



## Quarterly Report for Shareholders Period Ending 31 December 2009

**ASX Code:** BDR

**Directors:**

Mike Donaldson	Non-Exec. Chairman
Peter Bowler	Managing Director
Robert Watkins	Exec. Director Exploration
Greg Barrett	Company Secretary

**Corporate Details:**

**Cash at Bank 31 December 2009:** \$4.1 M

**Issued capital:**  
96,600,003 ordinary shares

**ABN**  
50 125 222 291

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**Peter Bowler**  
Managing Director

### HIGHLIGHTS

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#### CORPORATE

- On 28 January 2010 a conditional agreement was signed to acquire the Amapári Gold Mine and Iron Ore Royalty in Brazil from Newgold Inc for US\$63 million in cash and shares

#### AMAPARI ACQUISITION

- **2.9 M oz** gold resource, including **1.2 M oz** open pit resource (optimised at US\$1000 oz)
- Production forecast of **110-130,000 ounces per annum** over a forecast **7-10 year mine life**, following construction and commissioning of the CIL plant.
- Existing heap leach processing plant, infrastructure and mining fleet, **significantly reducing capital expenditure** requirements.
- Substantial exploration upside within 2,500 km<sup>2</sup> of highly prospective tenure
- **A royalty of 1 % gross iron ore revenue** (net of 2% federal tax) over the neighbouring Anglo American plc majority owned and operated Amapá Iron Ore Project, forecast at US\$4-5 million pa at full capacity
- **Macquarie Capital Advisors** engaged as lead manager to the \$75 M placement and **Macquarie Fixed Income, Currency and Commodities Group (FICC)** to act as arranger for project finance to fund the development of Amapári

#### EXPLORATION

- **Western Australia, West Musgrave** – A maiden gold discovery in the West Musgrave at **Handpump**, first RC hole intersecting **60 m @ 0.9 g/t** from 13 m, including **5 m @ 4.7 g/t**. Follow up RC drilling commenced on 23 January 2010
- **Brazil, Tartaruga** – A new gold discovery “**Rio de Ouro**”, with face sample results up to **1.7 m @ 12.5 g/t** and point sample results up to **470 g/t, 192.6 g/t** and **105.4 g/t** have defined a greater than 400 m strike of high grade mineralisation

## AMAPARI ACQUISITION

### Details of the Acquisition

On 28 January 2010 Beadell announced that a conditional sale and purchase agreement (SPA) has been executed with New Gold Inc (NYSE AMEX: NGD; TSX NGD:CA) (New Gold) to acquire 100% of the issued capital of New Gold's Brazilian subsidiary Mineração Pedra Branca do Amapári Ltd (MPBA) which includes the Amapári Gold Mine (Amapári) and a royalty of 1% of gross revenue (net of 2% federal tax) received from the sale of iron ore from certain tenements forming part of the Amapa Iron Ore Project (Royalty) for US\$63 million (Acquisition) via a cash and scrip deal. Both projects are located at Serra do Navio, Amapá State, Brazil.

The consideration for the Acquisition is US\$63 million of which US\$48 million is attributed to Amapári and US\$15 million is attributed to the Royalty. The consideration will be satisfied by the issue of fully paid ordinary shares in Beadell to the value of US\$17 million (Consideration Shares) and the balance (US\$46 million) will be paid in cash.

Beadell intends to fund the cash component of the Acquisition consideration by conducting an equity raising of approximately \$75 million via an institutional bookbuild in February 2010 (Placement).

Macquarie Capital Advisers Limited has been engaged as Sole Lead Manager to the Placement. Demonstrating support for Beadell and the Acquisition, Macquarie Capital Group and FICC have committed to subscribe for \$10 million of Beadell shares (\$5 million each) at the bookbuild price up to A\$0.25 per share, subject to certain conditions.

In addition to the Placement, Beadell proposes to offer its shareholders the opportunity to participate in a Share Purchase Plan to raise up to \$5 million at the same issue price as the Placement, at a record date to be determined prior to the Placement. Further details in relation to the Placement and the Share Purchase Plan will be provided in due course.

The Consideration Shares will be issued to New Gold at the same issue price as the

Placement. New Gold has entered into a 12 month voluntary escrow arrangement in relation to the Consideration Shares, demonstrating New Gold's support for both Beadell and the Amapári asset.

### Amapári Gold Project

The Amapári 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 Amapári 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.

Amapári is a significant gold development opportunity with total JORC resources totalling 2.9 million ounces including a 1.2 million ounce open pit resource (pit optimisation at US\$1000 gold price) and approximately 2,500 km<sup>2</sup> of highly prospective surrounding tenements. The Acquisition includes existing gold inventory which has an estimated value of US\$7 million (at a spot gold price of US\$1,100 per ounce) and a modern fleet of earthmoving equipment capable of mining 3.0 million tonnes of ore and 12 million tonnes of waste per annum.

Immediately following completion of the Acquisition, Beadell is proposing to undertake a Feasibility Study to support construction of a 2–2.5 million tonne per annum Carbon in Leach (CIL) processing plant utilising the existing gold elution infrastructure with production expected to resume by the first quarter of 2012.



Figure 1. Amapári and Tartaruga Location Plan

The Amapári Mine was operated as an open-pit and heap leach operation by MPBA until 2 January 2009, when surface mining operations were suspended and the mine was placed on a care and maintenance basis. Particularly instrumental in the decision to cease operations at the end of 2008 was the increasing occurrence of transition material in the pits and the inability to process this material economically under the current processing set-up.

Gold mineralisation is associated with iron and carbonate-rich rocks predominantly hosted within banded iron formation (BIF). The locus for the mineralisation on the property comprising the Amapári mine site is a 7 km long north-south shear zone exhibiting intense hydrothermal alteration, particularly silicification and sulphidation, bearing auriferous pyrrhotite and pyrite (Figure 2).

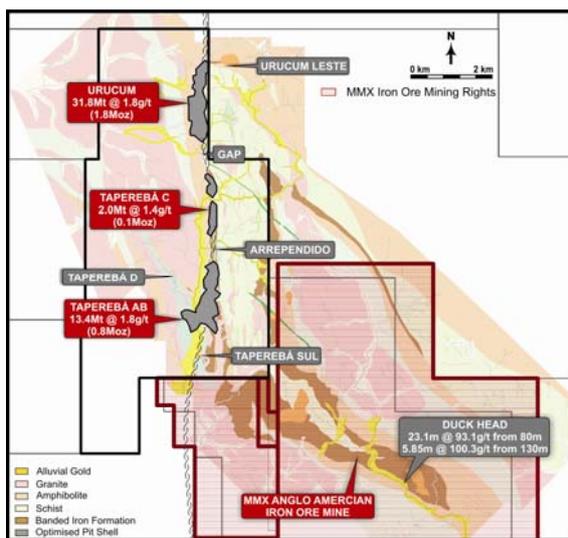


Figure 2. Plan showing location of Amapári gold deposits and interpreted geology

### Resources and development potential

Mineral resources for the Amapári project are divided into open pit and underground resources based on detailed scoping level analysis of cost inputs to derive cut off grades. Total JORC resources for the project are **54.6 Mt @ 1.65 g/t gold for 2.9 Moz**. This includes open pit resources totalling **26.3 Mt @ 1.45 g/t gold for 1.2 Moz** based on optimised pit shells using a US\$1,000 gold price from the three main deposits of Urucum, Tapereba AB and Tapereba C.

Metallurgical testwork completed to date indicates free milling oxide and sulphide ore with expected recoveries of between 90 and 95%. A conventional CIL processing facility to liberate the gold is considered to be the most appropriate extraction technique.

### Amapári Exploration Potential

The Amapári project covers approximately 2,500 km<sup>2</sup> of highly prospective and sparsely explored greenstone terrain (Figure 3). In the near mine area significant exploration potential exists along the 7 km strike of the three deposits of Urucum, Tapereba AB and Tapereba C in the gap between the deposits where only limited drilling is present.

Significant exploration upside also exists in the deeper untested plunges of the main ore bodies. Several other targets have been identified in the near mine area within trucking distance of the plant including the Duckhead prospect where diamond drill intersections including **23.1 m @ 93.1 g/t gold** from 80.9 m and **5.85 m @ 100.3 g/t** from 130 m have been obtained.



Figure 3. Amapári project location map

For clarification, on Pages 5, 8 & 27 Gold Investment Opportunity – Investor Presentation released to ASX on 28 January 2010, the exploration potential noted of > 1,000,000 oz has been assessed based on a range of prospects from more advanced targets such as Duckhead where significant diamond drilling has been completed through to early stage prospects such as Sucuriju where deposit scale untested soil anomalies

have been defined. Exploration potential has been assessed to form a potential target range of 10 to 20 Mt at 1.5 to 2.5 g/t. The exploration targets are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

### Iron Ore Royalty

The Amapári project contains significant deposits of Hematite Iron Ore hosted in an extensive Banded Iron Formation that occurs throughout the greenstone belt (Figure 4).

Anglo American plc (70%) and Cliffs Natural Resources Inc (30%) 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 3.0Mtpa) 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 Amapári gold deposits and is hosted in the same Banded Iron Formation (Figure 2).

A 1% gross iron ore revenue royalty (net of 2% federal tax) over the Amapá Iron Ore Project mining concession is currently in place and it is anticipated to generate revenue for MPBA of US\$4m per annum at full capacity (US\$60/tonne).



Figure 4. Amapári project showing location of BIF and Iron Ore Mine

## BEADELL EXPLORATION

In the December quarter there were major advancements at all the three core Beadell exploration projects with two new gold discoveries, one at **Handpump** in the West Musgrave where the first RC drill hole intersected **60 m @ 0.9 g/t** including **5 m @ 4.7 g/t** and **Rio de Ouro** at Tartaruga in Brazil where high grade mineralisation up to **470 g/t** has been identified only 2 km from the Miniero resource.

Highly encouraging early stage results from Tropicana East were also recorded with up to **1.5 g/t** intersected in wide spaced aircore drilling along the sparsely drilled 10 km long Hercules Shear Zone anomaly.

## WESTERN AUSTRALIA

### West Musgrave Project (100%)

#### Handpump

A maiden gold discovery was announced on 7 December 2009 heralding the first reported significant gold intersection in the entire Musgrave block located in the sparsely explored central part of Australia (Figure 5).

The first RC drill hole **HPC001** in a seven hole initial program intersected **60 m @ 0.9 g/t** gold from 13 m including **15 m 2.3 g/t** from 31m with a high grade core of **5 m @ 4.7 g/t** gold from 34 m (Figure 6,7 & 9).



Figure 5. Map showing location of Western Australian exploration projects

The gold mineralisation, associated with a magmatic hydrothermal breccia, was also partly intersected in the top part of HPC005 drilled 100 m away which intersected 7 m @ 1.4 g/t gold from 3 m including 5 m @ 1.7 g/t gold from 5 m. Additional parallel mineralised zones were intersected immediately south of the main mineralised breccia with HPC006 intersecting 11 m @ 1.1 g/t from 24 m and 5 m @ 0.9 g/t from 101 m.

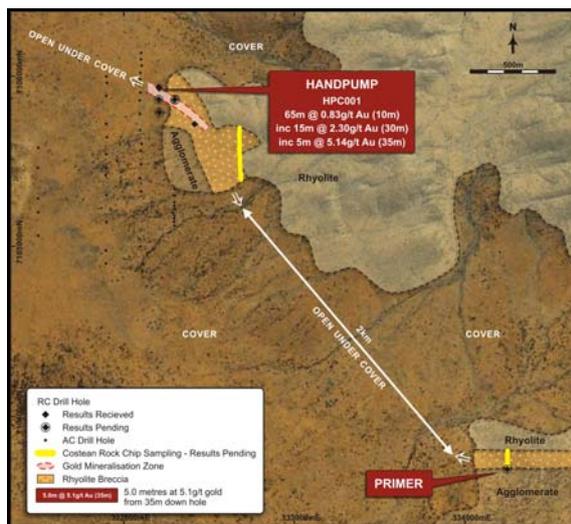


Figure 6. Map showing location of Handpump discovery drill hole HPC001

The mineralisation remains completely open to the northwest and southeast where shallow cover has masked the surface expression of the mineralisation.

Follow up RC drilling commenced on the 23 January to test down dip and strike extensions of the mineralised breccia. The first drill hole of the follow up program, HPC008 is in progress with results pending (Figure 9).

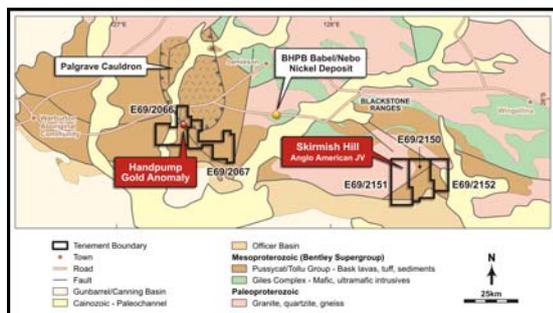


Figure 8. Map showing location of West Musgrave Handpump and Skirmish Hill projects.

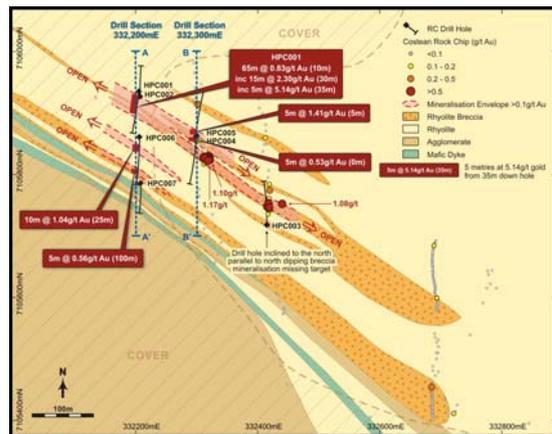


Figure 7. Handpump Prospect Drill Hole Location Plan

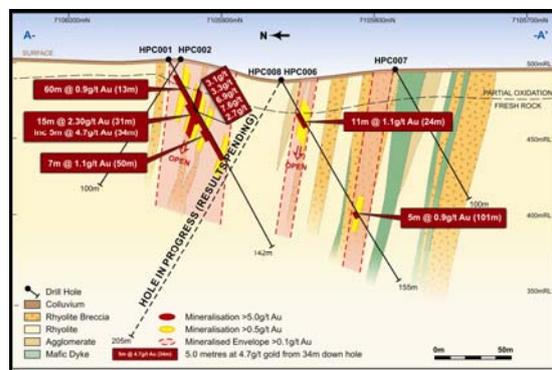


Figure 9. Handpump Prospect 332200E Drill section

**Skirmish Hill Joint Venture**  
Anglo American are currently flying an extensive airborne electromagnetic (“EM”) survey using the highly successful proprietary “Spectrem” EM system. The survey covers most of Beadell’s Skirmish Hill tenure with results anticipated over the coming month (Figure 8).

## Tropicana East Project (100%) Hercules Shear Zone

At Tropicana East a 10 km long gold trend named the **Hercules Shear Zone** has been broadly defined 60 km along strike and north east of the 5 M oz Tropicana gold deposit.

New and previously unreleased results from the latest aircore drilling program have highlighted two areas along this trend where significant regolith gold mineralisation has been intersected. The southern zone, targeting a boundinaged package of prospective stratigraphy intersected

4 m @ 0.8 g/t from 39 m including 1m @ 1.5 g/t from 40 m (Figure 8). This intercept remains completely open for 3 km to the northeast and 1.5 km to the southwest.

A second zone interpreted to represent a splay type structure off the main shear intersected 1 m @ 0.3 g/t gold and 0.05 % copper from 50 m to bottom of the hole within a stripped regolith profile (Figure 8).

The nature of these early stage results with respect to the extreme wide spacing of the drilling to date is considered highly encouraging and further infill drilling is being planned for the next quarter.

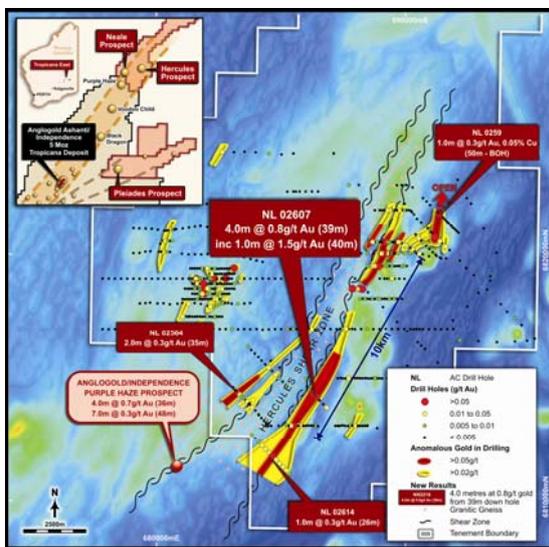


Figure 10. Map showing location of Tropicana East , Hercules Shear Zone aircore drill results and aeromagnetic image

## Lake Mackay Joint Venture

Joint Venture partners Meteoric Resources Ltd completed geochemical sampling and a gravity survey over the Dwarf Well IOCG target. Modelling of the geophysics has identified a strong and coincident gravity and magnetic anomaly which will be targeted with drilling in the first half of 2010.

## VICTORIA

### Reedy Creek Project (100%)

No work was completed and consideration is being given to divestment opportunities.

## BRAZIL

### Tartaruga Project

#### Rio de Ouro

A new discovery was reported on 23 November 2009 located only 2 km east of the Mineiro resource and named **Rio de Ouro** (Figure 10). High grade gold mineralisation was delineated over a 400 m strike length with approximate true width face sample results from artisanal workings including **1.7 m @ 12.5 g/t** and **1.0 m @ 10.2 g/t gold**. Point sample rock chip results included **470 g/t**, **192.6 g/t** and **105.4 g/t** gold.

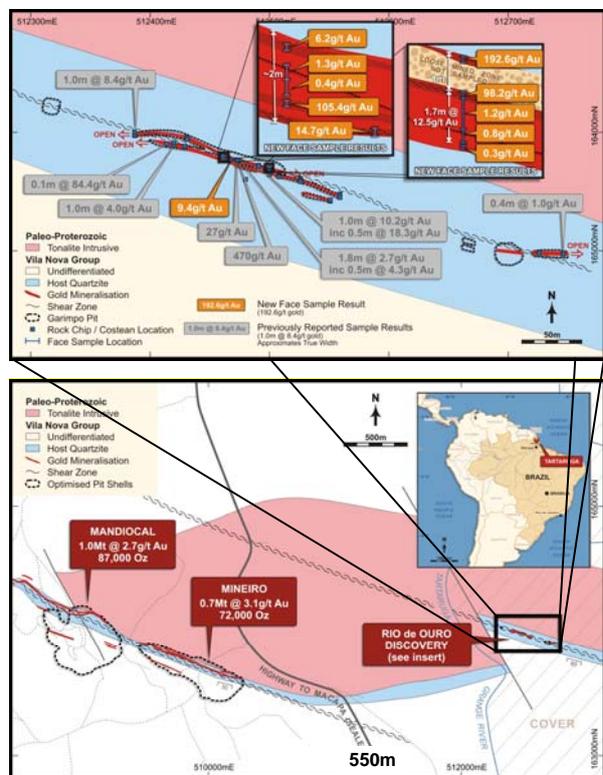
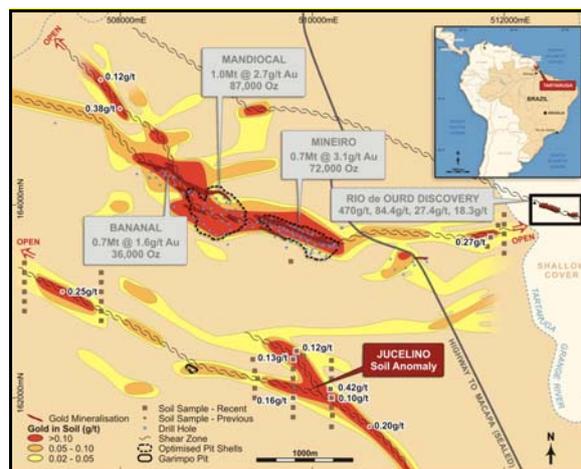


Figure 12. Map showing location of Rio de Ouro discovery

The Rio de Ouro discovery is located immediately east of the Rio (River) Tararuga Grande where shallow cover associated with the Amazon basin masks the prospective basement rocks. The cover forms a thin drape of slowly east deepening fluvial sediments which average 2 m thick on top of the new discovery. The landscape is characterised by open cleared farmland with easy access for drill rigs. A first pass RC drilling program is currently being planned and will be expedited as soon as is possible in the next quarter.

The Rio de Ouro discovery remains completely undrilled with no previous drilling completed east of the Tartaruga Grande River. Excellent potential exists to define a significant resource in the area of artisanal mining and to explore for extensions and repetitions of the mineralisation along strike.

A 2 km long contiguous 0.1 g/t soil anomaly has been defined at **Jucelino** only 1.5 km south of the Mineiro and Mandioccal resources areas (Figure 11). The anomaly is located on a parallel mineralised fault zone with maximum results of 0.16 g/t gold in soil and 0.42 g/t rock chip.



**Figure 11. Map showing location of Jucelino soil anomaly**

## **CORPORATE & FINANCE**

The Company had cash of \$4,059,000 at 31 December 2009 and no debt. During the quarter, shareholders approved the issue of 500,000 options each to the three directors.

The Board is pleased that it has been able to identify a unique gold and iron ore investment opportunity for Beadell shareholders. The quality of the assets is demonstrated by the signing of mandates with Macquarie Capital Advisors Ltd to act as lead manager and book runner for the \$75 million placement and Macquarie Fixed Income, Currency and Commodities Group to act as sole arranger for project finance to fund the development of the Amapári Gold Mine.

The Notice of Meeting and Explanatory Memorandum for the Shareholder's Meeting required to approve the transaction will be sent to shareholders shortly. Eligible shareholders at a record date to be determined, but prior to the placement, will have the opportunity to participate in a Share Purchase Plan at the placement price, to raise up to a maximum of \$5 million.

### Competent Persons Statement

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