Beadell Resources Limited
ABN 50 125 222 291

Annual Financial Report
six months ended 31 December 2010

Contents

Corporate directory

Directors

Craig Readhead	Non – Executive Director, Chairman
Mike Donaldson	Non – Executive
Jim Jewell	Non – Executive
Peter Bowler	Managing Director
Rob Watkins	Executive Director Exploration

Company Secretary

Greg Barrett

Corporate Details

Beadell Resources Ltd (ABN 50 125 222 291)

Issued capital 622,147,828 ordinary shares

Registered and Principal Office

2nd Floor, 16 Ord Street

West Perth WA 6005

Telephone: +61 8 9429 0800

Facsimile: +61 8 9481 3176

Internet: www.beadellresources.com.au

Brazil Office

Beadell Brasil Ltda

Rua Voluntários da Pátria, 89, 6° andar, Botafogo,

CEP 22.270-000, Rio de Janeiro - RJ

Telephone: + 55 21 2122 0500

Facsimile: + 55 21 2122 0502

Share Registry

Computershare Investor Services Pty Ltd

Level 5, 115 Grenfell Street

Adelaide SA 5000

Telephone: 1300 137 515

Telephone: +61 3 9415 4667 (from outside Australia)

Stock Exchange Listing

ASX Ltd

ASX code: BDR

Auditor

KPMG

Directors' report

For the six months ended 31 December 2010

The directors present their report together with the financial report of the Beadell Resources Limited ("the Company") Group, being the Company and its subsidiaries, for the six months ended 31 December 2010 ("the period") and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the period are:

Name and qualifications	Experience, special responsibilities and other directorships
Mr Craig Readhead B.Juris, LL.B Independent Non-Executive Director Chairman *Appointed 14 April 2010*	Mr Readhead is a lawyer with over 30 years legal and corporate advisory experience with specialisation in the resources sector, including the implementation of large scale mining projects both in Australia and overseas. Mr Readhead is a former president of the Australian Mining and Petroleum Law Association and is a partner of specialist mining and corporate law firm, Allion Legal. Mr Readhead is currently a director of Heron Resources Ltd, Mount Gibson Iron Ltd, General Mining Corporation Ltd, India Resources Ltd, Frankland River Olive Company Ltd and Galaxy Resources Ltd. Mr Readhead is Chairperson of the Remuneration and Nomination Committee and the Audit Committee.
Dr Michael Donaldson BA (Hons), PhD, MAIG, MAICD Independent Non-Executive Director *Appointed 31 July 2007*	Dr Donaldson has over 30 years experience in the minerals industry, including 15 years with Western Mining Corporation in nickel, gold and base metals exploration. Dr Donaldson was the Exploration Manager of Coolgardie Gold NL, and General Manager Exploration with Sons of Gwalia Ltd and Ashton Mining Ltd, and General Manager Mapping with the Geological Survey of Western Australia. More recently Dr Donaldson was Group Chief Geologist with AIM-listed Lithic Metals and Energy. Dr Donaldson is currently a non-executive director of Territory Resources Ltd. Dr Donaldson is a member of the Remuneration and Nomination Committee and the Audit Committee.
Mr Mark Jewell B.Eng (Hons), ACSM, MAusIMM Non-Executive Director *Appointed 14 April 2010*	Mr Jewell is a Mining Engineer with over 30 years experience in the extraction of Gold, Nickel, Tin and Uranium. He has a strong technical and operations background, having been a Mine General Manager in Western Australia for 7 years and has also been responsible for the execution of numerous large mining projects overseas. Mr Jewell is a member of the Remuneration and Nomination Committee and the Audit Committee.
Mr Peter Bowler Dip Farm Management (Hons) Managing Director *Appointed 3 May 2007*	Mr Bowler has most recently been the Managing Director of Agincourt Resources Ltd and was instrumental in driving its rapid growth. He was also a founding Director of Nova Energy Ltd. As Managing Director of Agincourt Resources Ltd, he facilitated the takeover by Oxiana Ltd in April 2007. Mr Bowler was previously the Director of Operations for Agincourt Resources Ltd 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 *Appointed 3 May 2007*	Mr Watkins is the former Exploration Manager for Agincourt Resources Ltd and has over 15 years exploration experience in Australia, Brazil, Indonesia and Africa where he has a track record of exploration success.

2. Company Secretary

Mr Gregory Barrett CA, FFin, B.Comm has held the position of company secretary since 2007. Mr Barrett 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 10 years. He is the former finance executive and Company Secretary for Agincourt Resources Ltd 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 beginning to end of the period are:

Director	Audit Committee Meetings		Remuneration & Nomination Committee Meetings		Board Meetings	
	A	**B**	**A**	**B**	**A**	**B**
Mr Craig Readhead	1	1	1	1	5	5
Mr Mark Jewell	1	1	1	1	5	5
Dr Michael Donaldson	1	1	-	1	5	5
Mr Peter Bowler	-	-	-	-	5	5
Mr Robert Watkins	-	-	-	-	4	5

A – Number of meetings attended **B** – Number of meetings held while in office

4. Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the period, 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 and to this end the Company has established functions reserved to the board and those delegated to senior executives, as set out in the Board's Charter located on the Company's website (www.beadellresources.com.au). In summary;

- 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, ensuring the integrity of internal control and management information systems and approving and monitoring financial and other reporting.
- 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.

The Company's Statement on Board and Management Functions is available on the Company's website.

Board processes

To assist in the execution of its responsibilities the Board has established an Audit Committee and a Remuneration and Nomination Committee. These committees have written mandates and operating procedures, which are reviewed as necessary.

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

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.

4. Corporate governance statement (continued)

4.1 Board of directors (continued)

Board processes (continued)

The full Board holds 12 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. No Director participates in any deliberation regarding his own remuneration or related issues.

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 in Section 1 of this report. The composition of the board is determined using the following principles:

- a minimum of 3 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.

The Board's policy for determining the selection and appointment of new directors includes consideration of:

- the quality of the individual,
- background of experience and achievement,
- compatibility with other Board members,
- credibility within the Group's scope of activities,
- intellectual ability to contribute to Board's duties, and;
- physical ability to undertake Board's duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next general meeting.

The Board supports the principle of having a majority of 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 having a Board consisting of a majority of independent directors.

The Chairman is a non-executive independent director. The Board considers that the role carried out by the Chairman (Mr Readhead) is in the best interests of the Company. Mr Readhead's relevant industry experience of over 30 years is viewed positively by the Board.

4.2 Remuneration and Nomination Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive officers and Directors of the Company and other executives of the Group. It is also responsible for matters regarding appointment and induction processes for directors and committee members and succession planning.

The members of the Remuneration and Nomination Committee during the period were:

- Mr C Readhead (Chairman) – Independent Non Executive
- Dr M Donaldson – Independent Non Executive
- Mr M Jewell – Non Executive

The Board policy is that the Remuneration and Nomination Committee will comprise of at least two Independent Non Executive Directors. The Company's directors and executive officers may be invited to Remuneration and Nomination Committee meetings, as required, to discuss director and senior executives' performance and remuneration packages. No

4. Corporate governance statement (continued)

4.2 Remuneration and Nomination Committee (continued)

Director or executive officer may be present at meetings during discussions regarding the determination of their own remuneration package.

The Remuneration and Nomination Committee meets at least once per year and additionally as required. The Committee met during the period and committee members' attendance record is as disclosed in section 3 of this report. The Remuneration and Nomination Committee Charter is available on the Company's website.

4.3 Remuneration report - audited

4.3.1 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 and/or acquisition success as reflected by growth in share price and delivering constant returns on shareholder wealth.

Compensation structures may include fixed and performance linked compensation and share based payments.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges), as well as employer contributions to superannuation funds.

Performance linked compensation

Each year the Remuneration and Nomination Committee determines if any performance linked compensation will be provided and if so, what performance hurdles that must be achieved in order for bonuses to become payable. Performance hurdles are chosen that align the individuals reward with the Group's strategy and performance.

Performance linked compensation currently includes short term incentives in the form of cash bonuses, payable upon the Board making a decision to mine at the Tucano Gold Project.

Share based payments

Each year the Remuneration and Nomination Committee determines if any share based payments will be provided in the form of options over ordinary shares of the Company under the rules of the Employee Share Option Plan ("ESOP"). Options issued may contain a requirement to achieve performance hurdles for the options to vest and become exercisable.

Other benefits

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

Salary and performance review

The salary and performance of directors and senior executives is evaluated annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee considers individual, segment and overall performance of the Group when evaluating the performance of directors and senior executives. External consultants may be engaged to provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place.

The Remuneration and Nomination Committee was formed on 17 May 2010 and held its first meeting on 13 July 2010. A meeting has been scheduled for May 2011 at which point the annual review process described above will be conducted.

Consequences of performance on shareholder wealth

The Group operates in the exploration and evaluation phase, accordingly the only meaningful measure of company performance is change in share price, as set out in the table below:

Directors' report

For the six months ended 31 December 2010

4.3 Remuneration report – audited (continued)

4.3.1 Principles of compensation - audited (continued)

Consequences of performance on shareholder wealth (continued)

	31 December 2010	30 June 2010
Share price	$0.67	$0.17

Service contracts

It is the Group's policy that service contracts for key management personnel are unlimited in term and capable of termination by either party. All service contracts with key management personnel, with the exception of Mr Cesar Torresini (General Manager Operations – Brazil) require 3 month's written notice.

Mr Torresini's contract requires 30 days notice in the case of the Group terminating and 90 days notice in the case of Mr Torresini terminating the contract. Mr Torresini has provided the requisite notice that he intends to terminate his contract on 6 May 2011.

In the case of wilful or fraudulent misconduct, the Group retains the right to terminate all service contracts without notice.

Key management personnel are entitled to receive on termination of employment their statutory entitlements, including any 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.

4.3.2 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 as set out below.

The Company has one executive and the Group has two executives, accordingly information is presented on this basis.

	Salary & fees $	*Super $*	*Share based payments (options) $*	*Total $*	*Value of options as a % of total compensation*
6 months ended 31 December 2010					
Directors					
Non-executive directors					
Craig Readhead, Chairman	*36,250*	*-*	*39,251*	*75,501*	*52%*
Mark Jewell	*24,000*	*-*	*19,625*	*43,625*	*45%*
Michael Donaldson	*22,500*	*2,025*	*19,625*	*44,150*	*44%*
Executive directors					
Peter Bowler, Managing Director	*175,000*	*15,750*	*392,507*	*583,257*	*67%*
Robert Watkins, Exploration Director	*130,000*	*11,700*	*196,253*	*337,953*	*58%*
Executives					
Gregory Barrett, Company Secretary, CFO	*130,000*	*11,700*	*230,626*	*372,326*	*62%*
Cesar Torresini, GM Operations – Brazil	*129,710*	*-*	*16,491*	*146,201*	*11%*
Total compensation: (consolidated)	*647,460*	*41,175*	*914,378*	*1,603,013*	
Total compensation: (company)	*517,750*	*41,175*	*897,887*	*1,456,812*	
12 months ended 30 June 2010					
Directors					
Non-executive directors					
Craig Readhead, Chairman (appointed 14 April 2010)	*10,333*	*-*	*-*	*10,333*	*-*
Mark Jewell (appointed 14 April 2010)	*10,000*	*-*	*-*	*10,000*	*-*
Michael Donaldson	*45,000*	*4,050*	*33,413*	*82,463*	*41%*
Executive directors					
Peter Bowler, Managing Director	*180,000*	*16,200*	*33,413*	*229,613*	*15%*
Robert Watkins, Exploration Director	*180,000*	*16,200*	*33,413*	*229,613*	*15%*
Executives					
Gregory Barrett, Company Secretary, CFO	*180,000*	*16,200*	*26,234*	*222,434*	*12%*
Cesar Torresini, GM Operations – Brazil (appointed 14 April 2010)	*97,404*	*-*	*-*	*97,404*	*-*
Total compensation: (consolidated)	*702,737*	*52,650*	*126,473*	*881,860*	
Total compensation: (company)	*605,333*	*52,650*	*126,473*	*784,456*	

4.3 Remuneration report – audited (continued)

4.3.3 Details of performance related remuneration - audited

No amount of remuneration during the period ended 31 December 2010 was performance related.

4.3.4 Equity instruments – audited

All options refer to options over ordinary shares of the Company, which are exercisable on a one for one basis according to the rules of the ESOP.

4.3.4 Equity instruments – audited (continued)

Details of options over ordinary shares in the Company that were granted as compensation to each Key Management Person during the reporting period and details on options that vested are presented in the table following:

	Number of options granted	*% vested*	*% forfeited*	*Grant date*	*Fair value per option at grant date $*	*Exercise price per option $*	*Expiry date*
6 months ended 31 December 2010							
Directors							
Mr Readhead	*1,000,000*	*-%*	*-%*	*29 November 2010*	*0.44*	*0.19*	*30 June 2014*
Mr Jewell	*500,000*	*-%*	*-%*	*29 November 2010*	*0.44*	*0.19*	*30 June 2014*
Dr Donaldson	*500,000*	*-%*	*-%*	*29 November 2010*	*0.44*	*0.19*	*30 June 2014*
Mr Bowler	*10,000,000*	*-%*	*-%*	*29 November 2010*	*0.44*	*0.19*	*30 June 2014*
Mr Watkins	*5,000,000*	*-%*	*-%*	*29 November 2010*	*0.44*	*0.19*	*30 June 2014*
Executives							
Mr Barrett	*5,000,000*	*-%*	*-%*	*20 July 2010*	*0.10*	*0.19*	*30 June 2014*
Mr Torresini	*750,000*	*-%*	*-%*	*6 December 2010*	*0.35*	*0.65*	*30 June 2014*

	Number of options granted	*% vested*	*% forfeited*	*Grant date*	*Fair value per option at grant date $*	*Exercise price per option $*	*Expiry date*
12 months ended 30 June 2010							
Directors							
Dr Donaldson	*500,000*	*100%*	*-%*	*25 November 2009*	*0.07*	*0.12*	*30 June 2013*
Mr Bowler	*500,000*	*100%*	*-%*	*25 November 2009*	*0.07*	*0.12*	*30 June 2013*
Mr Watkins	*500,000*	*100%*	*-%*	*25 November 2009*	*0.07*	*0.12*	*30 June 2013*
Executives							
Mr Barrett	*500,000*	*100%*	*-%*	*27 August 2009*	*0.05*	*0.12*	*30 June 2013*

No options granted as compensation were exercised during the period.

4.3.5 Payments to persons before taking office – audited

No persons were appointed to office during the period, accordingly, there were no payments made to persons before taking office during the period.

4.4 Audit Committee

The Audit Committee has a documented charter, approved by the Board. The Committee must have at least three members; all members must be non executive directors with a majority being independent. The Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The members of the Audit Committee during the year were:

- Mr C Readhead, B.Juris, LL.B – Independent Non Executive Chairman
- Dr M Donaldson, BA (Hons) PhD – Independent Non Executive
- Mr M Jewell, B.Eng (Hons) – Non Executive

The external auditors and executives are invited to Audit Committee meetings at the discretion of the Committee. The committee met once during the period and committee member's attendance is disclosed in section 3. The Audit Committee Charter is available on the Company's website.

4.5 Risk management

The Company has not yet established a risk management policy. However, the Company has developed a risk management framework as set out below.

Oversight of the risk management system

All members of the Board are responsible for the oversight of risk management and internal controls to manage the Company's material business risks. The design, implementation and day to day responsibilities of the risk management framework and internal control system rest with management. 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.

The Managing Director reports annually to the Board regarding the effectiveness of the Company's management of its material business risks. This report has been received in respect of the period ended 31 December 2010.

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 contain 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.

- Sovereign risk;

  The Group has projects located in Australia and 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 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 Australia and Brazil are governed by legislation and are evidenced by the granting of licences. Conditions imposed when licences are granted may include specified terms of tenure, 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. 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.

4.5 Risk management (continued)

Oversight of the risk management system (continued)

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 management strategies the Group has in place:

Financial

There is a budgeting system with a 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.

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.

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 control, and that the system is operating effectively in all material respects in relation to financial risks. This statement is required annually.

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

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.

4.6 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. To this end, the board has established a code of conduct that aims to;

- assist in maintaining confidence in the Group's integrity,
- assist in meeting the Group's legal obligations,
- assist in meeting expectations of the Group's stakeholders, and;
- recognise the responsibility and accountability of directors and employees for reporting and investigating reports of unethical practices.

The Board reviews the Code of Conduct regularly and processes are in place to promote and communicate its requirements. Every employee has a supervisor to whom they may refer any issues arising from their employment.

4.6 Ethical standards (continued)

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;
- 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;
- compliance 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 the Company’s 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 appropriate skills are recruited to fill 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 the Company’s 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 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.

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, 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 28 of the financial statements.

Trading in Company securities by directors and employees

The Group’s Securities Trading Policy is located on the Company’s website. The key elements of the policy are that directors and employees;

- must not deal in any security of the Company whilst in possession of inside information; and;
- are discouraged from engaging in short term trading of any securities of the Company.

Key Management Personnel may not deal in any security of the Company within:

- one week prior to the release of the Company’s quarterly reports;
- one week prior to the release of the Company’s half year financial results; and
- one week prior to the release of the Company’s full year financial results.

4.6 Ethical standards (continued)

Trading in general Company securities by directors and employees (continued)

Before trading, or giving instructions for trading in the Company's securities, a director must:

- notify the Chairman in writing of his intention to trade;
- confirm that he does not hold any unpublished price sensitive information;
- have been advised by the Chairman that there is no reason to preclude him from trading in the Company's securities as notified; and;
- comply with any conditions on trading imposed by the Chairman.

Where the Chairman intends to trade in the Company's securities, he must notify and obtain clearance in the abovementioned manner from the Managing Director before trading, or giving instructions for trading.

In the case of any other Key Management Personnel, they must notify and obtain clearance from the Managing Director before trading, or giving instructions for trading.

Notifications prior to trading must be evidenced by prior written communication, whether by letter, facsimile, e-mail, or other visible form of communication.

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 5 business days of a deal occurring.

4.7 Communication with shareholders

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at annual general meetings. The policy is available on the Company's website and is set out below.

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 who request a copy. 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.

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 of 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.

4.8 Disclosure

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;
- any information that a reasonable person would expect to have a material effect on the price or value of the Company's securities must be immediately advised to the ASX;
- 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.

ASX Listing Rule disclosures

The Company has policies to ensure compliance with ASX Listing Rule disclosure. The Managing Director has been appointed as the officer responsible for compliance with these policies.

4.9 External audit

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further, the successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis in accordance with any legal and/or professional standards.

The Company's policy for the selection, appointment and rotation of the Company's external auditor can be found on the Company's website.

5. Principal activities

The principal activity of the Group during the period was exploration for and evaluation of mineral resources. There were no significant changes in the nature of the activities of the Group during the period ended 31 December 2010.

6. Operating results and review of operations

Operating results

The loss after income tax for the six months ended 31 December 2010 was $14,614,000 (twelve months ended 30 June 2010: $7,896,000 (restated)).

Review of operations

During the period and up to the date of this report, the Group continued to conduct exploration and evaluation activities on key targets in Australia and Brazil. Significant progress was made on completing the Definitive Feasibility Study (DFS) for the Group's Tucano Project in Amapá State, Brazil (Tucano).

The Company evaluated potential acquisitions and investments in the resources sector during the period and will continue to assess future acquisition opportunities.

7. Dividends

No dividends were declared or paid during the period ended, or since 31 December 2010.

8. Events subsequent to reporting date

There has not arisen in the interval between the end of the period 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.

9. Likely developments

The Group remains focussed on recommencing mining operations and gold production at Tucano and is nearing completion of the Tucano Project DFS. The Group anticipates the study will be completed in early 2011. The Group will finalise funding requirements and commence construction of the proposed Carbon in Leach plant upon completion of the DFS.

The Group will continue exploration activities on Australian and Brazilian exploration assets, with a particular emphasis on opportunities at Tucano and Tropicana East.

10. 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 issued in respect of shareholdings	Options over ordinary shares issued as remuneration
Craig Readhead	12,000	-	1,000,000
Mark Jewell	410,000	-	500,000
Michael Donaldson	2,233,333	-	1,000,000
Peter Bowler	12,543,333	1,000,000	10,500,000
Robert Watkins	6,650,001	1,000,000	5,500,000

11. 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	$0.2500	415,000
30 June 2011	$0.3500	50,000
30 June 2012	$0.3000	200,000
30 June 2013	$0.1200	2,300,000
30 June 2014	$0.1875	22,830,000
30 June 2014	$0.6500	2,250,000
1 January 2015	$0.8000	500,000

All options expire on the earlier of their expiry date or if not vested, on termination of the employee's employment.

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	$0.3500	1,500,000
30 June 2012	$0.5000	1,500,000
21 April 2014	$0.1875	10,000,000

Shares issued on exercise of options

During the period to 31 December 2010, the Company issued no ordinary shares as a result of the exercise of options. Since the end of the period the Company has issued ordinary shares as the result of the exercise of options (there are no amounts unpaid on shares issued):

Number of shares	Amount paid per share
160,000	$0.35
50,000	$0.25

12. 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.

13. Non-audit services

During the period KPMG, the Company's auditor, has provided taxation advisory services in addition to their statutory duties in Australia and Brazil, in the amount of $13,540 and $7,342 respectively. The board has considered the non-audit services provided during the period by the auditor and is satisfied that the provision of those non-audit services during the period by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001.

14. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 55 and forms part of the directors' report for the period ended 31 December 2010.

15. 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 31st day of March 2011

Consolidated statement of financial position

As at 31 December 2010

		Consolidated	
			*Restated**
		31 December 2010	30 June 2010
	Note	$'000	$'000
Assets			
Cash and cash equivalents	*16*	41,904	23,703
Prepayments		115	62
Trade and other receivables	*15*	1,294	1,285
Inventories	*10*	5,728	8,201
Non-current assets held for sale	*11*	1,570	-
Current tax assets		-	196
Total current assets		50,611	33,447
Exploration and evaluation assets	*13*	18,792	20,555
Property, plant and equipment	*12*	8,817	11,664
Intangible assets	*18*	-	32,803
Other non-current assets	*14*	250	250
Total non-current assets		27,859	65,272
Total assets		78,470	98,719
Liabilities			
Trade and other payables	*22*	3,009	2,154
Employee benefits	*20*	625	625
Provisions	*25*	-	520
Total current liabilities		3,634	3,299
Trade and other payables	*22*	57	54
Provisions	*25*	11,159	12,740
Total non-current liabilities		11,216	12,794
Total liabilities		14,850	16,093
Net assets		63,620	82,626
Equity			
Share capital		95,566	95,592
Reserves		(191)	4,175
Retained earnings		(31,755)	(17,141)
Total equity		63,620	82,626

The notes on pages 22 to 51 are an integral part of these consolidated financial statements.

** Comparative information has been restated, refer note 2(e)*

Consolidated statement of comprehensive income

For the six months ended 31 December 2010

		Consolidated	
			*Restated**
		6 months ended 31 December 2010	12 months ended 30 June 2010
	Note	$'000	$'000
Revenue	*6*	1,778	2,884
Cost of sales		(2,086)	(2,959)
Gross profit/(loss)		(308)	(75)
Other income	*6*	1,770	1,201
Administrative expenses		(3,193)	(2,440)
Project exploration and evaluation expenses		(14,226)	(5,996)
Impairment reversals/(losses)		212	(1,100)
Results from operating activities		(15,745)	(8,410)
Finance income		1,603	318
Finance expense		(472)	-
Net finance income	*8*	1,131	318
Loss for the period before income tax	*5*	(14,614)	(8,092)
Income tax recovery	*9*	-	196
Loss for the period after income tax		(14,614)	(7,896)
Other comprehensive income			
Foreign currency translation differences for foreign operations	*8*	(5,074)	2,853
Loss for the period after income tax		(19,688)	(5,043)
Loss attributable to:			
Equity holders of the Company		(14,614)	(7,896)
Loss for the period		(14,614)	(7,896)
Other comprehensive income attributable to:			
Equity holders of the Company		(19,688)	(5,043)
Total comprehensive loss for the period		(19,688)	(5,043)
Loss per share:			
Basic Loss per share ($)	*19*	(0.02)	(0.04)
Diluted Loss per share ($)	*19*	(0.02)	(0.04)

The notes on pages 22 to 51 are an integral part of these consolidated financial statements.

** Comparative information has been restated, refer note 2(e)*

Consolidated statement of changes in equity

For the six months ended 31 December 2010

Attributable to shareholders of the Company	***Note***	**Share capital $'000**	**Translation reserve $'000**	**Share based payments reserve $'000**	**Option premium reserve $'000**	**Accumulated losses $'000**	**Total equity $'000**
Balance at 1 July 2010		95,592	2,858	1,314	3	(17,141)	82,626
Total comprehensive loss for the period							
Loss for the period		-	-	-	-	(14,614)	(14,614)
Other comprehensive loss							
Foreign currency translation differences	*8*	-	(5,074)	-	-	-	(5,074)
Total other comprehensive loss		-	(5,074)	-	-	-	(5,074)
Total comprehensive loss for the period		-	(5,074)	-	-	(14,614)	(19,688)
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Equity transaction costs		(26)	-	-	-	-	(26)
Share based payments	*21*	-	-	708	-	-	708
Total contributions by and distributions to owners		(26)	-	708	-	-	682
Balance as at 31 December 2010		95,566	(2,216)	2,022	3	(31,755)	63,620

The notes on pages 22 to 51 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

For the year ended 30 June 2010

Attributable to shareholders of the Company	Note	Share capital $'000	*Restated** Translation reserve $'000	Share based payments reserve $'000	Option premium reserve $'000	*Restated** Accumulated losses $'000	*Restated** Total equity $'000
Balance at 1 July 2009		18,045	5	89	3	(9,245)	8,897
Total comprehensive loss for the period							
Loss for the period		-	-	-	-	(7,896)	(7,896)
Other comprehensive loss							
Foreign currency translation differences	*8*	-	2,853	-	-	-	2,853
Total other comprehensive loss		-	2,853	-	-	-	2,853
Total comprehensive loss for the period		-	2,853	-	-	(7,896)	(5,043)
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares		80,976	-	-	-	-	80,976
Equity transaction costs		(3,429)	-	-	-	-	(3,429)
Share based payments		-	-	1,225	-	-	1,225
Total contributions by and distributions to owners		77,547	-	1,225	-	-	78,772
Balance as at 30 June 2010		95,592	2,858	1,314	3	(17,141)	82,626

The notes on pages 22 to 51 are an integral part of these consolidated financial statements.

** Comparative information has been restated, refer note 2(e)*

Consolidated statement of cash flows

For the six months ended 31 December 2010

	Note	Consolidated 6 months Ended 31 December 2010 $'000	Consolidated 12 months ended 30 June 2010 $'000
Cash flows from operating activities			
Cash receipts from customers		3,686	3,717
Cash paid to suppliers and employees		(4,838)	(1,541)
Income tax refund received		196	-
Net cash provided by (used in) operating activities	*16b*	(956)	2,176
Cash flows from investing activities			
Interest received		709	242
Proceeds from sale of property, plant and equipment		25	-
Proceeds from the sale of intangible assets		32,202	-
Acquisition of subsidiary, net of cash acquired		-	(37,422)
Payments for evaluation and exploration expenditure		(12,149)	(5,079)
Payments for acquisition of property, plant and equipment	*12*	(877)	(4)
Payments for acquisition of exploration assets		-	(28)
Net cash provided by (used in) investing activities		19,910	(42,291)
Cash flows from financing activities			
Proceeds from issue of share and options		-	62,000
Transaction costs paid related to the issue of shares		(26)	(3,429)
Net cash provided by (used in) financing activities		(26)	58,571
Net increase (decrease) in cash and cash equivalents		18,928	18,456
Cash and cash equivalents at 1 July		23,703	5,082
Effect of exchange rate fluctuations on cash held		(727)	165
Cash and cash equivalents at the end of the period	*16a*	41,904	23,703

The notes on pages 22 to 51 are an integral part of these consolidated financial statements.

Notes to the consolidated 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 1 July 2010 to 31 December 2010 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 complies 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 31 March 2010.

(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.

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 9: income tax
- note 10: inventories
- note 13: exploration and evaluation assets
- note 17: prior year business combination
- note 18: intangible assets
- note 21: share-based payments
- note 25: provisions
- note 27: contingencies

Impairment of exploration and evaluation assets, investment in and loans to subsidiaries

The ultimate recoupment of the value of exploration and evaluation assets, the Company's investment in and loans to subsidiary is dependent on the successful development and commercial exploitation, or alternatively, sale, of the underlying mineral exploration properties. The Group undertakes at least on an annual basis, a comprehensive review of these assets. There is significant estimation and judgement in determining the recoverable amounts.

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Impairment of exploration and evaluation assets, investment in and loans to subsidiaries (continued)

The key areas of this estimation and judgement considered in this review include;

- recent drilling results and reserves and resource estimates,
- environmental issues that may impact the underlying tenements,
- the estimated market value of assets at the review date,
- independent valuations of underlying assets that may be available,
- fundamental economic factors such as commodity prices, exchange rates and current and anticipated operating costs within the industry, and;
- the Group's market capitalisation compared to its net assets.

Information used in the review process is rigorously tested to externally available information as appropriate. In addition, an allocation of the cost associated with acquired mineral rights to individual projects is performed on acquisition. This allocation process requires estimates and judgement by management as to the value of those projects acquired.

(e) Restatement of comparative information

In April 2010 the Group acquired a subsidiary and applied AASB 3 *Business Combinations* in accounting for the acquisition. Application of AASB 3 requires estimation of fair values of the acquiree's assets and liabilities, which were determined provisionally in the Group's last consolidated financial statements (being 30 June 2010) pending completion of more detailed valuations. These valuations have now been finalised and are presented at note 17. Adjustments have been applied retrospectively and comparative information revised. The Group's accounting policy in relation to business combinations can be found at note 3(a)(iii).

(f) Change of financial year

The financial year of the Company has been changed from 30 June to 31 December to align the Company's financial year end with that of its Brazilian subsidiaries. This will improve the efficiency of the Company's financial reporting, allowing the Company to co-ordinate financial reporting and the audit and review process with its subsidiaries. Accordingly, the financial period of the Group reported in these financial statements covers the six month period from 1 July 2010 to 31 December 2010. Comparative figures for the financial statements cover the twelve month period from 1 July 2009 to 30 June 2010. The results for the period are therefore not directly comparable with the results for the year ended 30 June 2010.

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 have not elected to early adopt any accounting standards or amendments.

(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, less provision for impairment.

(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.

(iii) Business combinations

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Business combinations (continued)

The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill or discount on acquisition

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Where the net amount of identifiable assets exceeds fair value of consideration transferred, a discount on acquisition has arisen and the resultant gain is recognised in the Group's profit or loss. Provisional accounting for fair values is used where the Group has not completed final valuations. Where provisional accounting has been used, the Group completes final valuations within a year of acquisition.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and entity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(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 average exchange rates prevailing during the period. 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.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(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 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. Impairment of the Group's financial instruments is discussed at note 3(i).

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

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 30 to 70 days. Trade and other accounts receivable are reviewed on an ongoing basis.

Trade and other payables

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) Revenue

(i) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

(ii) Gold on carbon sales

Revenue is recognised when the risks and rewards of ownership have been transferred to the buyer and recovery of the consideration is probable, associated costs can be measured reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

3. Significant accounting policies (continued)

(d) Revenue (continued)

(iii) Royalty income

The Group recognises revenue from royalties based on a percentage of iron ore sales from certain tenements where the Group has assigned its iron ore rights. Revenue is recognised when the amount of iron ore sales can be measured reliably after the actual sale.

(e) Exploration and evaluation 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.

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.

(f) 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 re-valued 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.

3. Significant accounting policies (continued)

(f) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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.

(g) 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 and the leased assets are not recognised on the Group's statement of financial position

(h) 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.

(i) 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 deferred tax assets) 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, known as CGU's.

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.

3. Significant accounting policies (continued)

(j) 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 as the benefits are taken by the employees.

(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 and service providers in the form of share-based payment transactions, whereby services are rendered in exchange for share options.

The fair value of 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

3. Significant accounting policies (continued)

(k) 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 in respect of 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.

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.

(l) Finance income and expenses

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.

(m) 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.

Site restoration

Mine closure and restoration costs include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the site. Provisions are recognised at the time that the environmental disturbance occurs.

The provision is the best estimate of the present value of the future cash flows required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the financial year.

The amount of the provision for future restoration costs is capitalised as an asset and recognised in property, plant and equipment and is depreciated over the useful life of the mineral resource. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(n) Goods and services tax and equivalent indirect taxes

Revenue, expenses and assets are recognised net of the amount of goods and services tax and equivalent indirect taxes, except where the amount of tax incurred is not recoverable from the taxation authority. In these circumstances, the tax 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 tax included. The net amount of tax recoverable from, or payable to, the taxation authority 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 tax components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(o) 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.

(p) Operating segments

As of 1 July 2009 the Group determines and presents operating segments based on the information that is provided to the Board, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board to make decisions about the allocation of resources to the segment and to assess its performance, and for which discrete financial information is available.

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

(q) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions of the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

(r) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(s) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less residual value. Amortisation is recognised on a straight line basis in profit or loss over estimated useful lives. Amortisation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

(t) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale the assets are re-measured in accordance with the Group's accounting policies

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(t) Non-current assets held for sale (continued)

Thereafter the assets are generally valued at the lower of their carrying amount and fair value less costs to sell. Impairment losses recognised on initial classification to as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(u) Presentation of financial statements

The Group has adopted AASB 101 Presentation of Financial Statements (Financial Years 2009/10) which applies to reporting periods beginning on or after 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these financial statements.

(v) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2010, but have not been applied in preparing this financial report.

- AASB 9 Financial Instruments includes requirements for the classification and measurement if financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments which become mandatory for the Group's 30 June 2011 financial statements are not expected to have a significant impact on the financial statements.
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash – settled Share-based Payment Transactions resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 – Group and Treasury Share Transactions will become withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

4. Financial risk management

Overview

This note presents information about the 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 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.

4. Financial risk management (continued)

Credit risk (continued)

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 14). Cash balances given as security are held in demand deposits with reputable counterparties with acceptable credit ratings.

Trade and other receivables

The Group's other receivables at balance date comprise; royalties, rental receivables from the Group's sub-lessee's, interest receivable and goods and services and equivalent indirect taxes.

Exposure to credit risk

The Group's financial assets represent maximum exposure to credit risk, by region and in total as set out below;

		Consolidated	
		31 December 2010	30 June 2010
	Note	$'000	$'000
Australia			
Cash and cash equivalents		12,166	20,530
Security given for bank guarantees		250	250
Other receivables		319	147
Exposure to credit risk		12,735	20,927
Brazil			
Cash and cash equivalents		29,738	3,173
Security given for bank guarantees		-	-
Other receivables		975	1,138
Exposure to credit risk		30,713	4,311
Total			
Cash and cash equivalents	*16*	41,904	23,703
Security given for bank guarantees	*14*	250	250
Other receivables	*15*	1,294	1,285
Exposure to credit risk		43,448	25,238

The Group has established an allowance for impairment that represents incurred losses in respect of other receivables; all other receivables are expected to be received within six months.

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 various capital raisings and continuously monitoring forecast and actual cash flows.

The Group does not have any external borrowings.

The following are the contractual maturities of financial liabilities:

Consolidated	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	1 – 3 years $'000
31 December 2010				
Trade and other payables	3,066	3,066	3,009	57
Balance as at 31 December 2010	3,066	3,066	3,009	57
30 June 2010				
Trade and other payables	2,208	2,208	2,154	54
Balance at 30 June 2010	2,208	2,208	2,154	54

Notes to the consolidated financial statements

4. Financial risk management (continued)

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.

Currency risk

Currency risk arises from investments and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

Exposure

The Group is exposed to foreign currency risk in the form of financial instruments held in Brazilian Reais (BRL);

	31 December 2010 $'000	30 June 2010 $'000
Cash and cash equivalents	29,738	3,173
Other receivables	975	1,138
Trade and other payables	(2,187)	(1,598)
Total exposure	28,526	2,713

Sensitivity analysis

Assuming all other variables remain constant, a 10% strengthening of the AUD against the BRL would have resulted in an increased loss of approximately $2,593,000. A weakening of the AUD against the BRL would have had the equal but opposite effect, assuming all other variables remain constant. This analysis is based on exchange rate variances the Group considered to be reasonably possible at the end of the period.

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 one to three 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's interest-bearing financial instruments was:

	Consolidated	
Interest bearing financial instruments	**31 December 2010 $'000**	**30 June 2010 $'000**
Financial assets	40,964	20,779
Total interest bearing financial instruments	40,964	20,779

Cash flow sensitivity analysis – interest rates

A change in interest rates of 100 basis points at the reporting date would have decreased (increased) the Group's loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Sensitivity	100bp increase 6 months ended 31 December 2010 $'000	100bp decrease 6 months ended 31 December 2010 $'000	100bp increase 12 months ended 30 June 2010 $'000	100bp decrease 12 months ended 30 June 2010 $'000
Interest	107	(107)	83	(83)
Decreased (increased) loss	107	(107)	83	(83)

Fair values versus carrying amounts

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

Other market price risk

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

Notes to the consolidated financial statements

4. Financial risk management (continued)

Market risk (continued)

Commodity price risk

Although the Group operates in the exploration and evaluation phase, as part of a business combination completed in April 2010 the Group acquired an amount of gold on carbon inventories (refer note 17). The Group realised sales from these inventories during the period and accordingly was exposed to fluctuations in the gold price. No amount of gold on carbon inventories remains on hand at period end and the Group is no longer exposed to fluctuations in the gold price. The Group did not use derivatives to mitigate commodity price risk exposures.

Cash flow sensitivity analysis – gold price

Based on actual gold on carbon sales, a change in gold price of $50 per ounce during the period would have decreased (increased) the Group's loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Sensitivity	$50/oz increase 31 December 2010 $'000	$50/oz decrease 31 December 2010 $'000	$50/oz increase 30 June 2010 $'000	$50/oz decrease 30 June 2010 $'000
Impact on loss	77	(77)	112	(112)

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 and development 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 administration, 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, development and/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. Operating segments

The Group has two reportable segments; 'Australian exploration and evaluation' and 'Brazilian exploration and evaluation', which are the Group's strategic business units. The strategic business units are managed separately because they are governed by different regulatory regimes. For each of the strategic business units, the Board reviews internal management reports on a monthly basis.

Information about reportable segment loss	Brazil $'000	Australia $'000	Total $'000
6 months ended 31 December 2010			
External revenues and royalties	3,322	-	3,322
Depreciation	(1,060)	(37)	(1,097)
Reportable segment loss before income tax	(8,950)	(4,040)	(12,990)
12 months ended 30 June 2010 *(Restated)*			
External revenues and royalties	3,582	-	3,582
Depreciation	(325)	(89)	(414)
Impairment of segment assets	-	(1,100)	(1,100)
Reportable segment loss before income tax	(2,447)	(3,994)	(6,441)

Reconciliation of reportable segment loss	6 months ended 31 December 2010 $'000	*Restated* 12 months ended 30 June 2010 $'000
Total loss for reportable segments	(12,990)	(6,441)
Unallocated amounts		
- Corporate income	1,828	820
- Corporate expenses	(3,452)	(2,471)
Consolidated loss before tax	(14,614)	(8,092)

5. Operating segments (continued)

Information about reportable segment assets	Brazil $'000	Australia $'000	Total $'000
31 December 2010			
Reportable segment assets	34,123	1,761	35,884
30 June 2010 *(Restated)*			
Reportable segment assets	72,573	1,780	74,353

Reconciliation of reportable segment assets	31 December 2010 $'000	*Restated* 30 June 2010 $'000
Total assets for reportable segments	35,884	74,353
Unallocated amounts		
- Corporate assets	42,586	24,366
Consolidated assets	78,470	98,719

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

	Revenues 6 months ended 31 December 2010 $'000	Non-current assets as at 31 December 2010 $'000	Revenues 12 months ended 30 June 2010 $'000	*Restated* Non-current assets as at 30 June 2010 $'000
Australia	-	1,761	-	1,780
Brazil	1,778	26,098	2,884	63,492
Balance at the end of the period	1,778	27,859	2,884	65,272

Major customer

Revenues from one customer of the Group's Brazilian exploration and evaluation segment represented 100% of the Group's total external revenue.

6. Revenue and other income

	Consolidated 6 months ended 31 December 2010 $'000	Consolidated 12 months ended 30 June 2010 $'000
Revenue		
Gold on carbon sales	1,778	2,884
Other income		
Royalty income	1,544	699
Rental income	226	437
Net profit on sale of iron ore royalty	-	-
Other income	-	65
Other income	1,770	1,201

Notes to the consolidated financial statements

7. Personnel expenses

	Note	Consolidated 6 months ended 31 December 2010 $'000	12 months ended 30 June 2010 $'000
Wages, salaries and benefits		1,752	1,258
Contributions to defined contribution plans		477	229
Increase in liability for annual leave		272	128
Other personnel expenses		1,027	209
Share-based payment transactions	*21*	708	150
Personnel expenses		4,236	1,974

8. Finance income and expense

	Consolidated 6 months ended 31 December 2010 $'000	*Restated* 12 months ended 30 June 2010 $'000
Recognised in profit of loss		
Interest income	651	318
Net foreign exchange gain	952	-
Unwind of discount on site restoration costs	(472)	-
Net finance income (expense)	1,131	318
Recognised directly in equity		
Foreign currency translation differences for foreign operations	(5,074)	2,853
Finance income recognised directly in equity, net of tax	(5,074)	2,853
Attributable to:		
Equity holders of the Company	(5,074)	2,853
Finance income recognised directly in equity, net of tax	(5,074)	2,853

9. Income tax

No tax is payable by the Group. Deferred tax assets are brought to account only to the extent required to offset deferred tax liabilities and where it is probable of recovery. All other tax losses are not brought to account as it is not probable that future taxable income will be available against which the Group can utilise these benefits.

Income Statement

	Consolidated 6 months ended 31 December 2010 $'000	*Restated* 12 months ended 30 June 2010 $'000
Current income tax charge	-	-
Over provision from prior year	-	196
Tax income reported in the statement of comprehensive income	-	196
Numerical reconciliation between tax loss and pre-tax accounting loss		
Pre tax accounting loss for the period	(14,614)	(8,092)
Income tax benefit at the Group's tax rates of Australia: 30%, Brazil: 34%	812	2,859
Income not assessable for tax purposes	(1,600)	(10,094)
Expenditure not allowable for tax purposes	6,155	4,881
Temporary differences not recognised	(2,287)	-
Current year losses for which no deferred tax asset was recognised	308	2,354
Recognition of prior year losses	(1,562)	-
Recognition of unrecorded federal tax credits	(1,826)	-
Current income tax charge	-	-

Notes to the consolidated financial statements

9. Income tax (continued)

Deferred income tax

	Consolidated	
		Restated
	31 December 2010 $'000	30 June 2010 $'000
Tax assets/(liabilities)		
Exploration and evaluation assets	1,360	1,550
Property, plant and equipment	18,272	20,254
Trade and other receivables	4,882	5,460
Capitalised expenditure	15,575	20,684
Intangible assets	-	(11,153)
Trade and other payables	124	40
Inventories	2,928	2,651
Employee benefits	47	25
Provisions	3,794	4,508
Deductible equity raising costs	979	1,135
Deferred tax assets not brought to account	(47,961)	(45,154)
Net deferred tax assets	-	-

Unrecognised deferred tax balances

Deferred tax balances have not been recognised in respect of the following items;

	Consolidated	
		Restated
	31 December 2010 $'000	30 June 2010 $'000
Deferred tax assets		
Deductible temporary differences	47,961	56,307
Tax effect losses – Australia	4,095	3,655
Tax effect losses – Brazil	13,154	17,134
Balance at the end of the period	65,210	77,096
Deferred tax liabilities		
Assessable temporary differences	-	(11,153)
Balance at the end of the period	-	(11,153)

10. Inventories

	Consolidated	
		Restated
	31 December 2010 $'000	30 June 2010 $'000
Gold on carbon – net realisable value	-	1,857
Spare parts, raw materials and consumables	5,728	6,344
Balance at the end of the period	5,728	8,201
Inventories carried at fair value less cost to sell	-	1,857

11. Non-current assets held for sale

	Consolidated	
	31 December 2010 $'000	30 June 2010 $'000
Plant and equipment	1,570	-
Balance at the end of the period	1,570	-

Part of the existing site infrastructure at the Group's Tucano project is presented as non-current assets held for sale following the commitment of the Group's management to a plan to sell several significant items. The existing site infrastructure was acquired as part of the prior year business combination described at note 17.

12. Property, plant and equipment

31 December 2010	Note	Consolidated Land & buildings $'000	Plant & equipment $'000	Fixtures & fittings $'000	Total $'000
Cost					
Opening balance		-	12,246	26	12,272
Additions		-	40	4	44
Capital works in progress			833	-	833
Disposals		-	(86)	-	(86)
Transfers to non-current assets held for sale		-	(1,570)	-	(1,570)
Effect of movements in exchange rates		-	(1,106)	-	(1,106)
Balance at 31 December 2010		-	10,357	30	10,387
Depreciation					
Opening balance		-	604	4	608
Depreciation for the period		-	1,096	1	1,097
Disposals		-	(61)	-	(61)
Effect of movements in exchange rates		-	(74)	-	(74)
Balance at 31 December 2010		-	1,565	5	1,570
Carrying amount					
Opening balance		-	11,642	22	11,664
Balance at 31 December 2010		-	8,792	25	8,817

30 June 2010	Note	Consolidated *Restated* Land & buildings $'000	*Restated* Plant & equipment $'000	*Restated* Fixtures & fittings $'000	*Restated* Total $'000
Cost					
Opening balance		-	436	25	461
Acquisitions through business combinations	*17*	-	11,248	-	11,248
Other additions		-	3	1	4
Disposals		-	-	-	-
Effect of movements in exchange rates		-	559	-	559
Balance at 30 June 2010		-	12,246	26	12,272
Depreciation					
Opening balance		-	146	2	148
Depreciation for the period		-	442	2	444
Disposals		-	16	-	16
Balance at 30 June 2010		-	604	4	608
Carrying amount					
Opening balance		-	290	23	313
Balance at 30 June 2010		-	11,642	22	11,664

Notes to the consolidated financial statements

13. Exploration and evaluation assets

	Note	Consolidated 31 December 2010 $'000	Consolidated *Restated* 30 June 2010 $'000
Cost			
Opening balance		20,555	3,441
Acquisitions through business combinations	*17*	-	17,322
Impairment of Australian tenement acquisition costs		-	(1,100)
Effect of movements in exchange rates		(1,763)	892
Balance at the end of the period		18,792	20,555

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.

14. Other non-current assets

	Consolidated 31 December 2010 $'000	Consolidated 30 June 2010 $'000
Opening balance	250	250
Security for bank guarantees given	-	-
Security for bank guarantees released	-	-
Balance at the end of the period	250	250

The Group has established a revolving facility with the Company's bankers. The facility has a fully secured limit of $250,000.

The facility has been established for issue bank guarantee's to satisfy the Company's environmental and office lease bond requirements. Bank guarantees have been issued to the Department of Mines and Petroleum of Western Australia, the Department of Energy and Resources of Victoria and to the owners of the Company's corporate offices.

The facility is secured by cash, held in term deposit with the Company's bankers. Interest accruing on the term deposit is payable to the Company. The term deposit cannot be released without the prior consent of the Group's bankers.

15. Trade and other receivables

	Consolidated 31 December 2010 $'000	Consolidated 30 June 2010 $'000
Other receivables	1,193	1,248
Goods and services and equivalent indirect taxes	101	37
Balance at the end of the period	1,294	1,285

16a. Cash and cash equivalents

	Consolidated 31 December 2010 $'000	Consolidated 30 June 2010 $'000
Bank balances	41,904	23,703
Cash and cash equivalents in the statement of cash flows	41,904	23,703

Notes to the consolidated financial statements

16b. Reconciliation of cash flows from operating activities

	Note	Consolidated 31 December 2010 $'000	*Restated* 30 June 2010 $'000
Cash flows from operating activities			
Loss for the period		(14,614)	(7,896)
Adjustments for:			
Net finance income	*8*	(1,131)	(318)
Depreciation	*12*	1,097	444
Equity-settled share-based payment transactions		708	1,225
Loss on sale of property, plant and equipment		4	-
Impairment losses recognised	*13*	-	1,100
Change in provisions		(2,343)	(226)
Exploration and evaluation expenditure classified as investing activities		13,129	5,539
Operating profit/(loss) before changes in working capital		(3,150)	(132)
Change in inventories		2,473	2,346
Change in trade and other receivables		(73)	(639)
Change in trade and other payables		(372)	597
Change in prepayments		(30)	4
Cash (used in)/provided by operating activities		(1,152)	2,176
Income tax refund received		196	-
Net cash (used in)/provided by operating activities		(956)	2,176

17. Prior year business combination

In April 2010 the Group successfully completed the acquisition of 100% of the issued capital of Mineração Pedra Branca do Amapari Ltda. At 30 June 2010 the fair values of identifiable assets and liabilities was provisional. During the period the acquisition accounting was finalised as follows;

Identifiable assets acquired and liabilities assumed

	Provisional fair values previously reported $'000	Adjustments $'000	Final fair values $'000
Cash and cash equivalents	2,227	-	2,227
Other receivables	724	-	724
Inventories	12,568	(2,038)	10,530
Property, plant and equipment	18,608	(7,360)	11,248
Investments	11	-	11
Mineral Rights	9,174	8,148	17,322
Intangibles	30,000	1,250	31,250
Trade & other payables, including employee benefits payable	(1,809)	-	(1,809)
Site restoration provision	(8,686)	-	(8,686)
Legal claims provision	(4,192)	-	(4,192)
Total net identifiable assets	58,625	-	58,625

Consideration transferred

The following table summarises the consideration transferred at the acquisition date:

	$'000
Cash	39,649
Equity instruments (115,004,492 ordinary shares at a fair value of $0.165)	18,976
Total consideration	58,625

Notes to the consolidated financial statements

17. Prior year business combination (continued)

The adjustments noted in the table above reflect the changes in the original 30 June 2010 presented consolidated statement of financial position to the restated consolidated statement of financial position, net of foreign exchange movements between the acquisition date and the year end.

The finalisation of purchase price accounting also impacted the following financial statement account captions:

- Administrative expenses – restated from $3,336,000 to $2,440,000, reflecting depreciation transferred to exploration and evaluation.
- Project exploration and evaluation expenses – restated from $5,539,000 to $5,996,000, reflecting the transfer above and a reduction in depreciation following the downward adjustment of depreciable assets.
- Net loss after income tax – restated from $8,335,000 to $7,896,000, being the result of the items noted immediately above.

Foreign currency translation differences for foreign operations – restated from $1,267,000 to $2,853,000, reflecting the translation of adjustments made above from the finalisation of the purchase price accounting.

The reconciliation of cash flows from operating activities to operating result was also restated to reflect those adjustments above.

18. Intangible assets

Iron ore royalty

		Consolidated	
			Restated
		31 December 2010	**30 June 2010**
	Note	**$'000**	**$'000**
Balance at the beginning of the period		32,803	-
Acquisitions through business combinations	*17*	-	31,250
Effect of movement in exchange rates		(601)	1,553
Disposals		(32,202)	
Balance at the end of the period		-	32,803

In September 2010 the Company announced that it had agreed to sell the Amapá Iron Ore Royalty to Anglo Pacific Group plc. The sale was subsequently completed and payment received in December 2010.

19. Loss per share

Basic loss per share

The basic loss per share for the period is $0.02 (for the 12 months ended 30 June 2010: $0.04). The calculation of basic loss per share at 31 December 2010 was based on the consolidated loss attributable to ordinary shareholders of $14,614,000 (30 June 2010 (restated): $7,896,000) and a weighted average number of ordinary shares outstanding of 621,937,828 (30 June 2010: 216,684,101) calculated as follows:

Loss attributable to ordinary shareholders

		Restated
	6 months ended 31 December 2010	**12 months ended 30 June 2010**
	$	**$**
Loss for the period	14,614,000	7,896,000
Loss attributable to ordinary shareholders	14,614,000	7,896,000

Weighted average number of ordinary shares

Weighted average effects	**31 December 2010 Shares**	**30 June 2010 Shares**
Opening balance	621,937,828	93,600,003
Effect of shares issued	-	123,084,098
Weighted average number of ordinary shares at the end of the period	621,937,828	216,684,101

19. Loss per share (continued)

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 28,255,000 dilutive share options issued as share based payments (refer note 21) and 13,000,000 dilutive share options issued to shareholders of the Company (refer note 24).

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.

20. Employee benefits

	Consolidated	
Current	31 December 2010 $'000	30 June 2010 $'000
Salaries, wages and benefits accrued	290	266
Liability for annual leave	335	359
Total employee benefits	625	625

21. Share-based payments

Employee Share Option Plan

In 2007 the Group established a share option programme that entitles employees to purchase shares in the Company, all options issued under the plan are subject to the Company's rules for incentive options.

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

	31 December 2010	30 June 2010
Opening balance	3,175,000	935,000
Options granted during the period	25,080,000	2,300,000
Options cancelled during the period	-	(60,000)
Options outstanding at the end of the period	28,255,000	3,175,000
Options exercisable at the end of the period	3,175,000	3,175,000

The outstanding balance of employee share options as at 31 December 2010 is represented by:

Number of options	Grant period	Vesting	Expiring	Strike price per option	Fair value per option
465,000	6 June – 25 September 2007	Vested	30 June 2011	$0.25	$0.10
140,000	13 August – 26 September 2007	Vested	30 June 2011	$0.35	$0.12
70,000	27 September 2007	Vested	30 June 2011	$0.35	$0.22
200,000	28 July 2008	Vested	30 June 2012	$0.30	$0.07
800,000	27 August 2009	Vested	30 June 2013	$0.12	$0.05
1,500,000	25 November 2009	Vested	30 June 2013	$0.12	$0.07
5,830,000	20 July 2010	One year after their grant date and upon a decision to mine at the Tucano gold project	30 June 2014	$0.19	$0.10
17,000,000	29 November 2010	One year after their grant date and upon a decision to mine at the Tucano gold project	30 June 2014	$0.19	$0.44
2,250,000	6 December 2010	6 December 2011	30 June 2014	$0.65	$0.35

Employee share options granted during period ended 31 December 2010

25,080,000 options were granted during the period. On 20 July 2010 5,000,000 options were granted to key management personnel and 830,000 options were granted to other employees, on 29 November 2010 17,000,000 options were granted to key management personnel and on 6 December 2010 2,250,000 options were granted to other employees. Details regarding their expiry and average value per option are disclosed in the table above.

21. Share-based payments (continued)

Employee Share Option Plan (continued)

The grant date fair value of employee share options was measured using the Black-Scholes formula. The inputs to the model used to determine the fair value of options granted during the year were:

	Employees granted 20 July 2010	Employees granted 6 December 2010	Key Management Personnel granted 20 July 2010	Key Management Personnel granted 29 November 2010	Key Management Personnel granted 6 December 2010
Contractual life (years)	3.9	3.6	3.9	3.6	3.6
Market value of the underlying shares	$0.19	$0.67	$0.19	$0.57	$0.67
Exercise price of options granted	$0.19	$0.65	$0.19	$0.19	$0.65
Expected volatility of the underlying shares	64.14%	66.59%	64.14%	65.86%	66.59%
Risk free rate applied	4.77%	5.01%	4.77%	5.12%	5.01%

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

Employee share options cancelled during period ended 31 December 2010

No options were cancelled during the period.

Recognised as employee costs during the period ended 31 December 2010

	Consolidated	
	31 December 2010 $'000	30 June 2010 $'000
Opening balance	239	89
Share options granted – equity settled	708	152
Share options cancelled – equity settled	-	(2)
Share based payments recognised	947	239

Other share based payments

In April 2010 the Company issued 5,000,000 options each to Macquarie Bank Ltd and Macquarie Capital Group Ltd in relation to a prior capital raising approved by shareholders. The options were granted and vested on 21 April 2010, each option has a strike price of $0.1875, expires on 21 April 2014 and a fair value of $0.11.

The grant date fair value of share options was measured using the Black-Scholes formula.

The following table illustrates the number and movements in these share based payment options during the period:

	31 December 2010	30 June 2010
Opening balance	10,000,000	-
Options granted during the period	-	10,000,000
Options cancelled during the period	-	-
Options outstanding at the end of the period	10,000,000	10,000,000
Options exercisable at the end of the period	10,000,000	10,000,000

Recognised as share based payments during the period ended 31 December 2010

	Consolidated	
	31 December 2010 $'000	30 June 2010 $'000
Opening balance	1,076	-
Share options granted – equity settled	-	1,076
Share options cancelled – equity settled	-	-
Share based payments recognised	1,076	1,076

Notes to the consolidated financial statements

22. Trade and other payables

	Consolidated 31 December 2010 $'000	Consolidated 30 June 2010 $'000
Trade and other payables	3,066	2,208
Balance at the end of the period	3,066	2,208
Current	3,009	2,154
Non-current	57	54
Balance at the end of the period	3,066	2,208

23. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated 31 December 2010 $'000	Consolidated 30 June 2010 $'000
Less than one year	746	633
Between one and five years	988	968
Operating lease rentals payable	1,734	1,601

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 property leases run for periods ranging from one to three years.

Leases as lessor

Non-cancellable operating lease rentals are receivable as follows:

	Consolidated 31 December 2010 $'000	Consolidated 30 June 2010 $'000
Less than one year	340	340
Between one and five years	426	596
Operating lease rentals receivable	766	936

The Company has entered into a sub-lease agreement to lease a portion of its head office space where the Company is head lessee. The sub-lease agreement expires within 3 years, coincident with the expiration of the head lease agreement.

24. Capital and reserves

Share capital	Ordinary shares 31 December 2010 '000	Ordinary shares 30 June 2010 '000
On issue at the beginning of the period	621,937	93,600
Issued for cash	-	413,333
Issued in a business combination	-	115,004
On issue at the end of the period	621,937	621,937

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 are fully paid and 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.

24. Capital and reserves (continued)

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 have exercise prices of $0.35 and $0.50 and expire on 30 June 2012 and carry no voting rights.

Share based payments reserve

The share based payments reserve includes the cumulative expense recognised in respect of options granted to;

Employee share option plan

Employees of the Company as part of the Company's share option plan. All options expire on the earlier of;

- 30 June 2011 (675,000 options), 30 June 2012 (200,000 options), 30 June 2013 (2,300,000 options) and 30 June 2014 (25,080,000 options);
- The day employee ceases employment with the Company, unless the Board determines otherwise;
- 30 days after the employee ceases employment by reason of retirement.

The share options carry no voting rights.

Other share based payments

10,000,000 options granted to Macquarie Bank Ltd and Macquarie Capital Group Ltd in April 2010, expiring 21 April 2014. The share options carry no voting rights.

25. Provisions

	Consolidated	
	31 December 2010 $'000	30 June 2010 $'000
Balance at beginning of the period	13,260	-
Assumed through business combinations	-	12,878
Unwind of discount on site restoration costs	455	-
Provisions made during the period	-	274
Provisions reversed during the period	(1,321)	(533)
Effect of movements in exchange rates	(1,235)	641
Balance at the end of the period	11,159	13,260
Current	-	520
Non-current	11,159	12,740
Balance at the end of the period	11,159	13,260

The Group's provisions comprise provisions for site restoration and provisions for legal proceedings of $8,723,000 and $2,436,000 respectively.

Site restoration

The provision includes estimates of costs associated with reclamation, rehabilitation and other costs associated with the restoration of the present mine site. Estimates of restoration costs are based on current legal requirements and future costs that have been discounted to their present value.

Legal proceedings

The provision includes estimates to discharge various claims, legal proceedings and complaints arising in the ordinary course of business. These matters are ongoing and are being vigorously defended by the Group.

26. Capital and other commitments

These obligations at balance date have not been provided for and are as set out in the table below.

	Consolidated	
Not yet provided for	31 December 2010 $'000	30 June 2010 $'000
Minimum exploration expenditure commitments		
Within one year	461	385
Contractual commitments		
Within one year	1,782	515
Capital and other commitments	2,243	900

26. Capital and other commitments (continued)

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. 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.

Contractual commitments

Semi-Autogenous Grinding Mill (SAG Mill)

The Group has entered into an agreement with Outotec Pty Ltd (Outotec) to supply a 7 Megawatt SAG Mill for use in the proposed process plant at the Group's Tucano Project. The agreement requires the Group to make a total of $8,471,967 in progress payments to Outotec. Commitments for progress payments are contingent upon completion agreed milestones. As at balance date the Group has commitments of $847,197 in respect of works completed or substantially completed.

The Group made one progress payment during the period of $847,197. It is anticipated that the remaining $7,624,770 will be paid in full within the next twelve months, subject to completion of contractual milestones.

Community fund

The Group has an agreement with the Municipality of Pedra Branca and the Municipality of Serra do Navio in whose region the Group's Brazilian Tucano Gold Project resides. The agreement requires the Group make annual payments of R$357,500 to the Municipality of Pedra Branca and R$192,500 to the Municipality of Serra do Navio.

Mineral rights assignment

The Group has an agreement for the assignment of mineral rights and other covenants with Brazmin Ltda 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 as were previously required to be made by Brazmin Ltda. The Group's future commitments in relation to the assignment are:

- US$100,000 payable in cash or up to US$50,000 (equivalent) payable by way of issue of Beadell Resources Ltd shares with the balance payable in cash on 15 January 2011, and;
- thereon, annual payments of US$100,000 payable in cash.

Land access agreement

The Group has negotiated a land access agreement for several of its exploration tenements, annual commitments in respect of this agreement is $50,000 per annum.

27. Contingencies

	Consolidated	
	31 December 2010 $'000	**30 June 2010 $'000**
Litigation and claims	589	649
Indemnities	-	400
Total contingent liabilities not considered remote	589	1,049

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

Litigation and claims

The Group is currently vigorously defending an infraction relating to environmental damage to William Creek in Brazil. The alleged damage is related to the modification of the Creek's riverbed, soiling and sedimentation. The infraction was assumed by the Group on acquisition of Beadell Brasil (formerly MPBA).

28. Related parties

Key management personnel compensation

The key management personnel compensation is as set out below.

	Consolidated	
	6 months ended 31 December 2010 $	12 months ended 30 June 2010 $
Short-term employee benefits	647,460	702,738
Post-employment benefits	41,175	52,650
Share based payments	914,378	126,473
Key management personnel compensation	1,603,013	881,861

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 in section 4.

Key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial and/or operating policies of those entities.

In the reporting period the Group transacted with a company of which Mr M Jewell is the sole director. Mr Jewell has been engaged on a contractor basis to act as the Group's lead project manager for the duration of the Tucano DFS. Amounts have been billed based on normal market rates for such services and are payable under normal payment terms.

The value of transactions and balances outstanding relating to key management personnel and entities over which they control or have significant influence are as follows:

Key management person	Transaction	Transactions value 6 months ended 31 December 2010 $	Balance outstanding 31 December 2010 $	Transactions value 12 months ended 30 June 2010 $	Balance outstanding 30 June 2010 $
Mr M Jewell	Tucano DFS project management	129,350	19,110	50,050	37,050
Total and current liabilities		129,350	19,110	50,050	37,050

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by key management personnel, including their related parties, is as follows;

For the six months ended 31 December 2010:

	1 July 2010	Granted as compensation	Exercised	31 December 2010	Vested during the period	Vested and exercisable at 31 December 2010
Directors						
Mr Readhead	-	1,000,000	-	1,000,000	-	-
Mr Jewell	-	500,000	-	500,000	-	-
Dr Donaldson	500,000	500,000	-	1,000,000	-	500,000
Mr Bowler	1,500,000	10,000,000	-	11,500,000	-	1,500,000
Mr Watkins	1,500,000	5,000,000	-	6,500,000	-	1,500,000
Executives						
Mr Barrett	1,500,000	5,000,000	-	6,500,000	-	1,500,000
Mr Torresini	-	750,000	-	750,000	-	-

28. Related parties

Options and rights over equity instruments (continued)

For the twelve months ended 30 June 2010:

	1 July 2009	Granted as compensation	Exercised	30 June 2010	Vested during the period	Vested and exercisable at 30 June 2010
Directors						
Dr Donaldson	-	500,000	-	500,000	500,000	500,000
Mr Bowler	1,000,000	500,000	-	1,500,000	1,500,000	1,500,000
Mr Watkins	1,000,000	500,000	-	1,500,000	1,500,000	1,500,000
Executives						
Mr Barrett	1,000,000	500,000	-	1,500,000	1,500,000	1,500,000

Further details regarding options granted as compensation to key management personnel during the year can be found at note 21.

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 key management personnel, including their related parties, is as follows;

For the six months ended 31 December 2010:

	1 July 2010	Appointments during the period	Purchased	Exercise of options	Sold	31 December 2010
Directors						
Mr C Readhead	12,000	-	-	-	-	12,000
Dr M Donaldson	2,233,333	-	-	-	-	2,233,333
Mr M Jewell	410,000	-	-	-	-	410,000
Mr P Bowler	12,543,333	-	-	-	-	12,543,333
Mr R Watkins	6,650,001	-	-	-	-	6,650,001
Executives						
Mr G Barrett	8,351,651	-	-	-	-	8,351,651
Mr C Torresini	-	-	282,964	-	-	282,964

Movements in shares

For the twelve months ended 30 June 2010:

	1 July 2009	Appointed 14 April 2010	Purchased	Exercise of options	Sold	30 June 2010
Directors						
Mr C Readhead	-	12,000	-	-	-	12,000
Dr M Donaldson	1,800,000	-	433,333	-	-	2,233,333
Mr M Jewell	-	310,000	100,000	-	-	410,000
Mr P Bowler	9,110,001	-	3,433,332	-	-	12,543,333
Mr R Watkins	5,750,001	-	900,000	-	-	6,650,001
Executives						
Mr G Barrett	6,345,001	-	2,006,650	-	-	8,351,651
Mr C Torresini	-	-	-	-	-	-

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. No dividends were received from subsidiaries in the period.

Notes to the consolidated financial statements

29. Group entities

Ultimate parent and subsidiaries	Country of incorporation	Interest
Parent entity		
Beadell Resources Ltd	Australia	
Significant Subsidiaries		
Beadell Resources (Holdings) Ltd	British Virgin Islands	100%
Beadell Resources Mineracao (Holdings) Ltd	British Virgin Islands	100%
Beadell Resources Mineração Ltda	Brazil	100%
Beadell (Brazil) Pty Ltd	Australia	100%
Beadell (Brazil 2) Pty Ltd	Australia	100%
Beadell Brasil Ltda	Brazil	100%

30. Subsequent events

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

31. Government grants

In July 2010 the Group entered into an agreement with the Western Australian State Government and was awarded two drilling grants as part of the Royalties for Regions Exploration Incentive Scheme (Funding Agreement). Under the terms of the Funding Agreement, amounts are payable as a reimbursement of 50% of direct drilling costs invoiced (Funding Amount) on certain tenements. The total Funding Amount granted to the Company was $299,650 for drilling to be completed prior to 30 June 2011, of which $132,000 is receivable at 31 December 2010.

32. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 the wholly owned Beadell (Brazil) Pty Ltd and Beadell (Brazil 2) Pty Ltd are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors' reports. It is a condition of the class order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company Guarantees to each creditor payment in full in the event of a winding up. The subsidiaries have also given similar guarantees in the event the Company is wound up.

A consolidated statement of comprehensive income and a consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between the parties are as set out below. This incorporates the companies subject to the Deed's consolidated investment in Beadell Brasil Ltda and incorporating its revenue, other income and expenses and its underlying assets and liabilities.

Statement of comprehensive income	31 December 2010 $'000	*Restated* 30 June 2010 $'000
Revenue	1,778	2,884
Cost of sales	(2,086)	(2,959)
Gross profit	(308)	(75)
Other income	1,770	1,201
Finance income	1,603	318
Finance expenses	(942)	(163)
Administrative expenses	(2,993)	(2,349)
Project exploration and evaluation expenses	(14,029)	(5,840)
Impairment reversals (losses)	212	(1,129)
Loss before tax	(14,687)	(8,037)
Income tax (expense)/recovery	-	196
Loss for the period after income tax	(14,687)	(7,841)
Accumulated losses at beginning of year	(17,080)	(9,239)
Loss for the period after income tax	(14,687)	(7,841)
Accumulated losses	(31,767)	(17,080)
Attributable to:		
Equity holders of the Company	(14,687)	(7,841)
Loss for the period	(14,687)	(7,841)

32. Deed of cross guarantee (continued)

Statement of financial position	31 December 2010 $'000	*Restated* 30 June 2010 $'000
Assets		
Cash and cash equivalents	41,904	23,703
Prepayments	113	68
Trade and other receivables	1,294	1,279
Inventories	5,728	8,201
Non-current assets held for sale	1,570	-
Current tax assets	-	196
Total current assets	50,609	33,447
Exploration and evaluation assets	18,105	19,797
Property, plant and equipment	8,789	11,610
Intangible assets	-	32,803
Other non-current assets	250	250
Other receivables	665	808
Total non-current assets	27,809	65,268
Total assets	78,418	98,715
Liabilities		
Trade and other payables	2,958	2,151
Employee benefits	624	624
Provisions	-	520
Total current liabilities	3,582	3,295
Trade and other payables	57	54
Provisions	11,159	12,740
Total non-current liabilities	11,216	12,794
Total liabilities	14,798	16,089
Net assets	63,620	82,626
Equity		
Share capital	95,566	95,592
Reserves	(179)	4,114
Retained earnings	(31,767)	(17,080)
Total equity	63,620	82,626

33. Auditors' remuneration

	Consolidated	
	31 December 2010 $	**30 June 2010 $**
Audit services		
KPMG Australia		
Audit and review of financial reports	75,732	60,389
Overseas KPMG firms		
Audit and review of financial reports	66,075	65,000
Audit services	141,807	125,389
Other services		
KPMG Australia		
Taxation services	13,540	-
Overseas KPMG firms		
Taxation services	7,342	6,500
Other services	20,882	6,500

34. Parent entity

As at and during the period ending 31 December 2010 the parent company of the Group was Beadell Resources Ltd.

	31 December 2010 $'000	Restated 30 June 2010 $'000
Result		
Loss for the period	(18,746)	(5,986)
Other comprehensive income	-	-
Total comprehensive income	(18,746)	(5,986)
Financial position		
Current assets	12,824	21,184
Total assets	64,690	82,396
Current liabilities	1,013	658
Total liabilities	1,070	713
Net assets	63,620	81,683
Equity		
Share capital	95,566	95,592
Reserves	2,026	1,317
Accumulated losses	(33,972)	(15,226)
Total equity	63,620	81,683

Parent entity contingencies

The parent entity has entered into a Deed of Cross Guarantee with two of its wholly owned subsidiaries. The effect of the Deed of Cross Guarantee is that the Company guarantees debts in respect of these subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in note 32.

Directors' declaration

1. In the opinion of the directors of Beadell Resources Limited (the Company):

   (a) the consolidated financial statements and notes 1 to 34 that are contained within and the Remuneration report in the Directors' report, set out in section 4.3, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) 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. There are reasonable grounds to believe that the Company and the group entities identified in note 32 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3. 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 31 December 2010.

4. The directors draw attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Peter R. Bowler

PETER BOWLER
Managing Director

Dated at Perth, this 31st day of March 2011.

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 consolidated statement of financial position as at 31 December 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the period end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a) the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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 Group's financial position as at 31 December 2010 and of its performance for the six months ended on that date; and

  (ii) complying with Australian Accounting Standards 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 4.3 of the directors' report for the six months ended 31 December 2010. 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 six months ended 31 December 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Graham Hogg
Partner

Perth
31 March 2011

KPMG

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 six months ended 31 December 2010 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.

KPMG

KPMG

Graham Hogg
Partner

Perth
31 March 2011

Tenement schedule

As at 31 March 2011

Location	Description	Area	Interest %	Location	Description	Area	Interest
Tropicana (WA)	E38/1913	467	100	Lake MacKay (WA)	E80/3820	260.6	49
Tropicana (WA)	E39/1215	416.9	100	Lake MacKay (WA)	E80/3821	114.5	49
Tropicana (WA)	E69/2585	210.2	100	Lake MacKay (WA)	E80/3822	234.2	100
Musgrave (WA)	E69/2066	216	100	Lake MacKay (WA)	E80/3823	232.1	49
Musgrave (WA)	E69/2067	216	100	Reedy Creek (VIC)	EL 4460	71	100
Musgrave (WA)	E69/2150	215.4	100	Reedy Creek (VIC)	EL 4987	485	100
Musgrave (WA)	E69/2151	215.4	100	Brazil, Tartarugalzhino	851439/1980	96	100
Musgrave (WA)	E69/2152	129.3	100	Brazil, Tucano	858092/1996	1.2393	100
Musgrave (WA)	E69/2780	606.9	100	Brazil, Tucano	858263/1996	96.9063	100
Musgrave (WA)	E69/2781	411.8	100	Brazil, Tucano	858264/1996	100	100
Brazil, Tucano	3264/1953	27.4058	100	Brazil, Tucano	858265/1996	100	100
Brazil, Tucano	2757/1959	5	100	Brazil, Tucano	858000/1998	78.8408	100
Brazil, Tucano	801225/197	0.1406	100	Brazil, Tucano	858010/1999	9.3088	100
Brazil, Tucano	851528/198	0.7646	100	Brazil, Tucano	858010/1999	86.3436	100
Brazil, Tucano	850852/198	34.53	100	Brazil, Tucano	858012/1999	13.7685	100
Brazil, Tucano	850853/198	80.6479	100	Brazil, Tucano	858038/1999	36.4799	100
Brazil, Tucano	850857/198	91.7385	100	Brazil, Tucano	858073/2001	2.9142	100
Brazil, Tucano	850858/198	74.1148	100	Brazil, Tucano	858052/2002	80.6479	100
Brazil, Tucano	850859/198	99.08	100	Brazil, Tucano	858053/2002	26.2134	100
Brazil, Tucano	850860/198	88.094	100	Brazil, Tucano	858060/2002	88.0941	100
Brazil, Tucano	850863/198	100	100	Brazil, Tucano	858012/2003	98.2885	100
Brazil, Tucano	850864/198	83.9939	100	Brazil, Tucano	858013/2003	2.2659	100
Brazil, Tucano	850865/198	61.9873	100	Brazil, Tucano	858037/2003	31.1072	100
Brazil, Tucano	850866/198	44.9407	100	Brazil, Tucano	858042/2003	0.1278	100
Brazil, Tucano	851676/199	39.7141	100	Brazil, Tucano	858013/2004	83.2944	100
Brazil, Tucano	852730/199	44.7208	100	Brazil, Tucano	858016/2004	48.7078	100
Brazil, Tucano	852730/199	55.2963	100	Brazil, Tucano	858017/2004	25.2746	100
Brazil, Tucano	854262/199	97.931	100	Brazil, Tucano	858054/2004	9.714	100
Brazil, Tucano	851766/199	89.8286	100	Brazil, Tucano	858062/2004	57.7149	100
Brazil, Tucano	851770/199	47.4661	100	Brazil, Tucano	858086/2004	4.9554	100
Brazil, Tucano	851771/199	87.5006	100	Brazil, Tucano	858114/2004	0.6903	100
Brazil, Tucano	852336/199	9.1904	100	Brazil, Tucano	858065/2005	93.229	100
Brazil, Tucano	855033/199	32.623	100	Brazil, Tucano	858001/2006	0.0078	100
Brazil, Tucano	855037/199	22.8902	100	Brazil, Tucano	858068/2006	0.0139	100
Brazil, Tucano	855399/199	100	100	Brazil, Tucano	858001/2007	5.5622	100
Brazil, Tucano	858017/199	6.4377	100	Brazil, Tucano	858049/2007	47.315	100
Brazil, Tucano	858050/199	93.0009	100	Brazil, Tucano	858078/2007	0.4984	100
Brazil, Tucano	858051/199	63.7128	100	Brazil, Tucano	858063/1995	52.175	100
Brazil, Tucano	858062/199	89.8241	100				

Additional shareholder information

As at 31 March 2011

a) Substantial shareholders lodged with the Company

Name of Ordinary Shareholder	Number of Shares Held	% of Shares Held
Macquarie Group Ltd	66,666,668	10.7%
Herschel Asset Management Ltd	54,350,256	8.7%
UBS AG	43,589,824	7.0%

b) Listing of 20 largest shareholders

Rank	Name of Ordinary Shareholder	Number of Shares Held	% of Shares Held
1	National Nominees Ltd	121,980,447	19.6%
2	HSBC Custody Nominees (Australia) Ltd	40,717,316	6.6%
3	JP Morgan Nominees Australia Ltd	37,555,360	6.0%
4	Macquarie Bank Ltd	33,333,334	5.3%
5	Macquarie Capital Group Ltd	33,333,334	5.3%
6	UBS Nominees Pty Ltd	26,721,133	4.3%
7	Lujeta Pty Ltd	25,200,000	4.0%
8	Pan Australian Nominees Pty Ltd	21,243,347	3.4%
9	JP Morgan Nominees Australia Ltd	20,038,610	3.2%
10	Citicorp Nominees Pty Ltd	17,054,705	2.7%
11	Oz Minerals Investments Pty Ltd	12,800,000	2.1%
12	Cogent Nominees Pty Ltd	11,311,947	1.8%
13	CS Fourth Nominees Pty Ltd	7,550,182	1.2%
14	Hookipa Pty Ltd	7,254,650	1.2%
15	Penson Australia Nominees Pty Ltd	7,041,000	1.1%
16	Twynam Agricultural Group Pty Ltd	6,225,000	1.0%
17	Robert Holmes Watkins	5,850,001	0.9%
18	Braidwood Investments Pty Ltd	5,550,001	0.9%
19	Egmont Pty Ltd	5,000,000	0.8%
20	AMP Life Ltd	4,282,217	0.7%

Additional shareholder information (continued)

As at 31 March 2011

c) Distribution of shareholders

Range	Total holders	Units	% Issued Capital
1 – 1,000	171	86,479	0.01
1,001 – 5,000	674	2,125,962	0.35
5,001 – 10,000	679	5,668,635	0.91
10,001 – 100,000	1,516	51,629,105	8.29
100,001 – over	264	562,637,647	90.44
Total	**3,304**	**622,147,828**	**100.00**

d) Number of shareholders holding less than a marketable parcel is 86

e) Voting rights

(i) Ordinary Shares
On a show of hands every shareholder present in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

(ii) Options
The Company's options have no voting rights.

f) Stock exchange listing

Beadell Resources Limited shares are listed on the Australian Stock Exchange. The Company's ASX code is BDR.

g) Unlisted share options

Number of Options	Exercise Price	Expiry Date	Number of Holders
415,000	$0.25	30 June 2011	3
50,000	$0.35	30 June 2011	1
200,000	$0.30	30 June 2012	2
1,500,000	$0.35	30 June 2012	3
1,500,000	$0.50	30 June 2012	3
2,300,000	$0.12	30 June 2013	6
10,000,000	$0.1875	21 April 2014	2
22,830,000	$0.1875	30 June 2014	10
2,250,000	$0.65	30 June 2014	7
500,000	$0.80	1 January 2015	1

Macquarie Bank Ltd and Macquarie Capital Group Ltd each hold 5,000,000 Unlisted Share Options, representing 24% of the number of Unlisted Share Options on issue.

Braidwood Investments (WA) Pty Ltd holds 11,500,000 Unlisted Share Options, representing 28% of the number of Unlisted Share Options on issue.