



ACN 125 222 291

## Annual Report 2010



# 10

## CORPORATE DIRECTORY

### Directors

Craig Readhead	Non-Executive Chairman
Mike Donaldson	Non-Executive Director
Jim Jewell	Non-Executive Director
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* 621,937,828 ordinary shares

### Registered and Corporate Office

2<sup>nd</sup> Floor, 16 Ord Street

West Perth WA 6005

Telephone: +61 8 9429 0800

Facsimile: +61 8 9481 3176

Internet: [www.beadellresources.com.au](http://www.beadellresources.com.au)

### 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

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## LETTER FROM CHAIRMAN AND MANAGING DIRECTOR

# 10

Dear Fellow Shareholder,

In Beadell's third year as a listed company, we have transitioned from an aggressive gold explorer with assets in Brazil and Australia to a gold development company with a market capitalisation exceeding \$300 million as at 14 October 2010. The successful acquisition of the large Tucano Gold Project close to Tartaruga, our existing Brazilian gold project, from the Canadian TSX listed company New Gold Inc., propelled us into the enviable position of being able to transition into a producer with a multi-million ounce gold deposit.

We are delighted with our progress since the acquisition in April 2010 and the impressive share price appreciation over the ensuing months is indicative of the quality of this asset and the work done by our excellent team.

In June this year we embarked on a thorough Definitive Feasibility Study (DFS) with two well known groups, Ausenco and SRK. The study continues apace with early indications outweighing our initial expectations.

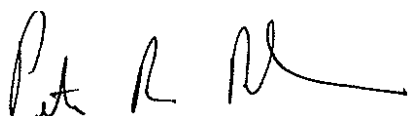
We expect to be in a position to place orders for the long lead time items for the construction of a 3 million tonnes per annum Carbon in Leach (CIL) plant before the end of 2010, with commissioning expected to occur late in 2011. The construction will be greatly enhanced and simplified by utilising the existing world class infrastructure already in place on site.

The initial 8-10 years of operation will involve a large open cut operation averaging around 150,000 ounces per annum with lower costs and higher gold output in the early years by first processing the oxide resources.

Beadell's current cash and receivables balance of around \$55 million with no debt places the company in a strong position as we proceed towards plant construction. The sale of our extensive earth moving fleet over the ensuing months will further significantly bolster our cash position.

Special mention needs to be made of our excellent team of talented people we have in Brazil led by Cesar Torresini. Cesar has a wealth of experience having been at Tucano since inception some 5 years ago. His attention to detail and commitment is an inspiration to all and has been instrumental in our successes on a myriad of fronts. He continues to work very closely with all of the relevant government agencies and stakeholders and the reciprocal support he has received has been very pleasing.

We have the Perth based management team, Brazilian management team and personnel, adequate funds and a large gold project to ensure that Beadell transitions into a significant ASX listed gold producing company over the coming year. Our team is committed to reward you, our shareholders, in return for your confidence and we look forward to a truly transformational year for all involved with the Beadell story.



**PETER BOWLER**  
Managing Director



**CRAIG READHEAD**  
Non-Executive Chairman



## BRAZIL

### TUCANO ACQUISITION



Tucano site transport.

Figure 1 Brazil Projects location plan.



**Cesar Torresini - Diretor Superintendente (GM Brazilian Operations)**

## Overview

In January 2010 Beadell announced the acquisition of the Tucano Gold Project in Brazil (formerly known as Amapari) from TSX listed New Gold Inc. Following an equity raising of \$57 million, the transaction was completed on 13 April 2010.

Tucano is a significant gold development opportunity consisting of a 2.9 million ounce resource including a 1.2 million ounce open pit gold resource (pit optimisation at US\$1,000/oz gold price) and approximately 2,500 km<sup>2</sup> of highly prospective surrounding tenements. The acquisition included gold inventory of US\$8.5 million and a modern fleet of earthmoving equipment capable of mining 3 million tonnes of ore and 12 million tonnes of waste per annum.

A DFS to support construction of a 3.0 million tonne per annum CIL processing plant at Tucano, utilising the existing gold elution infrastructure commenced in June 2010. The capital cost associated with construction of the CIL plant is estimated to be US\$65 to 80 million and will be verified as part of the DFS due for completion in December 2010. Beadell estimates that production at Tucano will resume by the end of 2011.

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

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

## Definitive Feasibility Study

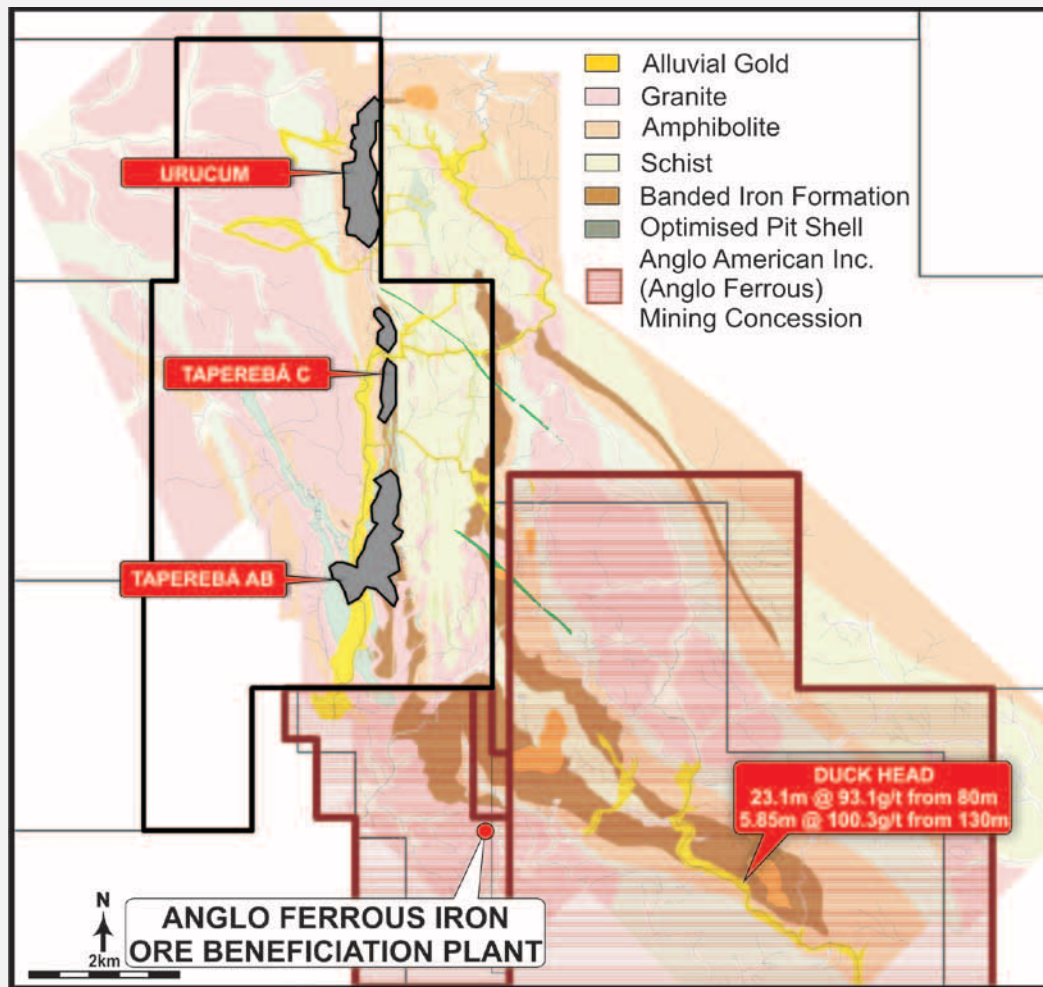
The Tucano DFS commenced on 1 June 2010. The focus of the study is to convert the existing heap leach processing facility into a conventional CIL plant, based on a mine production rate of 3.0 million tonnes per annum of ore for an anticipated 150,000 ounces of gold production.

The study group leader is Ausenco, who are undertaking the plant design and metallurgy. They are being supported by SRK who is responsible for the Geological Resource Modelling, Mining Optimisation, Geotechnical, Hydrogeology, Tailings Disposal and Environmental Studies.

Excellent progress had been made and the DFS is on track to be completed by year end with all field geotechnical and hydrogeological work nearing completion and process plant location and tailings disposal locations being finalised.

## BRAZIL

### TUCANO ACQUISITION (Continued)



**Figure 2** Tucano near mine geology plan.

Extensive grind and recovery test work that has been carried out under the supervision of feasibility study manager, Ausenco, indicating both the oxide and sulphide components of the ore demonstrate excellent free milling characteristics with uncomplicated gold extraction achieved.

The comprehensive metallurgical testwork comprised an extensive selection of oxide and sulphide samples from 20 diamond drill holes specifically targeted for the test work across the main deposits. A total of 2.5 tonnes of samples were air freighted to Australia and analysed at Ammtec Laboratories in Perth. It has been resolved to proceed with a plant design optimised to grind the ore to P80s of 75 micron with a 24 hour leach duration. Preliminary work is indicating open pits will contain a split of 47% oxide ore and 52% sulphide ore. Taking into account the additional large inventory of Spent Ore and Low Grade Stockpiles (7.4 million tonnes), all of which are oxide, an estimated total treated ore inventory split of 62% oxide and 38% sulphide is likely.

### Resource Development

Mineral resources for the Tucano project total **54.6 Mt @ 1.65 g/t gold for 2.9 Moz**. A majority of the resources are hosted within only three deposits named Urucum, Tapereba AB and Tapereba C which form a continuous mineralised zone over a 7 km strike length. Gold mineralisation is associated with the subparallel intersection of a north-south shear zone and a BIF unit which also host significant quantities of friable iron ore.

Diamond and Reverse Circulation drilling commenced at Tucano on 19 May 2010. Since that time, six drill rigs have been operating on double shift and to date have drilled approximately 7,500 m of drilling as part of an initial 25,000 m first phase program.

Outstanding results have been received from the initial drilling program at Tapereba AB, particularly the central "Trough Zone" where deep weathering down the mineralised shear to in excess of 200 m has





From left: Geologists Nazir Filho, Manoel Melo, Alfredo Nunes, Michael Davi and Paul Tan.

caused significant oxide mineralisation to be reported. Contiguous results from the Trough Zone include **10.3 m @ 23.0 g/t gold** from 128.8 m, including **7.0 m @ 32.1 g/t gold** in FD1256, 6.0 m @ 20.8 g/t gold from 102m including **3.8 m @ 32.3 g/t gold** in FD1257 and **6.2 m @ 7.3 g/t gold** from 113.8 m in FD1258.

Most of the drilling to date has been targeted at the Tapereba AB deposit which is the southern most of the 3 main deposits that comprise the current 3 Moz JORC resource. Ongoing drilling has begun to focus on the Urucum deposit which is the largest of the known resources at Tucano with a current resource of 31.8 Mt @ 1.8 g/t for 1.8 Moz. The planned drilling is predominantly focussed on increasing the status of the resources in the lead up to a maiden reserve to be announced at completion of the DFS.



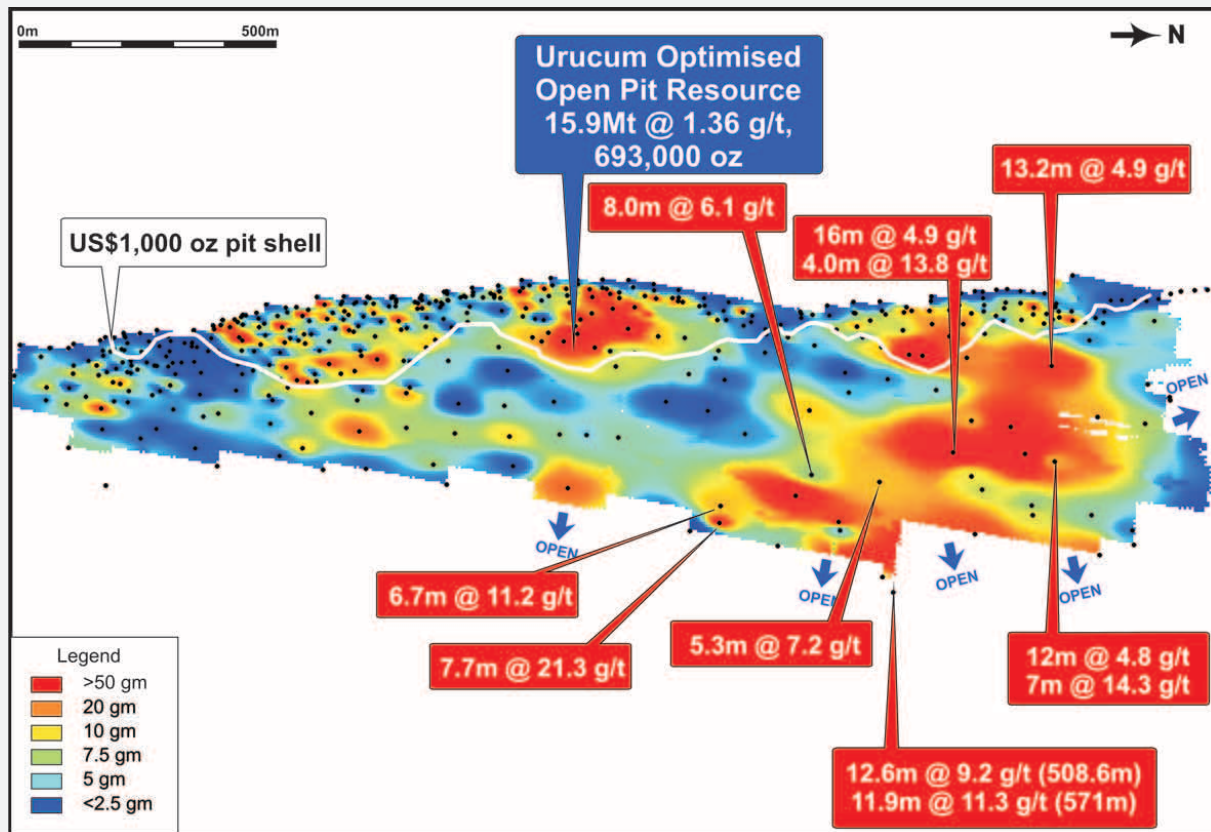
TAP AB2 looking south.



Drilling out the high grade trough zone, TAP AB2.

## BRAZIL

### TUCANO ACQUISITION (Continued)



**Figure 3** Urucum long section.

The Tucano project has excellent potential to continue increasing the resource base in the near mine area with ongoing drilling. All the main deposits remain open at depth and along strike. At Tapereba AB an exceptional oxide result of **9.9 m @ 8.2 g/t gold** and **4.0 m @ 27 g/t gold** in FD1056 remains completely untested to the south.

At Urucum the deepest intersection to date is only 500 m below surface with a result of **12.6 m @ 9.2 g/t gold** from 508.6 m and **11.9 m @ 11.3 g/t gold** from 571 m. Significant underground potential will be evaluated over

the medium term however all focus is currently being given to expanding and converting the open pit resources for recommencement of open pit mining at Tucano.

Several other targets have been identified in the near mine area within trucking distance of the plant including the Duckhead prospect where diamond drill intersections including **23.1 m @ 93.1 g/t gold** from 80.9 m and **5.9 m @ 100.3 g/t gold** from 130 m have been recorded.

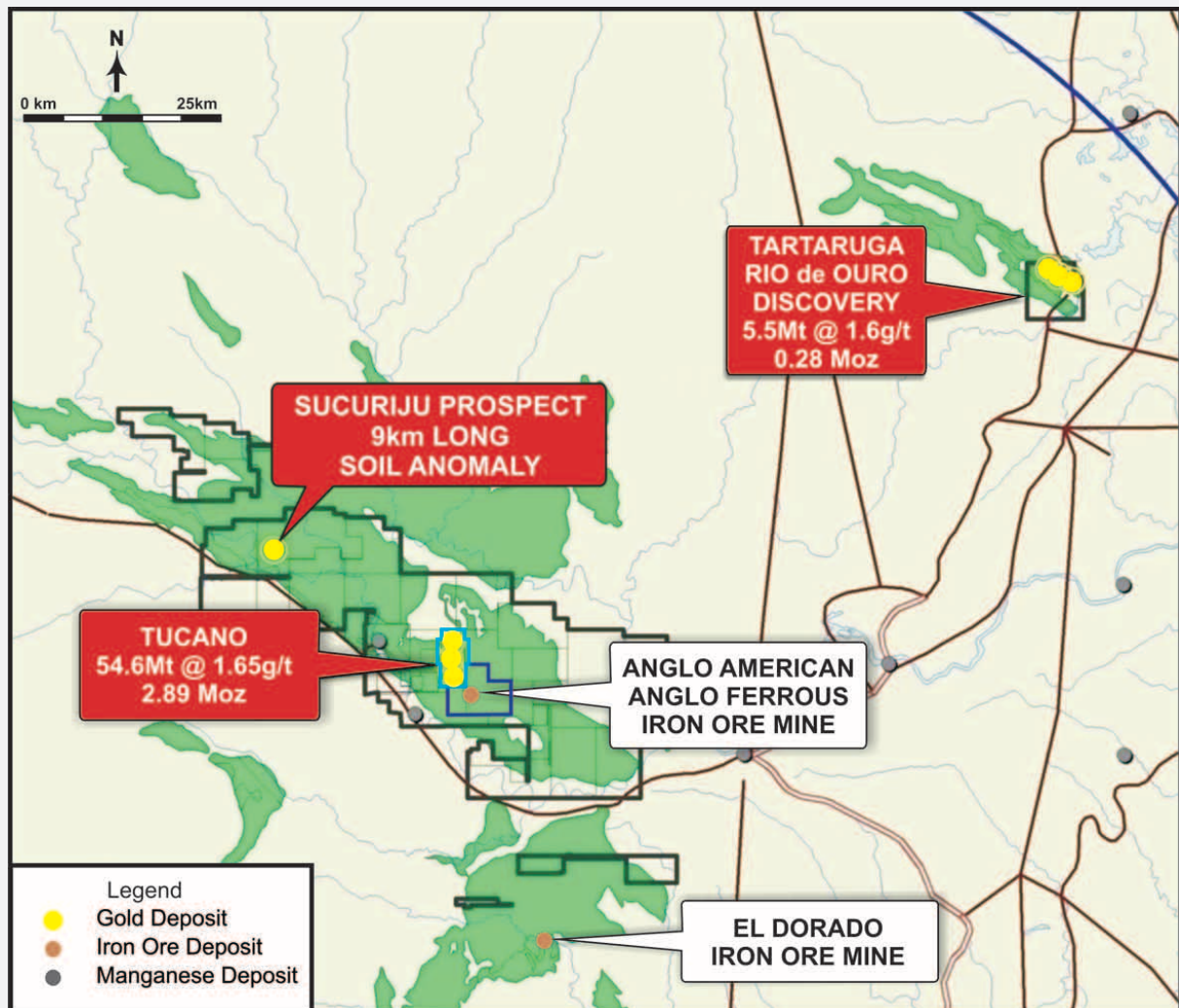


**Geologist inspecting core.**



**Alfredo Nunes - Gerente de Geologia (Geology Manager).**





**Figure 4** Tucano and Tartaruga regional plan.

## Regional Gold Exploration

The Tucano project covers approximately 2,500 km<sup>2</sup> of highly prospective and sparsely explored greenstone terrain. Previous exploration drilling of the greenstone belt has predominantly been focussed on the near mine area with only minimal drilling being completed elsewhere.

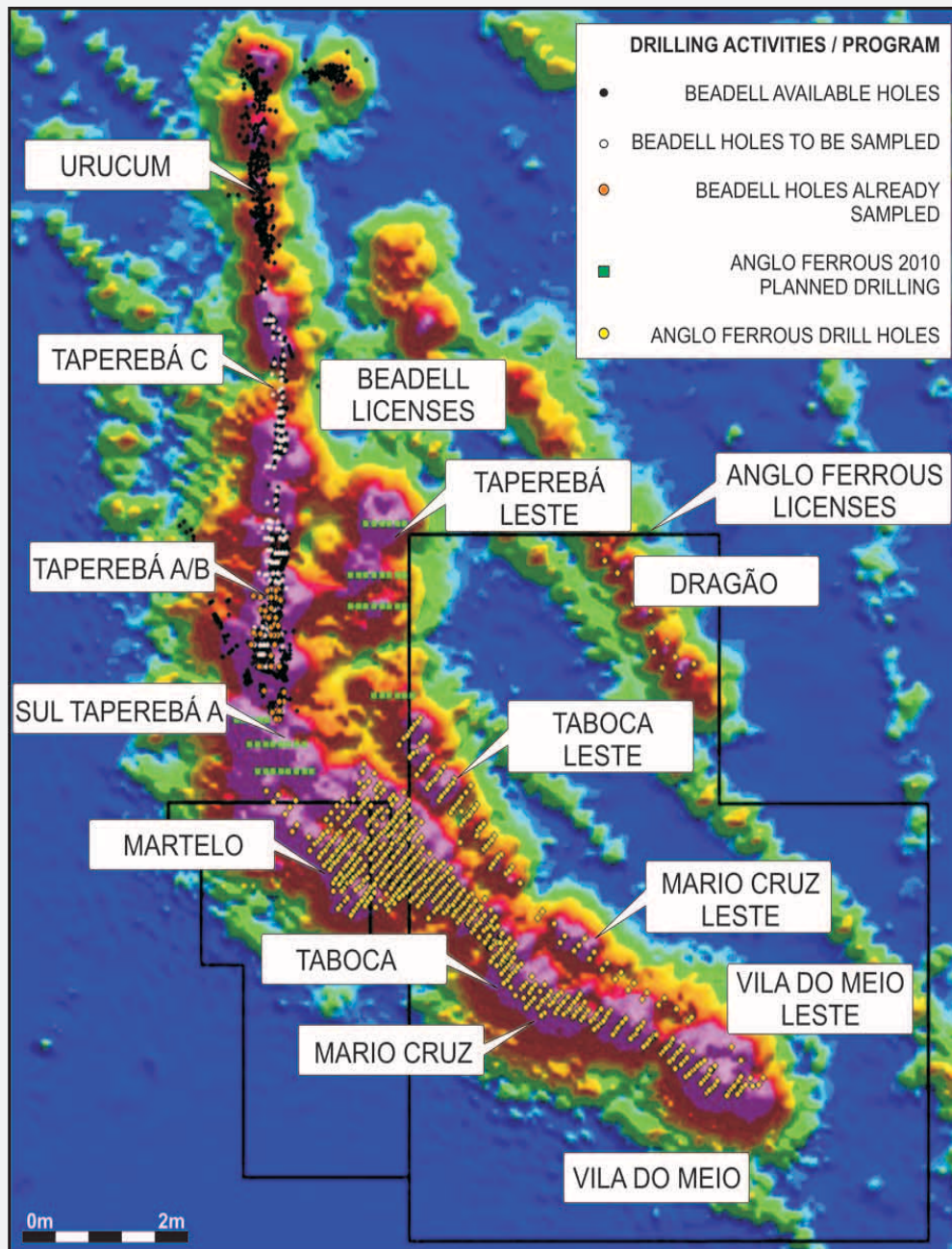
Exploration throughout the greenstone is limited mostly to stream sediment and selected soil sampling programs which have highlighted numerous geochemical anomalies including the Sucuriyu prospect located approximately 60 km northwest of the Tucano plant. Sucuriyu is a 9 km long geochemical anomaly of similar magnitude and orientation to Tucano. As at Tucano, significant alluvial workings of drainage areas by garimpeiros proximal to the bedrock source highlight the extent of gold anomalism in the greenstone belt.



**View looking west from Urucum**

## BRAZIL

### TUCANO ACQUISITION (Continued)



**Figure 5** Aeromagnetics highlighting location of iron ore and drill hole iron ore sampling program.

## Iron Ore

The Tucano project contains significant deposits of Itabirite Iron Ore hosted in an extensive Banded Iron Formation that occurs throughout the greenstone belt. Anglo American plc and Cliffs Natural Resources Inc commenced an open pit mining operation and beneficiation plant in December 2007 and are ramping up to a projected 6.5 Mtpa of pellet and sinter feed production (from 2009 estimated levels of 3.0 Mtpa) which is anticipated to occur between 2011 and 2012.

The mining concession that makes up the Amapá Iron Ore Project is located immediately southeast of the Tucano gold deposits and is hosted in the same Banded Iron Formation (Figure 2).

Significant quantities of friable itabirite iron ore are located within and adjacent to the current optimised open pits at Tapereba AB and Tapereba C having the potential to materially affect the economics of the entire gold project if co-mining of the commodities is agreed.





**Tapereba AB1 looking north west showing extensive iron ore in west wall of the gold pit.**



**Tucano field technicians in core yard facility.**



**Onsite sample preparation facility.**



**Portion of Beadell's earth moving fleet.**

An iron ore resource is currently being estimated by both Anglo American and Beadell with discussions having commenced on a joint mining agreement as is obligated under the existing Exploration Agreement between Anglo American and Beadell. Joint optimisation of gold and iron ore has the potential to drive the pits significantly deeper and also significantly reduce operating costs by offsetting ore and waste mining costs.

Anglo American are currently completing a major re-sampling and logging exercise and a substantial resource drilling program for iron ore within Beadell's tenure.

In September this year it was announced that Beadell had agreed to sell the Amapá Iron Ore Royalty (Royalty) for \$31.25 million cash to the global natural resources royalties company, Anglo Pacific Group plc (LSE:APF and TSX:APY). Completion of the sale is conditional on finalising the definitive documentation of the Sale and Purchase Agreement and on the execution of a Deed of Assignment, Assumption and Consent by the entities that are parties to the Royalty agreements, both of which are expected to occur in the coming weeks.



## COMMUNITY & ENVIRONMENT



**Marta Rocha - Gerente de Meio Ambiente  
(Environmental Manager).**

The Tucano project has a long and successful history of social development and support programs and world class environmental governance practices.

Numerous community initiatives including the support of local business are evident throughout the district including fish farming and other agricultural grants to help develop small business. Trust funds have also been setup for local duristrictions to fund programs that benefit the wider community.



**Adolfo Carvalho - Gerencia Administratia  
(Admin Manager).**

The Tucano site provides numerous employment opportunities for locals who overwhelmingly support the reestablishment of mining activities at Tucano.

Environmental management at Tucano has well established water monitoring systems and a substantial revegetation nursery in place. The widespread use of hydro seeding of disturbed mining areas for rehabilitation and pit wall slope stability has been extremely successful.



**Urucum flowers at nursery.**



**Hydro seeding rehabilitation.**



**Local fish farming development program.**



**William Creek Pond.**



## TARTARUGA PROJECT

The Tartaruga project is also located in the State of Amapa in northern Brazil (see Figure 1), 160 km north of Macapa along the main sealed highway leading to French Guyana. The project comprises a Mining Concession application DNPM 851.439/1980 covering 20,000 ha. The Tartaruga project is only 120 km from the Tucano project and has now been incorporated into the Tucano project as a satellite project.

Total JORC inferred resources of 5.5 Mt @ 1.6 g/t gold for 279,000 ounces exist at the project, including a higher grade core of mineralisation of 2.1 Mt @ 2.7 g/t for 185,000 ounces at a 1.5 g/t lower cut off. The mineralisation remains open in all directions with excellent potential to rapidly increase the resource with additional drilling.

A new gold discovery at Tartaruga named Rio de Ouro was announced in 2009 with rock chip samples from a 400 m long, recently unearthed garimpo recording results up to 470 g/t gold. The Rio de Ouro discovery is located immediately east of the Rio (River) Tartaruga Grande where shallow cover associated with the northern delta of the Amazon basin masks the prospective basement rocks. The landscape is characterised by open cleared farmland with easy access for drill rigs. Rio de Ouro remains completely undrilled.

Ongoing exploration and resource evaluation at the project aims to increase the resource base to over 500,000 oz of gold prior to a decision to develop the project.

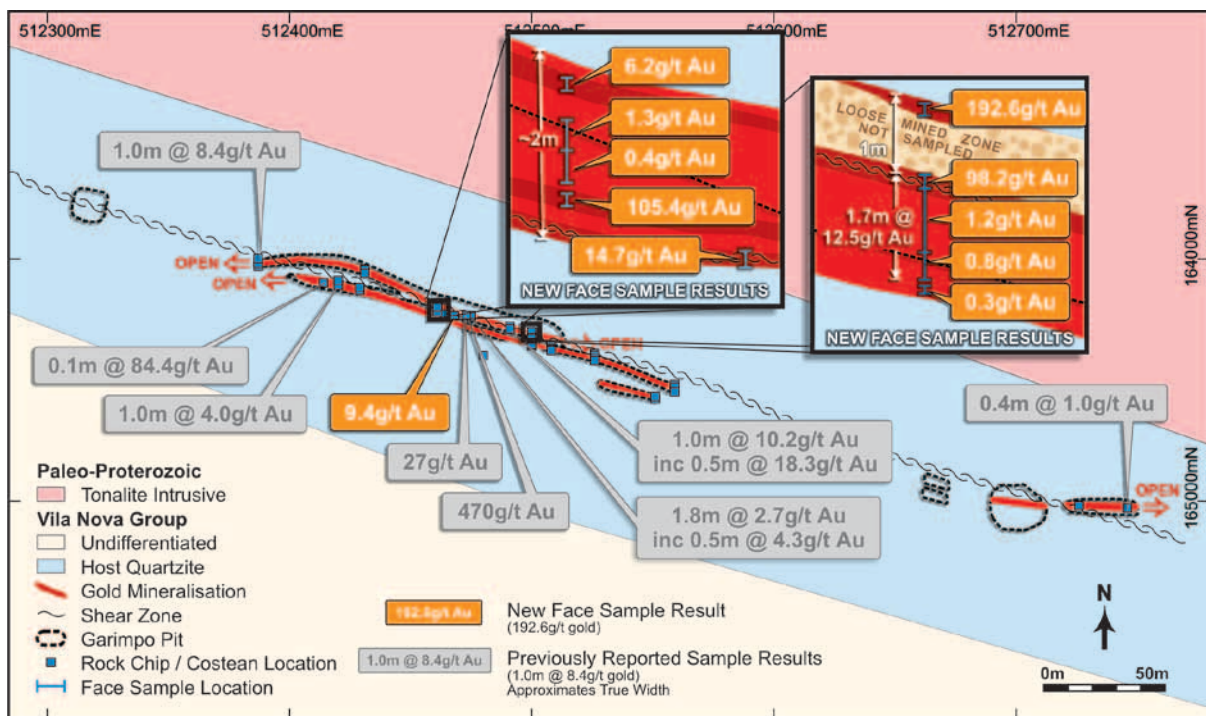
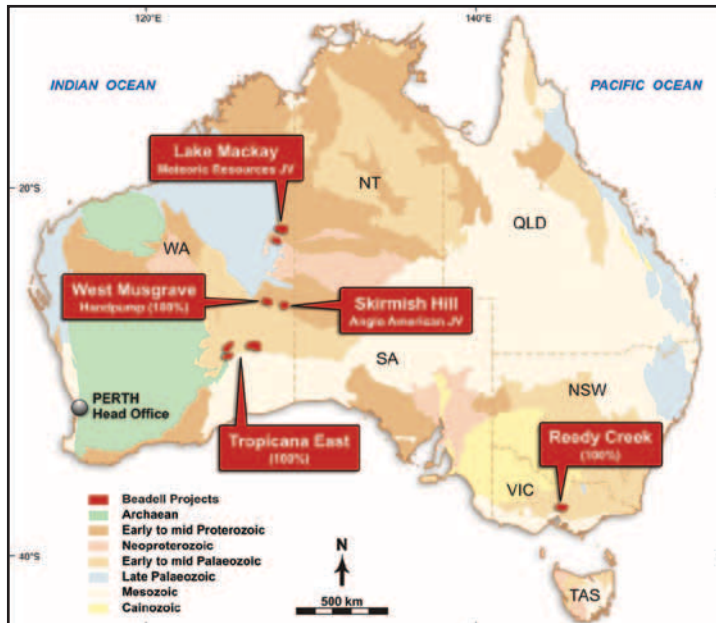


Figure 6 Rio de Ouro prospect plan.

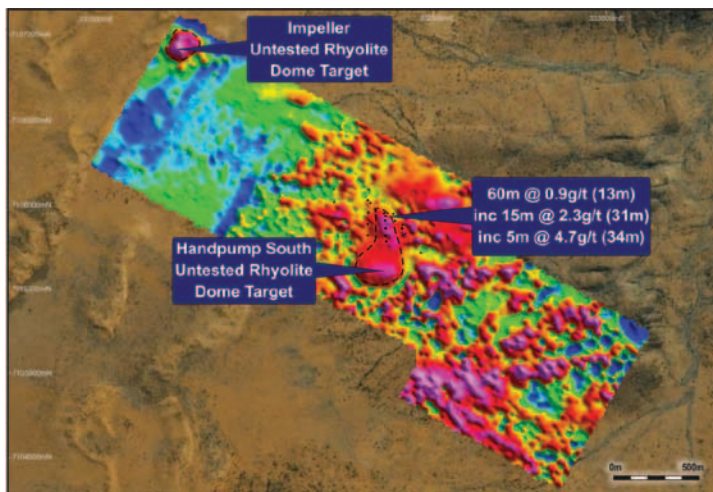


Tartarugalzinho – (Little Turtle).

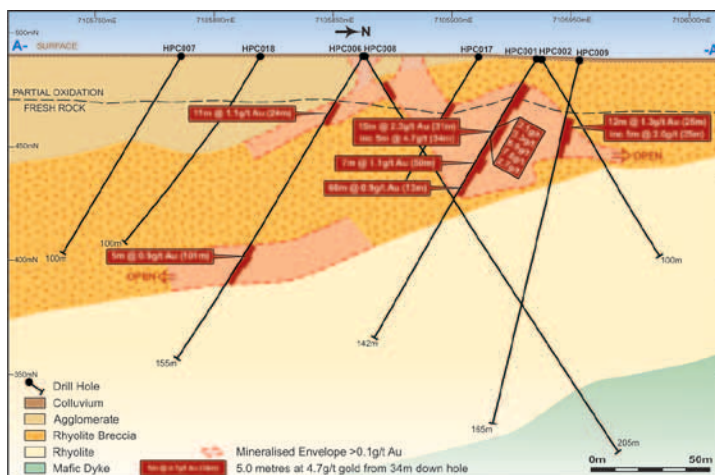
## AUSTRALIA



**Figure 7** Australian projects location plan.



**Figure 8** Handpump plan showing ground magnetic image and drill hole location



**Figure 9** Handpump discovery section.

## WEST MUSGRAVE

### Handpump Prospect

In December 2009 Beadell announced the discovery of the gold mineralisation intersected with the first RC drill hole drilled at the Handpump geochemical anomaly recording **60 m @ 0.9 g/t gold** from 13 m including **5 m @ 4.7g/t gold** from 34 m. This intersection represent the first definitive gold mineralisation intersected in the entire, sparsely explored central Australian Musgrave block, potentially indicating the emergence of a new and exciting gold province in Australia.

Gold mineralisation at Handpump is interpreted to be associated with a flat lying rhyolite dome carapace with mineralisation hosted within an approximately 50 m wide zone of brecciated rhyolite separating unmineralised agglomerate.

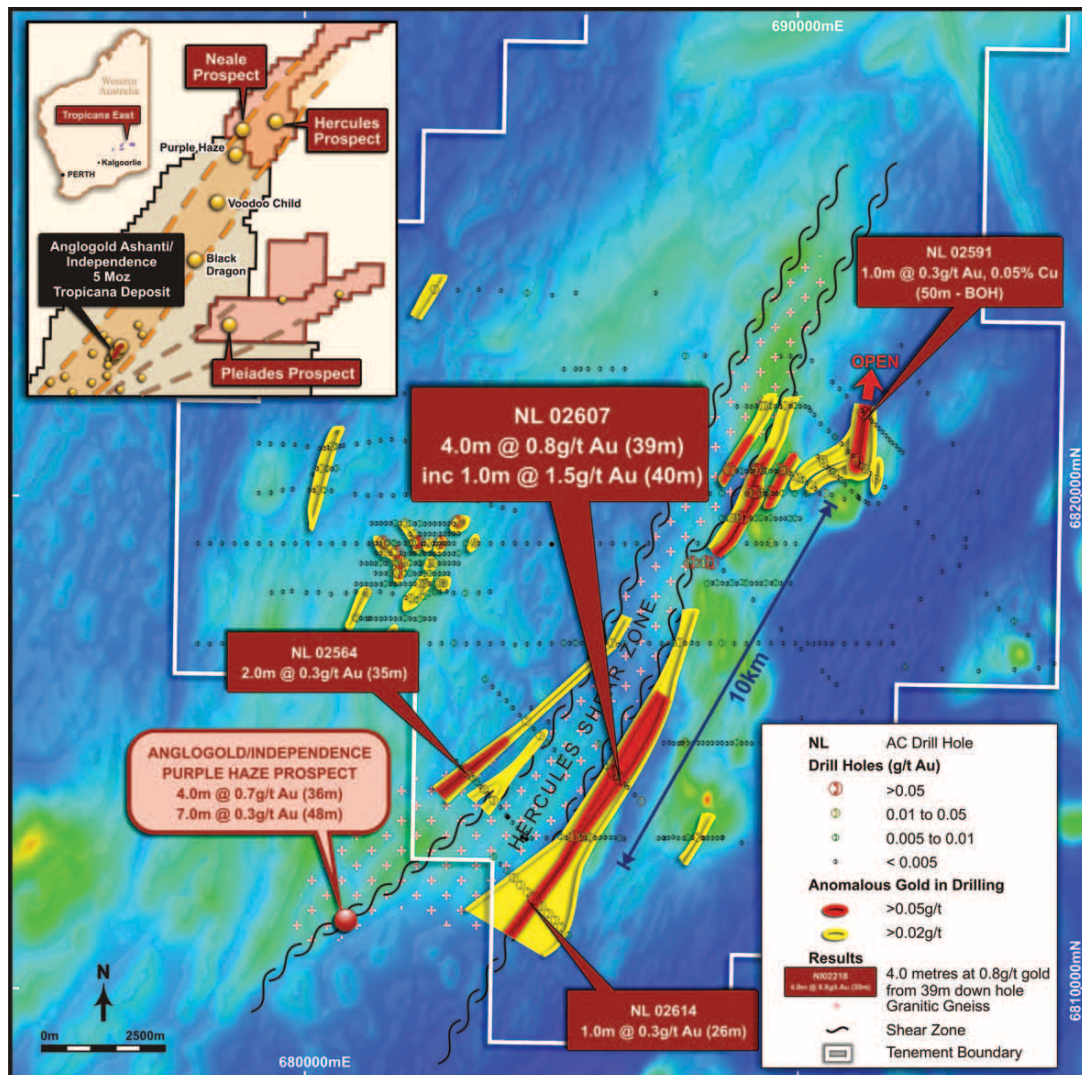
The Handpump gold project has again been recognised for its potential to host a major new frontier style gold deposit with a maximum award of a \$150,000 grant by the Western Australia State Government under the Exploration Initiative Scheme (EIS) to co-fund drilling. Beadell will complete approximately 5,000 m of RC and diamond drilling to test for extensions and repetitions of the recently discovered gold mineralisation.

### Skirmish Hill JV

The Skirmish Hill project covers an area of 560 km<sup>2</sup> in three contiguous granted tenements 80 km south-east of BHPB's Nebo-Babel nickel deposit. The project is considered highly prospective for nickel sulphide, platinum group elements, and copper-gold mineralisation.

Joint Venture partners Anglo American have completed an extensive airborne "Spectrem" EM survey over the project and have commenced follow up on ground field work.





**Figure 10** Tropicana East, Hercules shear zone target plan.

## TROPICANA EAST

The Tropicana East Project is located adjacent to the Anglogold Ashanti/Independence Group 5 Moz Tropicana gold deposit, 350 km north-east of Kalgoorlie in Western Australia.

The Tropicana East project was also awarded the maximum funding under the Exploration Initiative Scheme of \$150,000 to co-fund drilling.

Approximately 10,000 m of aircore drilling is planned to test a 10 km long zone of gold anomalism known as the Hercules Shear Zone (HSZ) where up to 1.5 g/t gold remains untested for 3 km to the northeast and 1.5 km to the southwest (Figure 10).

## LAKE MACKAY.

Joint venture partners Meteoric Resources Ltd completed detailed aeromagnetics over the Dwarf Well area which highlighted several strong aeromagnetic anomalies considered to be excellent IOCG targets.

A single diamond drill hole was drilled down to 604 m targeting the Radiator (T1) geophysical anomaly, however no significant results were reported.

## VICTORIA

### Reedy Creek Project

Gold and antimony mineralisation is hosted by northeast and northwest-trending quartz diorite dyke sets, interpreted to represent a ring dyke-type structure. A JORC inferred resource of 609,000 t @ 2.4 g/t gold for 47,000 ounces exists with mineralisation open at depth and excellent potential to define additional ore shoots within the 800 m strike between Golden Dyke and Apollo.

## RESOURCES & RESERVES

Mineral Resources at the companies Tucano gold project total 54.6 Mt @ 1.65 g/t gold for 2.9 Moz as at 31 December 2008. The Tucano resource comprises total JORC measured and indicated resources of 31.9 Mt @ 1.5 g/t gold for 1.5 Moz and total JORC inferred resources of 22.6 Mt @ 2.0 g/t gold for 1.4 Moz. Beadell is currently completing a 25,000 m first phase drilling program as part of the Definitive Feasibility Study and intends to release an updated JORC resource in November 2010. In the two years since the last resource was calculated over 10,000 m of resource delineation drilling has been completed at Tucano. Results from this drilling will be incorporated into the new resource statement.

Beadell also has existing JORC inferred resources at its nearby Tartaruga project totalling 5.5 Mt @ 1.6 g/t gold for 0.3 Moz and 0.6 Mt @ 2.4 g/t for 0.05 Moz at Reedy Creek in Australia.

Total JORC resources for Beadell are 60.7 Mt @ 1.65 g/t gold for 3.2 Moz.

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

*The Tartaruga deposits of Mineiro, Mandicoal, Bananal and the Reedy Creek deposits of Apollo, Rising Sun and Golden Dyke mineral resources were estimated using Ordinary Kriging. The Tartaruga Mandiocal Supergene and Mandiocal Colluvium resources were estimated using Inverse Distance.*

### *Competency Statement*

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



**Tucano's existing infrastructure looking west.**



## TENENMENT SCHEDULE

### Interests in mining tenements.

At the date of the Directors' Report, the Company's interests in significant mining and exploration tenements were as follows:

Location	Description	Area (Sq km)	Interest %
Tropicana (WA)	E38/1913	467	100
Tropicana (WA)	E39/1215	416.9	100
Tropicana (WA)	E69/2585	210.2	100
Musgrave (WA)	E69/2066	216	100
Musgrave (WA)	E69/2067	216	100
Musgrave (WA)	E69/2150	215.4	100
Musgrave (WA)	E69/2151	215.4	100
Musgrave (WA)	E69/2152	129.3	100
Musgrave (WA)	E69/2780	606.9	100
Musgrave (WA)	E69/2781	411.8	100
Brazil, Tucano	3264/1953	27.4058	100
Brazil, Tucano	2757/1959	5	100
Brazil, Tucano	801225/1977	0.1406	100
Brazil, Tucano	851528/1980	0.7646	100
Brazil, Tucano	850852/1987	34.53	100
Brazil, Tucano	850853/1987	80.6479	100
Brazil, Tucano	850857/1987	91.7385	100
Brazil, Tucano	850858/1987	74.1148	100
Brazil, Tucano	850859/1987	99.08	100
Brazil, Tucano	850860/1987	88.094	100
Brazil, Tucano	850863/1987	100	100
Brazil, Tucano	850864/1987	83.9939	100
Brazil, Tucano	850865/1987	61.9873	100
Brazil, Tucano	850866/1987	44.9407	100
Brazil, Tucano	851676/1992	39.7141	100
Brazil, Tucano	852730/1993	44.7208	100
Brazil, Tucano	852730/1993	55.2963	100
Brazil, Tucano	854262/1993	97.931	100
Brazil, Tucano	851766/1994	89.8286	100
Brazil, Tucano	851770/1994	47.4661	100
Brazil, Tucano	851771/1994	87.5006	100
Brazil, Tucano	852336/1994	9.1904	100
Brazil, Tucano	855033/1994	32.623	100
Brazil, Tucano	855037/1994	22.8902	100
Brazil, Tucano	855399/1994	100	100
Brazil, Tucano	858017/1995	6.4377	100
Brazil, Tucano	858050/1995	93.0009	100
Brazil, Tucano	858051/1995	63.7128	100
Brazil, Tucano	858062/1995	89.8241	100
Lake MacKay (WA)	E80/3820	260.6	100
Lake MacKay (WA)	E80/3821	114.5	100
Lake MacKay (WA)	E80/3822	234.2	100
Lake MacKay (WA)	E80/3823	232.1	100
Reedy Creek (VIC)	EL 4460	71	100
Reedy Creek (VIC)	EL 4987	485	100
Brazil, Tartarugalzinho	DNPM 851.439/1980	96	100
Brazil, Tucano	858092/1996	1.2393	100
Brazil, Tucano	858263/1996	96.9063	100
Brazil, Tucano	858264/1996	100	100
Brazil, Tucano	858265/1996	100	100
Brazil, Tucano	858000/1998	78.8408	100
Brazil, Tucano	858010/1999	9.3088	100
Brazil, Tucano	858010/1999	86.3436	100
Brazil, Tucano	858012/1999	13.7685	100
Brazil, Tucano	858038/1999	36.4799	100
Brazil, Tucano	858073/2001	2.9142	100
Brazil, Tucano	858052/2002	80.6479	100
Brazil, Tucano	858053/2002	26.2134	100
Brazil, Tucano	858060/2002	88.0941	100
Brazil, Tucano	858012/2003	98.2885	100
Brazil, Tucano	858013/2003	2.2659	100
Brazil, Tucano	858037/2003	31.1072	100
Brazil, Tucano	858042/2003	0.1278	100
Brazil, Tucano	858013/2004	83.2944	100
Brazil, Tucano	858016/2004	48.7078	100
Brazil, Tucano	858017/2004	25.2746	100
Brazil, Tucano	858054/2004	9.714	100
Brazil, Tucano	858062/2004	57.7149	100
Brazil, Tucano	858086/2004	4.9554	100
Brazil, Tucano	858114/2004	0.6903	100
Brazil, Tucano	858065/2005	93.229	100
Brazil, Tucano	858001/2006	0.0078	100
Brazil, Tucano	858068/2006	0.0139	100
Brazil, Tucano	858001/2007	5.5622	100
Brazil, Tucano	858049/2007	47.315	100
Brazil, Tucano	858078/2007	0.4984	100
Brazil, Tucano	858063/1995	52.175	100

## DIRECTORS' REPORT

For the year ended to 30 June 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 year ended 30 June 2010 and the auditor's report thereon.

### 1. DIRECTORS

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

Name and qualifications	Experience, special responsibilities and other directorships
<b>Mr Craig Readhead</b> B.Juris, LL.B Independent Non-Executive Director Chairman <i>Appointed 14 April 2010</i>	<p>Mr Readhead is a lawyer with over thirty 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.</p> <p>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 also a former director of Nickelore Ltd having resigned in October 2007.</p> <p>Mr Readhead is Chairperson of the Remuneration and Nomination Committee and the Audit Committee.</p>
<b>Dr Michael Donaldson</b> BA (Hons), PhD, MAIG, MAICD Independent Non-Executive Director <i>Appointed 31 July 2007</i>	<p>Dr Donaldson has over 25 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. Most Recently he was Group Chief Geologist with AIM listed Lithic Metals and Energy.</p> <p>Dr Donaldson is currently a non-executive director of Territory Resources Ltd.</p> <p>Dr Donaldson is a member of the Remuneration and Nomination Committee and the Audit Committee.</p>
<b>Mr Mark Jewell</b> B.Eng (Hons), ACSM, MAusIMM Non-Executive Director <i>Appointed 14 April 2010</i>	<p>Mr Mark Jewell is a Mining Engineer with over thirty 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 having been responsible for the execution of numerous large mining projects overseas.</p> <p>Mr Jewell is a member of the Remuneration and Nomination Committee and the Audit Committee.</p>
<b>Mr Peter Bowler</b> Dip Farm Management (Hons) Managing Director <i>Appointed 3 May 2007</i>	<p>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.</p>
<b>Mr Robert Watkins</b> BSc (Hons), MAusIMM Exploration Director <i>Appointed 3 May 2007</i>	<p>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.</p>



## 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 ten 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 financial year are:

Director	Board Meetings	
	A	B
Mr Craig Readhead	1	1
Mr Mark Jewell	1	1
Dr Michael Donaldson	7	7
Mr Peter Bowler	7	7
Mr Robert Watkins	7	7

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 financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

### 4.1 BOARD OF DIRECTORS

#### Role of the board

The Board's primary role is the protection and enhancement of long-term shareholder value 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](http://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.

From May 2010, the full Board holds twelve 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.

## DIRECTORS' REPORT

For the year ended to 30 June 2010 (continued)

### 4. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

#### 4.1 BOARD OF DIRECTORS (CONTINUED)

##### Composition of the board

The names of the directors of the Company in office at the date of this report are set out in the Directors' report on Section 1 of this report. The composition of the board is determined using the following principles:

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

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 year were:

- Mr C Readhead (Chairman) - Independent Non Executive
- Dr M Donaldson - Independent Non Executive
- Mr M Jewell - Non Independent 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 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 twice per year and additionally as required. The Committee was formed on 17 May 2010 and the first meeting held on 13 July 2010. 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 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. Compensation levels are reviewed by the Remuneration and Nomination Committee through a process that considers individual, segment and overall performance of the Group. External consultants may be engaged to provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place.

### Share based payments

Share based payments are 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.

### 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:

As at 30 June	2010	2009
Share price	\$0.17	\$0.07

### 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 three 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. In the case of wilful or fraudulent misconduct, the Group retains the right to terminate all service contract's without notice. Mr Readhead's contract allows for annual director fees of \$72,500, Mr Jewell's contract allows director fees of \$48,000 and Mr Torresini's contract allows for annual management services of approximately \$260,000. Annual salaries for all other key management personnel are as set out in the table at 4.3.2.

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. Mr Torresini's service contract also requires that upon termination he receive 12 months remuneration, except in the case of dismissal through misconduct, in which case no termination payment is due.

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.

### Salary and performance review

The salary and performance of directors and senior executives is evaluated bi-annually by the Remuneration Committee. As the Remuneration and Nomination Committee was established on 17 May 2010, the Committee did not meet during the year. Senior executive reviews during the financial year were conducted by the Managing Director and in the case of the Directors, these reviews were conducted by the Chairman.

## DIRECTORS' REPORT

For the year ended to 30 June 2010 (continued)

### 4. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

#### 4.3 REMUNERATION REPORT - AUDITED (CONTINUED)

##### 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
<b>2010</b>					
<b>Directors</b>					
<b>Non-executive directors</b>					
<i>Craig Readhead, Chairman (appointed 14 April 2010)</i>	10,333	-	-	10,333	-
<i>Mark Jewell (appointed 14 April 2010)</i>	10,000	-	-	10,000	-
<i>Michael Donaldson</i>	45,000	4,050	33,413	82,463	41%
<b>Executive directors</b>					
<i>Peter Bowler, Managing Director</i>	180,000	16,200	33,413	229,613	15%
<i>Robert Watkins, Exploration Director</i>	180,000	16,200	33,413	229,613	15%
<b>Executives</b>					
<i>Gregory Barrett, Company Secretary, CFO</i>	180,000	16,200	26,234	222,434	12%
<i>Cesar Torresini, General Manager Operations - Brazil (appointed 14 April 2010)</i>	97,404	-	-	97,404	-
<b>Total compensation: (consolidated)</b>	702,738	52,650	126,473	881,861	
<b>Total compensation: (company)</b>	605,334	52,650	126,473	784,457	
<b>2009</b>					
<b>Directors</b>					
<b>Non-executive directors</b>					
<i>Michael Donaldson</i>	48,555	4,370	-	52,925	-
<b>Executive directors</b>					
<i>Peter Bowler, Managing Director</i>	198,741	17,887	-	216,628	-
<i>Robert Watkins, Exploration Director</i>	194,223	17,480	-	211,703	-
<b>Executives</b>					
<i>Gregory Barrett, Company Secretary, CFO</i>	194,223	17,480	-	211,703	-
<b>Total compensation: (consolidated)</b>	635,742	57,217	-	692,959	
<b>Total compensation: (company)</b>	635,742	57,217	-	692,959	



### 4.3.3 Details of performance related remuneration - audited

No amount of remuneration during the year ended 30 June 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.

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 as follows:

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

No options have previously been issued to Key Management Personnel as compensation. No options granted as compensation were exercised during the period.

The Board of Directors passed a circular resolution on 20 July 2010 to grant 22,000,000 options to directors and executives of the Company. Options resolved to be issued to company directors are yet to be granted as they are subject to shareholder approval at the Company's next annual general meeting. The options have an exercise price of \$0.1875, vesting the latter of one year after grant and the decision to mine at the Tucano Gold Project, expiring 30 June 2014. The options will be provided at no cost to recipients.

### 4.3.5 Payments to persons before taking office - audited

There were no payments made to persons before taking office during the year ended 30 June 2010.

## 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 (Chairman) - Independent Non Executive
- Dr M Donaldson, BA (Hons), PhD - Independent Non Executive
- Mr M Jewell, B.Eng (Hons), ACSM, MAusIMM - Non Independent Non Executive

The external auditors and CEO are invited to Audit Committee meetings at the discretion of the Committee. The Committee was formed on 17 May 2010 and held no meetings during the period. The Audit Committee Charter is available on the Company's website.

## DIRECTORS' REPORT

For the year ended to 30 June 2010 (continued)

### 4.5 RISK MANAGEMENT

The size and scope of the Company's activities does not yet justify the establishment of 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 year ended 30 June 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 Brazil. There is no assurance that the systems of government and the political system will remain stable and that government regulations relating to foreign investment, repatriation of foreign currency, taxation and the mining industry in Brazil will not be amended or replaced in the future to the detriment of the Group's business.
- Exploration and development risks;  
There is no assurance that exploration of the mineral interests currently held by the Group, or any other projects that may be acquired in the future, will result in the discovery of an economically viable

mineral deposit. Even if an apparently viable mineral deposit is identified, there is no guarantee that it can be profitably exploited.

- Operational risks;

The operations of the Group may be affected by various factors which are beyond the control of Group, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration, operational and technical difficulties encountered in exploration, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of the Group.

- Tenement title;

Interests in tenements in Australia and Brazil are governed by legislation and are evidenced by the granting of licences. Each Australian licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Group could lose title to or its interest in Tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise. All tenements are subject to applications for renewal or grant (as the case may be) at the discretion of the relevant government authority. If a Tenement is not renewed or granted, the Group may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that Tenement.

- Environmental risks;

Mining is an industry that has become subject to increasing environmental responsibility and liability. The potential for liability is an ever present risk. Future legislation and regulations governing production may impose significant environmental obligations on the Group in relation to mining. Although the Group intends to conduct its operations in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject the Group to extensive liability.

#### Risk management framework

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

## 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;



## DIRECTORS' REPORT

For the year ended to 30 June 2010 (continued)

### 4.6 ETHICAL STANDARDS (CONTINUED)

#### Code of conduct (Continued)

- 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:
  - active promotion of the highest standards of ethics and integrity,
  - disclosure of any actual or perceived conflicts of interest of a direct or indirect nature,
  - respecting the confidentiality of information,
  - dealing with the Company's customers, suppliers, competitors and each other,
  - protection of the assets of the Company,
  - 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 27 of the financial statements.

#### Trading in general Company securities by directors and employees

The Group's policy regarding the Trading in General Company Securities by Directors and Employees 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;
- should never engage in short term trading of any securities of the Company, and;
- should advise the Company Secretary, or in his absence, a Director, of any purchase or sale of securities in the Company within 2 business days.

Directors, employees and their associates may;

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

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

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

## DIRECTORS' REPORT

For the year ended to 30 June 2010 (continued)

### 4.8 DISCLOSURE (CONTINUED)

#### 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. Other than the acquisition noted below in the review of operations, there were no significant changes in the nature of the activities of the Group during the year ended 30 June 2010.

### 6. OPERATING RESULTS AND REVIEW OF OPERATIONS

#### Operating results

The loss after income tax for the period ended 30 June 2010 was \$8,335,000 (2009: \$3,909,000).

#### Review of operations

On 13 April 2010 the Company successfully completed the acquisition of 100% of the issued capital of New Gold Inc.'s Brazilian subsidiary Mineração Pedra Branca do Amapari Ltda (MPBA) which included:

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

The consideration for the acquisition was US\$53,000,000 of which US\$16,000,000 was satisfied by way of issue of 115,004,492 fully paid ordinary shares in the Company and the balance of US\$37,000,000 was paid in cash following settlement of the placement and closing of the acquisition.

To fund the acquisition and provide ongoing working capital the Company raised gross proceeds of \$57,000,000 through the placement of 380,000,000 ordinary shares to institutional and sophisticated investors.

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.

The Company evaluated and pursued other 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 year ended, or since 30 June 2010.

### 8. EVENTS SUBSEQUENT TO REPORTING DATE

On 6 August 2010 the Company announced that a long standing claim of approximately \$47,000,000 was settled for approximately \$440,000. This claim was inherited by the Company on acquisition of Beadell Brasil Ltda (formerly MPBA). The claim related to an alleged environmental disturbance of the William Creek system dating back several years.

The Company was advised that the claim was without substantive merit, however in the interest of fostering continuing good relations with the local stakeholders, it was resolved that settlement of the claim would provide greater clarity for the development of the project.

On 23 September 2010 the Company announced that it has agreed to sell the Amapá Iron Ore Royalty (Royalty) for \$31.25 million to Anglo Pacific Group plc. Completion of the sale is conditional on finalising the definitive documentation of the Sale and Purchase Agreement and on the execution of a Deed of Assignment, Assumption and Consent by the entities that are parties to the Royalty agreements.



There has not arisen in the interval between the end of the financial year and the date of this report any other 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 is focussed on developing its Tucano Project in Amapá State, Brazil. The Group is currently undertaking a definitive feasibility study in relation to recommending mining operations and gold production at Tucano and anticipates the study will be completed in late calendar year 2010.

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

## 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
Craig Readhead	12,000	-
Mark Jewell	410,000	-
Michael Donaldson	2,233,333	500,000
Peter Bowler	12,543,333	1,500,000
Robert Watkins	6,650,001	1,500,000

Since the end of the financial year the Board of Directors has resolved to issue options to each director named above, these options are discussed in the remuneration report at 4.3 of this report.

## 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	465,000
30 June 2011	\$0.3500	210,000
30 June 2012	\$0.3000	200,000
30 June 2013	\$0.1200	2,300,000
30 June 2014	\$0.1875	5,380,000

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 or since the end of the period to 30 June 2010, the Company issued no ordinary shares as a result of the exercise of options.

## 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.

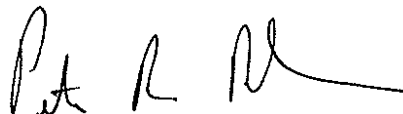
## DIRECTORS' REPORT

For the year ended to 30 June 2010 (continued)

### 13. NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has provided taxation advisory services in addition to their statutory duties in Australia and Brazil, in the amount of nil and \$6,500 respectively. The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001.

This report is made with a resolution of the directors:



**PETER BOWLER**  
Managing Director

Dated at Perth, this 30th day of September 2010.

### 14. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 72 and forms part of the directors' report for the year ended 30 June 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.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010



		Consolidated	
	Note	2010 \$'000	2009 \$'000
<b>Assets</b>			
Cash and cash equivalents	15	23,703	5,082
Prepayments		60	67
Trade and other receivables	14	1,285	103
Inventories	10	10,144	-
Current tax assets		196	-
<b>Total current assets</b>		35,388	5,252
Exploration and evaluation assets	12	12,001	3,441
Property, plant and equipment	11	19,055	313
Intangible assets	17	30,000	-
Other non-current assets	13	250	250
<b>Total non-current assets</b>		61,306	4,004
<b>Total assets</b>		96,694	9,256
<b>Liabilities</b>			
Trade and other payables	21	2,154	280
Employee benefits	19	625	79
Provisions	24	520	-
<b>Total current liabilities</b>		3,299	359
Trade and other payables	21	54	-
Provisions	24	12,740	-
<b>Total non-current liabilities</b>		12,794	-
<b>Total liabilities</b>		16,093	-
<b>Net assets</b>		80,601	8,897
<b>Equity</b>			
Share capital		95,592	18,045
Reserves		2,589	97
Retained earnings		(17,580)	(9,245)
<b>Total equity</b>	23	80,601	8,897

The notes on pages 33 to 68 are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

		Consolidated	
	Note	2010 \$'000	2009 \$'000
Revenue	6	2,884	-
Cost of sales		(2,959)	-
<b>Gross profit/(loss)</b>		(75)	-
Other income	6	1,201	356
Administrative expenses		(3,336)	(1,657)
Project exploration and evaluation expenses		(5,539)	(2,355)
Impairment losses	12	(1,100)	(646)
<b>Results from operating activities</b>		(8,849)	(4,302)
Finance income		318	393
Finance expense		-	-
<b>Net finance income/(expense)</b>	8	318	393
<b>Loss for the period before income tax</b>	5	(8,531)	(3,909)
Income tax (expense)/recovery	9	196	-
<b>Loss for the period after income tax</b>		(8,335)	(3,909)
<b>Other comprehensive income</b>			
Foreign currency translation differences for foreign operations	9	1,267	(12)
<b>Loss for the period after income tax</b>		(7,068)	(3,921)
<b>Loss attributable to:</b>			
Equity holders of the Company		(8,335)	(3,909)
<b>Loss for the period</b>		(8,335)	(3,909)
<b>Other comprehensive income attributable to:</b>			
Equity holders of the Company		(7,068)	(3,921)
<b>Total comprehensive loss for the period</b>		(7,068)	(3,921)
<b>Loss per share:</b>			
Basic Loss per share (\$)	18	(0.04)	(0.04)
Diluted Loss per share (\$)	18	(0.04)	(0.04)

The notes on pages 33 to 68 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	Trans-lation reserve \$'000	Share based payments reserve \$'000	Option premium reserve \$'000	Accu-mulated losses \$'000	Total equity \$'000
<b>For the year ended 30 June 2009</b>							
Balance at 1 July 2008		18,045	17	73	3	(5,336)	12,802
<b>Total comprehensive loss for the period</b>							
Loss for the period		-	-	-	-	(3,909)	(3,909)
<b>Other comprehensive loss</b>							
Foreign currency translation differences	8	-	(12)	-	-	-	(12)
Total other comprehensive loss		-	(12)	-	-	-	(12)
Total comprehensive loss for the period		-	(12)	-	-	(3,909)	(3,921)
<b>Transactions with owners recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Share based payments	20	-	-	16	-	-	16
Total contributions by and distributions to owners	-	-	16	-	-	16	
Balance as at 30 June 2009		18,045	5	89	3	(9,245)	8,897
<b>For the year ended 30 June 2010</b>							
Balance at 1 July 2009		18,045	5	89	3	(9,245)	8,897
<b>Total comprehensive loss for the period</b>							
Loss for the period		-	-	-	-	(8,335)	(8,335)
<b>Other comprehensive loss</b>							
Foreign currency translation differences	8	-	1,267	-	-	-	1,267
Total other comprehensive loss		-	1,267	-	-	-	1,267
Total comprehensive loss for the period		-	1,267	-	-	(8,335)	(7,068)
<b>Transactions with owners recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Issue of ordinary shares	23	80,976	-	-	-	-	80,976
Equity transaction costs		(3,429)	-	-	-	-	(3,429)
Share based payments	20	-	-	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	1,272	1,314	3	(17,580)	80,601

The notes on pages 33 to 68 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

		Consolidated	
	Note	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		3,717	356
Cash paid to suppliers and employees		(1,541)	(1,535)
<b>Net cash provided by (used in) operating activities</b>	15b	2,176	(1,179)
<b>Cash flows from investing activities</b>			
Interest received		242	360
Proceeds from sale of property, plant and equipment		4	-
Acquisition of subsidiary, net of cash acquired	16	(37,422)	-
Payments for evaluation and exploration expenditure		(5,083)	(2,377)
Cash paid as security for bank guarantees		-	(44)
Payments for acquisition of property, plant and equipment	11	(4)	(12)
Payments for acquisition of exploration assets		(28)	-
Refundable deposit refunded (paid) for the acquisition of mine assets		-	2,000
<b>Net cash provided by (used in) investing activities</b>		(42,291)	(73)
<b>Cash flows from financing activities</b>			
Proceeds from issue of share and options	23	62,000	-
Transaction costs paid related to the issue of shares	23	(3,429)	-
<b>Net cash provided by (used in) financing activities</b>		58,571	-
Net increase (decrease) in cash and cash equivalents		18,456	(1,252)
Cash and cash equivalents at 1 July		5,082	6,346
Effect of exchange rate fluctuations on cash held		165	(12)
<b>Cash and cash equivalents at 30 June</b>	15a	23,703	5,082

The notes on pages 33 to 68 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 2009 to 30 June 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 30 September 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 12: exploration and evaluation assets
- note 20: share-based payments
- note 24: provisions
- note 26: contingencies
- note 16: acquisition of a subsidiary
- note 10: inventories
- note 17: intangible assets

### Acquisition of a subsidiary

The Group has acquired a subsidiary during the period and has 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 for the purpose of this financial report, have been determined provisionally pending completion of more detailed valuations. The Group's accounting policy in relation to business combinations can be found at note 3(a)(iii).

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 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) Change in accounting policy

Starting as of 1 July 2009, the group has changed its accounting policies in the following areas;

- Presentation of financial statements
- Segment reporting

#### (f) Corporations Act

Key amendments to the Corporations Act 2001 removed the requirement to include full parent entity financial statements when preparing consolidated financial statements. This amendment is applicable for financial years ended 30 June 2010. Disclosures regarding the parent entity are included in note 32.

### 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.

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 exchange rates at the dates of the transactions. Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the income statement.

## **(c) Financial instruments**

### **(i) Derivative financial instruments**

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

### **(ii) Non-derivative financial instruments**

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

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

#### (ii) Non-derivative financial instruments (continued)

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**

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.

#### (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.

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

- buildings 10 years
- 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 balance sheet.

## **(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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Impairment (continued)

##### (i) Financial assets (continued)

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, otherwise known as cash-generating unit ("CGU").

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's

carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (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.

#### **(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 using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the

initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Provisions (continued)

#### Site restoration (continued)

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.

### (n) Goods and services tax and equivalent taxes

Revenue, expenses and assets are recognised net of the amount of goods and services tax and equivalent 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. This change in accounting policy is the result of the adoption of IFRS 8 Operating Segments.

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) **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.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

#### (u) **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 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 Financial Instruments includes requirements for the classification and measurement of 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 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 13). 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, gold on carbon sales, rental receivables from the Group's sub-lessee's, interest receivable and goods and services and equivalent 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;

	<i>Note</i>	<b>Consolidated</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Australia</b>			
Cash and cash equivalents		20,530	5,082
Security given for bank guarantees		250	250
Other receivables		147	165
Exposure to credit risk		20,927	5,497
<b>Brazil</b>			
Cash and cash equivalents		3,173	-
Security given for bank guarantees		-	-
Other receivables		1,138	-
Exposure to credit risk		4,311	-
<b>Total</b>			
Cash and cash equivalents	15	23,703	5,082
Security given for bank guarantees	13	250	250
Other receivables	14	1,285	165
Exposure to credit risk		25,238	5,497

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:

<b>Consolidated</b>	<b>Carrying amount \$'000</b>	<b>Contractual cash flows \$'000</b>	<b>6 months or less \$'000</b>	<b>1 - 3 years \$'000</b>
<b>2010</b>				
Trade and other payables	2,208	2,208	2,154	54
Balance at 30 June 2010	2,208	2,208	2,154	54
<b>2009</b>				
Trade and other payables	280	280	222	58
Balance at 30 June 2009	280	280	222	58

### 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);

	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Cash and cash equivalents	3,173	-
Other receivables	1,138	-
Trade and other payables	(1,598)	-
Total exposure	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 \$247,000. 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 three to six months. The Group's variable rate financial securities consist of cash balances held in deposit accounts at variable interest rates with no fixed term.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Market risk (Continued)

#### Interest rate risk (Continued)

##### Profile

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

	Consolidated	
	2010 \$'000	2009 \$'000
<b>Interest bearing financial instruments</b>		
Financial assets	20,779	5,332
Total interest bearing financial instruments	20,779	5,332

#### Cash flow sensitivity analysis - interest rates

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

Sensitivity	100bp increase 2010 \$'000	100bp decrease 2010 \$'000	100bp increase 2009 \$'000	100bp decrease 2009 \$'000
Interest	83	(83)	58	(58)
Increased (decreased) loss	83	(83)	58	(58)

#### Fair values versus carrying amounts

Carrying amounts of financial assets and liabilities equate to their corresponding fair values. Some fair values have been determined provisionally, as discussed at note 16.

#### Other market price risk

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

#### 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 16). The Group has realised sales from these inventories during the year and accordingly has been exposed to fluctuations in the gold price. An amount of gold on carbon inventories remains on hand at year end. The Group does 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 increased (decreased) the Group's loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Sensitivity	\$50/oz increase 2010 \$'000	\$50/oz decrease 2010 \$'000	\$50/oz increase 2009 \$'000	\$50/oz decrease 2009 \$'000
Gold price	(112)	112	-	-
Increased (decreased) loss	(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
<b>2010</b>			
External revenues and royalties	3,582	-	3,582
Depreciation	(700)	(89)	(789)
Impairment of segment assets	-	(1,100)	(1,100)
Reportable segment loss before income tax	(2,812)	(3,995)	(6,807)
<b>2009</b>			
External revenues and royalties	-	-	-
Depreciation	(5)	(92)	(97)
Impairment of segment assets	-	(646)	(646)
Reportable segment loss before income tax	(278)	(2,821)	(3,099)

### Reconciliation of reportable segment loss

	2010 \$'000	2009 \$'000
Total loss for reportable segments	(6,807)	(3,099)
Unallocated amounts		
- Corporate income	1,016	505
- Corporate expenses	(2,740)	(1,315)
Consolidated loss before tax	(8,531)	(3,909)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 5. OPERATING SEGMENTS (CONTINUED)

#### Information about reportable segment assets

	Brazil \$'000	Australia \$'000	Total \$'000
<b>2010</b>			
Reportable segment assets	70,549	1,841	72,390
<b>2009</b>			
Reportable segment assets	799	3,032	3,831

#### Reconciliation of reportable segment assets

	2010 \$'000	2009 \$'000
Total assets for reportable segments	72,390	3,831
Unallocated amounts		
- Corporate assets	24,304	5,425
Consolidated assets	96,694	9,256

#### 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.

	2010		2009	
	Revenues \$'000	Non-current assets \$'000	Revenues \$'000	Non-current assets \$'000
Australia	-	2,030	-	3,214
Brazil	2,884	59,266	-	790
Balance at 30 June	2,884	61,306	-	4,004

#### Major customer

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

### 6. REVENUE AND OTHER INCOME

	Consolidated	
	2010 \$'000	2009 \$'000
<b>Revenue</b>		
Gold on carbon sales	2,884	-
<b>Other income</b>		
Royalty income	699	-
Rental income	437	356
Other income	65	-
Other income	1,201	356

## 7. PERSONNEL EXPENSES

	<i>Note</i>	Consolidated	
		2010 \$'000	2009 \$'000
Wages, salaries and benefits		1,373	1,199
Contributions to defined contribution plans		229	102
Increase in liability for annual leave		84	1
Share-based payment transactions	20	150	16
Personnel expenses		1,836	1,318

## 8. FINANCE INCOME AND EXPENSE

	Consolidated	
	2010 \$'000	2009 \$'000
<b>Recognised in profit or loss</b>		
Interest income on bank deposits	318	393
Net finance income (expense)	318	393
<b>Recognised directly in equity</b>		
Foreign currency translation differences for foreign operations	1,267	(12)
Finance income recognised directly in equity, net of tax	1,267	(12)
Attributable to:		
Equity holders of the Company	1,267	(12)
Finance income recognised directly in equity, net of tax	1,267	(12)

## 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. 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	
	2010 \$'000	2009 \$'000
Current income tax charge	-	-
Over provision from prior year	196	-
Tax income reported in the statement of comprehensive income	196	-



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 9. INCOME TAX (CONTINUED)

#### Income Statement (Continued)

#### *Numerical reconciliation between tax loss and pre-tax accounting loss*

	Consolidated	
	2010	2009
	\$'000	\$'000
Loss for the period	(8,335)	(3,909)
Income tax benefit at the Group's tax rates of Australia: 30% and Brazil: 34%	(3,142)	(1,173)
Income not assessable	(91)	(10)
Expenditure not allowable for tax purposes	1,911	313
Current year losses for which no deferred tax asset was recognised	1,518	870
Tax income reported in the statement of comprehensive income	196	-

#### Deferred income tax

	Consolidated	
	2010	2009
	\$'000	\$'000
<b>Tax assets/(liabilities)</b>		
Exploration and evaluation assets	(4,016)	(182)
Property, plant and equipment	17,425	-
Trade and other receivables	124	557
Intangible assets	(10,200)	-
Trade and other payables	387	31
Inventories	1,990	-
Employee benefits	25	17
Provisions	4,508	-
Deductible equity raising costs	994	228
Prepayments	(18)	(21)
Deferred tax (assets) liabilities not brought to account	(11,219)	(630)
Net deferred tax assets	-	-

## Unrecognised deferred tax balances

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

	Consolidated	
	2010 \$'000	2009 \$'000
<b>Deferred tax assets</b>		
Deductible temporary differences	25,453	1,465
Tax losses - Australia	3,644	2,758
Tax losses - Brazil	21,342	398
Balance at 30 June	50,439	4,621
<b>Deferred tax liabilities</b>		
Assessable temporary differences	(14,234)	(835)
Balance at 30 June	(14,234)	(835)

## 10. INVENTORIES

	Consolidated	
	2010 \$'000	2009 \$'000
Gold on carbon - net realisable value	1,857	-
Spare parts, raw materials and consumables	8,287	-
Balance at 30 June	10,144	-
Inventories carried at fair value less cost to sell	1,857	-

As part of the business combination described in note 16, the Group acquired approximately 4,000 net ounces of gold on carbon. Processing of the gold on carbon has resulted in the recognition of \$2,959,000 in cost of sales during the period. At year end the Group has approximately 1,500 net ounces that remain untreated, which has been valued at prevailing market prices, being the net realisable value. This balance represents the Group's work in progress inventories.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 11. PROPERTY, PLANT AND EQUIPMENT

		Consolidated			
		Land & buildings \$'000	Plant & equipment \$'000	Fixtures & fittings \$'000	Total \$'000
2010	Note				
<b>Cost</b>					
Opening balance		-	436	25	461
Acquisitions through business combinations	16	3,835	14,773	-	18,608
Other additions		-	3	1	4
Disposals		-	(27)	-	(27)
Effect of movements in exchange rates		191	735	-	926
Balance at 30 June 2010		4,026	15,920	26	19,972
<b>Depreciation</b>					
Opening balance		-	146	2	148
Depreciation for the period		231	558	2	791
Disposals		-	(22)	-	(22)
Balance at 30 June 2010		231	682	4	917
<b>Carrying amount</b>					
Opening balance		-	290	23	313
Balance at 30 June 2010		3,795	15,238	22	19,055

		Consolidated			
		Land & buildings \$'000	Plant & equipment \$'000	Fixtures & fittings \$'000	Total \$'000
2009					
<b>Cost</b>					
Opening balance		-	424	25	449
Additions		-	12	1	12
Disposals		-	-	-	-
Balance at 30 June 2010		-	436	25	461
<b>Depreciation</b>					
Opening balance		-	50	-	50
Depreciation for the period		-	96	2	98
Balance at 30 June 2009		-	146	2	148
<b>Carrying amount</b>					
Opening balance		-	374	25	399
Balance at 30 June 2009		-	290	23	313

## 12. EXPLORATION AND EVALUATION ASSETS

	<i>Note</i>	<b>Consolidated</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cost</b>			
Opening balance		3,441	3,989
Acquisitions through business combinations	16	9,174	-
Other acquisitions		-	40
Impairment of Australian tenement costs		(1,100)	(588)
Effect of movements in exchange rates		486	-
Balance at 30 June		12,001	3,441

Exploration and evaluation assets reflect capitalised acquisition costs only. The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest. As part of the Group's regular impairment review of exploration and evaluation assets, a total charge of \$1,100,000 has been recognised in respect of tenements where, after considering prevailing market conditions and the potential for significantly extending existing resources, the Group is unlikely to fully recover acquisition costs.

## 13. OTHER NON-CURRENT ASSETS

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	250	206
Security for bank guarantees given	-	250
Security for bank guarantees released	-	(206)
Balance at 30 June	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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 14. TRADE AND OTHER RECEIVABLES

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Other receivables	1,248	155
Goods and services and equivalent taxes	37	10
Provision for impairment	-	(62)
Balance at 30 June	1,285	103

### 15A. CASH AND CASH EQUIVALENTS

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank balances	23,703	5,082
Cash and cash equivalents in the statement of cash flows	23,703	5,082

### 15B. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

		<b>Consolidated</b>	
	<b>Note</b>	<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Loss for the period		(8,335)	(3,909)
Adjustments for:			
Finance income classified as investing activities	8	(318)	(356)
Depreciation	11	791	98
Equity-settled share-based payment transactions	20	1,225	16
Impairment losses recognised	12	1,100	646
Change in provisions		(230)	-
Exploration and evaluation expenditure classified as investing activities		5,539	2,355
<b>Operating profit (loss) before changes in working capital and provisions</b>		(228)	(1,150)
Change in inventories		2,109	-
Change in trade and other receivables		(639)	(59)
Change in trade and other payables		928	24
Change in prepayments		6	6
<b>Net cash used in operating activities</b>		2,176	(1,179)

## 16. ACQUISITION OF SUBSIDIARY

### Business combination

On 13 April 2010 the Group successfully completed the acquisition of 100% of the issued capital of New Gold Inc.'s Brazilian subsidiary Mineração Pedra Branca do Amapari Ltda (MPBA), including;

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

To fund the cash consideration of the acquisition and provide ongoing working capital the Company raised net proceeds of \$53,571,000 (\$57,000,000 gross proceeds less \$3,429,000 transaction costs) through the placement of 380,000,000 ordinary shares at \$0.15 per share to institutional and sophisticated investors. For the purposes of applying AASB 3 Business Combinations, the fair value of the shares was based on the closing share price of the Company as at the date of acquisition of \$0.165.

Since the acquisition, Beadell Brasil Ltda (formerly MPBA) has contributed revenue of \$2,884,000 and a loss of \$2,768,000. If the acquisition occurred on 1 July 2009, management estimates the consolidated revenue would have been \$9,799,000 and the consolidated loss would have been \$16,135,000.

### Consideration transferred

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

	\$'000
Cash	39,649
Equity instruments (115,004,492 ordinary shares)	18,976
Total consideration	58,625

### Identifiable assets acquired and liabilities assumed

	Provisional values recognised on acquisition \$'000
Cash and cash equivalents	2,227
Other receivables	724
Inventories	12,568
Property, plant and equipment	18,608
Investments	11
Mineral Rights	9,174
Intangibles	30,000
Trade and other payables, including employee benefits payable	(1,809)
Site restoration provision	(8,686)
Legal claims provision	(4,192)
Total net identifiable assets	58,625

The assets and liabilities recognised on acquisition are their estimated fair values. For the purposes of the annual financial report these values have been provisionally determined pending the completion of more detailed assessments, which may impact on acquisition accounting entries.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 17. INTANGIBLE ASSETS

#### Iron ore royalty

		Consolidated	
	Note	2010 \$'000	2009 \$'000
<b>Cost</b>			
Balance at 1 July		-	-
Acquisitions through business combinations	16	30,000	-
Balance at 30 June		30,000	-

As part of the business combination described in note 16, the Group has acquired an iron ore royalty. The royalty is calculated as 1% of gross iron ore revenue (net of 2% federal royalty) received from the sale of iron ore mined from certain tenements acquired by the Group where it has assigned its iron ore rights to Anglo American plc.

Subsequent to year end the royalty has been sold, subject to certain conditions precedent, for \$31,250,000. Details of this transaction can be found at note 29.

### 18. LOSS PER SHARE

#### Basic loss per share

The basic loss per share for the period is \$0.04 (2009: \$0.04). The calculation of basic loss per share at 30 June 2010 was based on the consolidated loss attributable to ordinary shareholders of \$8,335,000 (2009: \$3,909,000) and a weighted average number of ordinary shares outstanding of 216,684,101 (2009: 93,600,003) calculated as follows:

#### Loss attributable to ordinary shareholders

	2010 \$'000	2009 \$'000
Loss for the year	\$8,335,000	\$3,909,000
Loss attributable to ordinary shareholders	\$8,335,000	\$3,909,000

#### Weighted average number of ordinary shares

	2010 \$'000	2009 \$'000
<i>Weighted average effects</i>		
Open balance	93,600,003	93,600,003
Effect of shares issued 13 April 2010	118,622,142	-
Effect of shares issued 18 May 2010	4,461,956	-
Weighted average number of ordinary shares at 30 June	216,684,101	93,600,003

#### 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 13,175,000 dilutive share options issued as share based payments (refer note 20) and 3,000,000 dilutive share options issued to shareholders of the Company (refer note 23).

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.

## 19. EMPLOYEE BENEFITS

Current	Consolidated	
	2010 \$'000	2009 \$'000
Salaries, wages and benefits accrued	266	53
Liability for annual leave	359	26
Total employee benefits	625	79

## 20. 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 year:

	2010 \$'000	2009 \$'000
Opening Balance	935,000	840,000
Options granted during the period	2,300,000	570,000
Options cancelled during the period	(60,000)	(475,000)
Options outstanding at 30 June	3,175,000	935,000
Options exercisable at 30 June	3,175,000	675,000

The outstanding balance as at 30 June 2010 is represented by:

Number of options	Grant period	Vesting	Expiring	Strike price per option	Weighted average 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

### Employee share options granted during period ended 30 June 2010

A total of 2,300,000 options were granted to key management personnel and other employees during the period. 800,000 options were granted to employees of the Company on 27 August 2009 and a further 1,500,000 options granted to Directors of the Company on 25 November 2009. Details regarding their expiry and average value per option are detailed in the table above.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 20. SHARE-BASED PAYMENTS (CONTINUED)

#### Employee Share Option Plan (continued)

##### *Employee share options granted during period ended 30 June 2010 (continued)*

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

Weighted average inputs	Employees	Directors
Contractual life (years)	3.7	3.6
Market value of the underlying shares	\$0.10	\$0.12
Exercise price of options granted	\$0.12	\$0.12
Expected volatility of the underlying shares	72.40%	73.35%
Risk free rate applied	5.02%	5.02%

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

##### *Employee share options cancelled during period ended 30 June 2010*

A total of 60,000 options were cancelled on 1 October 2009 as a result of failure to meet vesting conditions stated in the terms and conditions of the Employee Share Option Plan.

##### *Recognised as employee costs during the period ended 30 June 2010*

	Consolidated	
	2010	2009
	\$'000	\$'000
Opening balance	89	73
Share options granted - equity settled	152	26
Share options cancelled - equity settled	(2)	(10)
Share based payments recognised	239	89

#### Other share based payments

In accordance with the terms of mandates entered into with Macquarie Bank Ltd and Macquarie Capital Group Ltd in relation to the capital raising approved by shareholders on 12 March 2010, the Company has granted Macquarie Bank Limited and Macquarie Capital Group Ltd 5,000,000 options each. The options were granted and vested on 21 April 2010. Each option has a strike price of \$0.1875, expiring on 21 April 2014 and has a fair value of \$0.11.

The grant date fair value of share options was measured using the Black-Scholes formula. The inputs to the model used to determine the fair value per option granted to Macquarie Bank Ltd and Macquarie Capital Group Ltd during the period were:

Inputs	
Contractual life (years)	4.0
Market value of the underlying shares	\$0.1700
Exercise price of options granted	\$0.1875
Expected volatility of the underlying shares	85.67%
Risk free rate applied	5.52%

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

## 21. TRADE AND OTHER PAYABLES

	Consolidated	
	2010 \$'000	2009 \$'000
Trade and other payables	2,208	280
Balance at 30 June	2,208	280
Current	2,154	280
Non-current	54	-
Balance at 30 June	2,208	280

## 22. OPERATING LEASES

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2010 \$'000	2009 \$'000
Less than one year	633	405
Between one and five years	968	6
Operating lease rentals payable	1,601	411

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	
	2010 \$'000	2009 \$'000
Less than one year	340	225
Between one and five years	596	-
Operating lease rentals receivable	936	225

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 23. CAPITAL AND RESERVES

#### Share capital

	Ordinary Shares	
	2010 \$'000	2009 \$'000
On issue 1 July	93,600	93,600
Issued for cash	413,333	-
Issued in a business combination	115,004	-
On issue 30 June	621,937	93,600

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

#### Issuance of ordinary shares

At a general meeting of shareholders in March 2010 the Shareholders of the Company passed resolutions allowing the Directors of the Company to issue shares to finance the acquisition of MPBA from New Gold Inc. Consideration for the acquisition was part satisfied by the issue of 115,004,492 ordinary shares in the Company at fair value of \$0.165 per share. To fund the remainder of the acquisition price and provide ongoing working capital the Company raised gross proceeds of \$57,000,000, less costs of \$3,429,000, through the issue of 380,000,000 ordinary shares to institutional and sophisticated investors at a nominated \$0.15 per share.

On 18 May 2010 the Company closed a share purchase plan, raising gross proceeds of \$5,000,000 by placing 33,333,333 ordinary shares at \$0.15 per share to eligible shareholders and institutional and sophisticated investors.

All issued shares are fully paid.

#### Translation reserve

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

#### Option premium reserve

The option premium reserve comprises consideration paid for 3 million options issued to initial shareholders of the Company on 25 June 2007 at an average fair value of \$0.001. The options have exercise prices of \$0.35 and \$0.50 and expire on 30 June 2012 and carry no voting rights.

#### Share based payments reserve

Share based payments are discussed at note 20. 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) and 30 June 2013 (2,300,000 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, expiring 21 April 2014. The share options carry no voting rights.

## 24. PROVISIONS

	<i>Note</i>	Consolidated	
		2010 \$'000	2009 \$'000
Balance at 1 July		-	-
Assumed through business combinations	16	12,878	-
Provisions made during the period		274	-
Provisions reversed during the period		(533)	-
Effect of movements in exchange rates		641	-
Balance at 30 June		13,260	-
Current		520	-
Non-current		12,740	-
Balance at 30 June		13,260	-

### Site restoration

As part of the business combination described in note 16, the Group has assumed a provision for site restoration of \$9,117,000 at year end. 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

As part of the business combination described in note 16, the Group has assumed a provision for various claims, legal proceedings and complaints arising in the ordinary course of business of \$4,143,000 at year end. These matters are ongoing and are being vigorously defended by the Group.

A provision made in relation to damage to William Creek of \$520,000 has since been settled for approximately \$440,000 subsequent to year end. Subsequent events are further discussed at note 29.

## 25. CAPITAL AND OTHER COMMITMENTS

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

	Consolidated	
	2010 \$'000	2009 \$'000
<b>Minimum exploration expenditure commitments</b>		
Within one year	385	629
<b>Contractual commitments</b>		
Within one year	515	122
Capital and other commitments	900	751



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 25. 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

##### 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 agreements

The Group has negotiated land access agreements with for several of its exploration tenements held, annual commitments in respect of these agreements are approximately \$60,000 per annum.

### 26. CONTINGENCIES

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.

	<i>Note</i>	<b>Consolidated</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
Litigation and claims	<i>a</i>	649	-
Indemnities	<i>b</i>	400	400
Total contingent liabilities not considered remote		1,049	400

#### a. 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 MPBA and is separate to the matter disclosed in note 29.

#### b. Indemnities

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

## 27. RELATED PARTIES

### Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (refer note 7) is as set out below.

	Consolidated	
	2010 \$'000	2009 \$'000
Short-term employee benefits	702,738	635,742
Post-employment benefits	52,650	57,217
Share based payments	126,473	-
Key management personnel compensation	881,861	692,959

### 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 Feasibility Study. 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 2010	Balance outstanding 2010
		\$	\$
Mr M Jewell	Feasibility study project management	50,050	37,050
Total and current liabilities		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 Beadell Resources Limited held, directly, indirectly or beneficially, by key management personnel, including their related parties, is as follows:

2010	1 July 2009	Granted as compen- sation	Exercised	30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
<b>Directors</b>						
Dr M Donaldson	-	500,000	-	500,000	500,000	500,000
Mr P Bowler	1,000,000	500,000	-	1,500,000	1,500,000	1,500,000
Mr R Watkins	1,000,000	500,000	-	1,500,000	1,500,000	1,500,000
<b>Executives</b>						
Mr G Barrett	1,000,000	500,000	-	1,500,000	1,500,000	1,500,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 27. RELATED PARTIES (CONTINUED)

#### Options and rights over equity instruments (continued)

2009	1 July 2008	Granted as compensation	Exercised	30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
<b>Directors</b>						
Mr P Bowler	1,000,000	-	-	1,000,000	-	1,000,000
Mr R Watkins	1,000,000	-	-	1,000,000	-	1,000,000
<b>Executives</b>						
Mr G Barrett	1,000,000	-	-	1,000,000	-	1,000,000

Further details regarding options granted as compensation to key management personnel during the year can be found at note 20.

#### 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;

2010	1 July 2009	Directors appointed 14 April 2010	Purchased	Exercise of options	Sold	30 June 2010
<b>Directors</b>						
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
<b>Executives</b>						
Mr G Barrett	6,345,001	-	2,006,650	-	-	8,351,651

2009	1 July 2008	Directors appointed during the year	Purchased	Exercise of options	Sold	30 June 2009
<b>Directors</b>						
Dr M Donaldson	1,800,000	-	-	-	-	1,800,000
Mr P Bowler	9,110,001	-	-	-	-	9,110,001
Mr R Watkins	5,750,001	-	-	-	-	5,750,001
<b>Executives</b>						
Mr G Barrett	6,345,001	-	-	-	-	6,345,001

Mr Readhead and Mr Jewell were appointed on 14 April 2010 and become related parties from that date. Accordingly their movements in shares have been presented for the period from their appointment to 30 June 2010.

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.

## 28. 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%

## 29. SUBSEQUENT EVENTS

On 6 August 2010 the Company announced the settlement of a long standing claim of approximately \$47,000,000 for approximately \$440,000. This claim was assumed by the Company on acquisition of MPBA. The claim related to an alleged environmental disturbance of the William Creek system dating back several years.

The Company was advised that the claim was without substantive merit, however in the interest of fostering continuing good relations with the local stakeholders, it was resolved that settlement of the claim would provide greater clarity for the development of the project.

On 23 September 2010 the Company announced that it has agreed to sell the Amapá Iron Ore Royalty (Royalty) for \$31.25 million to Anglo Pacific Group plc. Completion of the sale is conditional on finalising the definitive documentation of the Sale and Purchase Agreement and on the execution of a Deed of Assignment, Assumption and Consent by the entities that are parties to the Royalty agreements.

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

## 30. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 the wholly owned subsidiaries listed below 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 of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event the Company is wound up.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 30. DEED OF CROSS GUARANTEE (CONTINUED)

The subsidiaries subject to the Deed are:

- Beadell (Brazil) Pty Ltd
- Beadell (Brazil 2) Pty Ltd

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. The Deed was entered into on 21 June 2010 and accordingly no comparative information is presented.

Statement of financial position	2010 \$'000
<b>Assets</b>	
Cash and cash equivalents	23,703
Prepayments	60
Trade and other receivables	1,285
Inventories	10,144
Current tax assets	196
<b>Total current assets</b>	35,389
Exploration and evaluation assets	11,244
Property, plant and equipment	19,001
Intangible assets	30,000
Other non-current assets	250
Other receivables	808
<b>Total non-current assets</b>	61,303
<b>Total assets</b>	96,691
<b>Liabilities</b>	
Trade and other payables	2,152
Employee benefits	624
Provisions	520
<b>Total current liabilities</b>	3,296
Trade and other payables	54
Provisions	12,740
<b>Total non-current liabilities</b>	12,794
<b>Total liabilities</b>	16,090
<b>Net assets</b>	80,601
<b>Equity</b>	
Share capital	95,592
Reserves	2,375
Retained earnings	(17,366)
<b>Total equity</b>	80,601

<b>Statement of comprehensive income</b>	<b>2010 \$'000</b>
Revenue	2,884
Cost of sales	(2,959)
<b>Gross profit</b>	(75)
Other income	1,201
Finance income	318
Administrative expenses	(3,445)
Project exploration and evaluation expenses	(5,328)
Impairment losses	(993)
<b>Loss before tax</b>	(8,322)
Income tax (expense)/recovery	196
<b>Loss for the period after income tax</b>	(8,126)
Accumulated losses at beginning of year	(9,240)
Loss for the period after income tax	(8,126)
<b>Accumulated losses</b>	(17,366)
Attributable to:	
Equity holders of the Company	(8,124)
<b>Loss for the period</b>	(8,124)

### 31. AUDITORS' REMUNERATION

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Audit services</b>		
<i>KPMG Australia</i>		
Audit and review of financial reports	60,389	23,372
<i>Overseas KPMG firms</i>		
Audit and review of financial reports	65,000	-
Audit services	125,389	23,372
<b>Other services</b>		
<i>Overseas KPMG firms</i>		
Taxation services	6,500	-
Other services	6,500	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 32. PARENT ENTITY

As at and throughout the financial year ending 30 June 2010 the parent company of the Group was Beadell Resources Ltd.

	2010 \$'000	2009 \$'000
<b>Result</b>		
Loss for the period	(7,066)	(3,905)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	(7,066)	(3,905)
<b>Financial position</b>		
Current assets	20,932	5,251
Total assets	81,315	9,252
Current liabilities	658	355
Total liabilities	712	355
<b>Net assets</b>	80,603	8,897
<b>Equity</b>		
Share capital	95,592	18,045
Reserves	1,317	92
Accumulated losses	(16,306)	(9,240)
<b>Total equity</b>	80,603	8,897

### Parent entity contingencies

Beadell Resources Limited has indemnified Oxiana Ltd and its related body corporate. The liability of the Company under the indemnity does not exceed \$400,000 and the indemnity does not cover legal costs. This indemnity is discussed further at note 26.

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 30.

### 33. GOVERNMENT GRANTS

In June 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 no amount is receivable at 30 June 2010.

## DIRECTORS' DECLARATION



1. In the opinion of the directors of Beadell Resources Limited (the Company):
  - (a) the consolidated financial statements and notes 1 to 33 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 30 June 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 30 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 financial year ended 30 June 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 BOWLER**  
Managing Director

Dated at Perth, this 30th day of September 2010.



## INDEPENDENT AUDITOR'S REPORT



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

#### **Report on the financial report**

We have audited the accompanying financial report of the Group comprising Beadell Resources Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 33 and the directors' declaration.

#### *Directors' responsibility for the financial report*

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

#### *Auditor's responsibility*

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

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

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

KPMG, an Australian partnership, is part of the KPMG International network. KPMG International is a Swiss cooperative.



*Auditor's opinion*

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

**Report on the remuneration report**

We have audited the Remuneration Report included in section 4.3 of the directors' report for the year ended 30 June 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 year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

GTH

Graham Hogg  
Partner

Perth

30 September 2010

## AUDITOR'S INDEPENDENCE DECLARATION



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

To: the directors of Beadell Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 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

GTH

Graham Hogg  
Partner

Perth

30 September 2010

## ADDITIONAL SHAREHOLDER INFORMATION

AS AT 30 SEPTEMBER 2010

a) Substantial Shareholders lodged with the Company

Name of Ordinary Shareholder	Number of Shares Held	% of Shares Held
New Gold Inc.	115,004,492*	18.5%
Macquarie Group Ltd	66,666,668	10.7%
Acorn Capital Ltd	38,947,499	6.3%

\* Voluntary ESCRO to 13 April 2011.

b) Listing of 20 Largest Shareholders

Rank	Name of Ordinary Shareholder	Number of Shares Held	% of Shares Held
1	Merrill Lynch (Australia) Pty Ltd	115,004,492	18.5%
2	National Nominees Ltd	53,643,692	8.6%
3	HSBC Custody Nominees (Australia) Ltd GSCO ECA	44,484,897	7.2%
4	HSBC Custody Nominees (Australia) Ltd	38,569,157	6.2%
5	Macquarie Bank Ltd	33,333,334	5.4%
6	Macquarie Capital Group Ltd	33,333,334	5.4%
7	Pan Australian Nominees Pty Ltd	20,220,420	3.3%
8	JP Morgan Nominees Australia Ltd	16,977,493	2.7%
9	Zero Nominees Pty Ltd	14,000,000	2.3%
10	Lujeta Pty Ltd	13,638,023	2.2%
11	Colbern Fiduciary Nominees Pty Ltd	12,806,181	2.1%
12	Oz Minerals Investments Pty Ltd	12,800,000	2.1%
13	JP Morgan Nominees Ltd	11,559,300	1.9%
14	Indago Resources Ltd	10,000,000	1.6%
15	Braidwood Investments Pty Ltd	9,100,001	1.5%
16	Hookipa Pty Ltd	7,254,650	1.2%
17	Laguna Bay Capital Pty Ltd	6,961,519	1.1%
18	Robert Holmes Watkins	5,850,001	0.9%
19	ANZ Nominees Limited	5,542,890	0.9%
20	Twynam Agricultural Group Pty Ltd	5,000,000	0.8%



## ADDITIONAL SHAREHOLDER INFORMATION

AS AT 30 SEPTEMBER 2010 (Continued)

c) Distribution of Shareholders

Range	Total holders	Units	% Issued Capital
1 – 1,000	47	5486	0.00
1,001 – 5,000	227	701,083	0.11
5,001 – 10,000	196	1,659,620	0.27
10,001 – 100,000	755	29,419,199	4.73
100,001 – over	243	590,152,440	94.89
<b>Total</b>	<b>1,468</b>	<b>621,937,828</b>	<b>100.00</b>

d) Number of Shareholders Holding Less than a Marketable Parcel is 54.

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
465,000	\$0.25	30 June 2011	3
210,000	\$0.35	30 June 2011	3
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
5,830,000	\$0.1875	30 June 2014	5

h) Macquarie Bank Ltd and Macquarie Capital Group Ltd each hold 5,000,000 Unlisted Share Options, representing 45% of the number of Unlisted Share Options on issue.





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