

| | Consolidated \$'000 | Company \$'000 |
|----------------|------------------------|-------------------|
| Trade payables | 799 | 485 |
| | <u>799</u> | <u>485</u> |

20. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

| | Consolidated \$'000 | Company \$'000 |
|----------------------------|------------------------|-------------------|
| Less than one year | 467 | 450 |
| Between one and five years | 352 | 352 |
| | <u>819</u> | <u>802</u> |

The Group leases property and equipment in Australia and Brazil under operating leases. Leases of equipment run for periods ranging from one to three years with lease payments being fixed throughout the duration of each equipment lease. The Group's leases of property run for periods ranging from one to two years with options to renew after expiration. Property lease payments are subject to annual market or consumer price index reviews on specified review dates.

21. Capital and other commitments

Minimum exploration expenditure requirements

In order to maintain current rights of tenure to exploration tenements, the Group is required to meet minimum expenditure requirements specified by various State governments. At balance date, minimum yearly expenditure requirements are \$822,000 in respect of granted tenements. These commitments are subject to renewal of exploration permits, renegotiation upon expiry of the exploration permit or when an application for a mining permit is made. These obligations at balance date have not been provided for and are as set out in the table following.

Notes to the financial statements

21. Capital and other commitments (continued)

Other expenditure commitments

On 31 July 2007 the Group entered into an agreement for the assignment of mineral rights and other covenants with Brazmin Ltda ("Brazmin") for the acquisition of mineral rights for the Group's Brazilian Tartaruga project. As part of the assignment agreement the Group has undertaken to make annual payments of US\$100,000 to Keystone Ltda ("Keystone") as were required to be made by Brazmin in the terms of an option agreement entered into between Brazmin and Keystone.

| | Consolidated \$'000 | Company \$'000 |
|---|------------------------|-------------------|
| Minimum exploration expenditure commitments not yet provided for | | |
| Within one year | 822 | 822 |
| Other expenditure commitments not yet provided for | | |
| Within one year | 104 | - |
| | 926 | 822 |

22. Contingencies

The Company has indemnified Oxiana Limited and its related body corporate against all claims and liabilities arising out of a fatal accident which occurred in December 2006 at a Reedy Creek, Victoria tenement acquired by the Company in September 2007. The liability of the Company under the indemnity does not exceed \$400,000 and the indemnity does not cover legal costs.

The directors are of the opinion that provisions are not required in respect of the abovementioned contingency, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

23. Related parties

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (refer note 6) is as set out below.

| | Consolidated \$ | Company \$ |
|------------------------------|--------------------|----------------|
| Short-term employee benefits | 512,946 | 512,946 |
| Post-employment benefits | 46,165 | 46,165 |
| | 559,111 | 559,111 |

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report on pages 5 to 6.

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Beadell Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

| | 3 May 2007 | Purchased | Exercised | 30 June 2008 |
|-------------------|------------|-----------|-----------|--------------|
| Directors | | | | |
| Michael Donaldson | - | - | - | - |
| Peter Bowler | - | 1,000,000 | - | 1,000,000 |
| Robert Watkins | - | 1,000,000 | - | 1,000,000 |
| Executives | | | | |
| Gregory Barrett | - | 1,000,000 | - | 1,000,000 |

All options purchased by key management personnel have vested and are escrowed until 26 September 2009. No options were granted to key management personnel during the reporting period as compensation.

Notes to the financial statements

23. Related parties (continued)

Movements in shares

The movement during the reporting period in the number of ordinary shares in Beadell Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows;

| | 3 May 2007 | Purchased | Exercise of options | Sold | 30 June 2008 |
|-------------------|------------|-----------|---------------------|------|--------------|
| Directors | | | | | |
| Michael Donaldson | - | 1,800,000 | - | - | 1,800,000 |
| Peter Bowler | - | 9,110,001 | - | - | 9,110,001 |
| Robert Watkins | - | 5,750,001 | - | - | 5,750,001 |
| Executives | | | | | |
| Gregory Barrett | - | 6,345,001 | - | - | 6,345,001 |

No shares were granted to key management personnel during the reporting period as compensation.

Non-key management personnel disclosures

Subsidiaries

Loans outstanding between the Company and its subsidiaries have no fixed date of repayment and are non-interest bearing. During the period ended 30 June 2008, such loans to subsidiaries totalled \$2,304,000, of which no amount has been repaid. Loans to subsidiaries are further discussed at note 12.

No dividends were received from subsidiaries in the period ended 30 June 2008.

24. Group entities

| Ultimate parent and subsidiaries | Country of incorporation | Interest |
|--|--------------------------|----------|
| Parent entity | | |
| Beadell Resources Ltd | Australia | |
| Subsidiaries | | |
| Beadell Resources (Holdings) Ltd | British Virgin Islands | 100% |
| Beadell Resources Mineracao (Holdings) Ltd | British Virgin Islands | 100% |
| Beadell Resources Mineracao Ltda | Brazil | 100% |
| Beadell (Cracow) Pty Ltd | Australia | 100% |

25. Subsequent events

The Company signed two conditional agreements to acquire 100% of the Cracow Gold Mine ("Cracow"), located in Queensland, Australia. The first conditional agreement was signed with 70% owner Newcrest Mining Limited ("Newcrest") on 4 April 2008 for the acquisition of their interest in Cracow for \$200 million. The second conditional agreement was signed with 30% owner Lion Selection Limited ("Lion") for the acquisition of their interest in Cracow for \$80 million.

On 4 April 2008 the Company paid a deposit of \$2 million to Newcrest. The deposit was refundable if the Company proved unsuccessful in obtaining finance. In an ASX announcement, dated 4 July 2008, the Company conceded that the condition precedent regarding financing the acquisition of Cracow had not been met and as a result the acquisition did not proceed. On 23 July 2008 Newcrest refunded the Company's \$2 million deposit, plus accrued interest of \$43,000.

There have been no other events subsequent to balance date which would have a material effect on the Group's financial statements.

26. Auditors' remuneration

| | Consolidated \$ | Company \$ |
|--|--------------------|---------------|
| Audit services | | |
| Auditors of the Company – KPMG Australia | 21,500 | 21,500 |
| | 21,500 | 21,500 |

All amounts payable to the Auditors of the Company were paid by the Company.

Directors' declaration

- 1 In the opinion of the directors of Beadell Resources Ltd ('the Company'):
 - (a) the financial statements and notes set out on pages 14 to 35, and the Remuneration report in the Directors' report, set out on pages 5 to 6 , are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance, for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);
 - (c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*, the Corporations Act 2001 and the Corporations Regulations 2001; and
 - (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the period ended 30 June 2008.

Signed in accordance with a resolution of the directors:



PETER BOWLER
Managing Director

Dated at Perth, this 22nd day of September 2008.



Independent auditor's report to the members of Beadell Resources Limited

Report on the financial report

We have audited the accompanying financial report of Beadell Resources Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of recognised income and expense and cash flow statements for the period ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 26 and the directors' declaration of the Group comprising the Company and the entities it controlled at the period's end or from time to time during the period.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Auditor's opinion

In our opinion:

- (a) the financial report of Beadell Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in section 4.2 of the directors' report for the period ended 30 June 2008. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Beadell Resources Limited for the period ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

R Gambitta
Partner

Perth
22 September 2008



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Beadell Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial period ended 30 June 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'R Gambitta', with a stylized flourish at the end.

KPMG

A handwritten signature in black ink, appearing to read 'R Gambitta', with a stylized flourish at the end.

R Gambitta
Partner

Perth
22 September 2008