

## **MANAGEMENT AND BOARD RESTRUCTURING, U&M LOM CONTRACT EXECUTED WITH FORECAST US\$100M REDUCTION IN LOM MINING COSTS, ADDITIONAL COST REDUCTION MEASURES IMPLEMENTED**

The Board of Directors (Board) of Beadell Resources Limited (Beadell or Company) announces management and Board restructuring, execution of a life-of-mine (LOM) mining contract with Brazil's largest mining contractor (U&M Mineração e Construção S/A), which is expected to result ~US\$100 million reduction in LOM mining costs, and immediate implementation of other cost reduction initiatives.

### **MANAGEMENT & BOARD CHANGES**

Simon Jackson, CEO and Managing Director, and a director of the Company, and Peter Holmes, Chief Operating Officer, have agreed to step down from their current positions.

Dr Nicole Adshead-Bell (Ph.D., Geology), a non-executive director of Beadell since September 2016, has been appointed CEO and Managing Director of the Company. Nicole is a geologist with over 20 years of capital markets and minerals sector experience, including ten years cumulative as an independent director for Toronto Stock Exchange (TSX), New York Stock Exchange (NYSE), London Stock Exchange (AIM) and Australian Securities Exchange (ASX) listed companies. She is currently an independent director on the board of TSX and AIM listed Dalradian Resources and TSX and NYSE listed Pretium Resources (career summary in Appendix A). Nicole owns 4,375,200 Fully Paid Ordinary Shares and 2,808,900 unlisted warrants in Beadell.

Luis Pablo Diaz (B.Sc., Engineering), currently General Manager of the Tucano Gold Mine (Tucano) and a director of the Company's subsidiary, Beadell Brasil Ltda, has assumed the role of Country Manager. Pablo is a mining engineer with over 18 years of international experience in multiple facets of open pit and underground mining, from mine planning to production and operational management. He has advanced new projects from feasibility to construction, worked in contract mining and as a mining consultant. Pablo is a Brazilian national and a nationalised Australian citizen, who resides in Brazil and speaks fluent Portuguese, English and Spanish (career summary in Appendix A).

Fábio Marques (B.Sc., Geology; MBA), currently Tailings Dam Manager of Tucano has assumed the role of General Manager, replacing Luis Pablo Diaz. Fábio joined Tucano in 2011 and is a geologist with more than 33 years of experience in the mineral sector, spanning exploration, development and production roles. Fábio's operational experience includes advancing from Mine Geologist to Head of Planning and Head of Mining Operation & Crushing over 13 years at Kinross Gold's Paracatu, the largest open pit gold mine in Brazil. Fábio has also worked in senior health and safety roles for Rio Tinto Desenvolvimento Minerais. Fábio is a Brazilian national who resides in Brazil and speaks fluent Portuguese and intermediate English and Spanish (career summary in Appendix A).

As announced on 26 June 2018, Beadell is pursuing a primary listing in Canada. As part of the Company's commitment to becoming a North American-based gold producer, Brant Hinze, who is currently a director of Beadell and resides in the United States, has assumed the role of Chairman. Craig Readhead, currently Chairman of Beadell, has stepped down from his role as Chairman but will remain a non-executive director. Brant Hinze will receive directors' fees at the same level as Craig Readhead has received as Chairman, and Craig Readhead's directors' fees will decrease in line with the existing non-executive directors' fees. Beadell's non-executive directors are Brant Hinze, Timo Jauristo and Craig Readhead.

Brant Hinze (B.Eng.) is an accomplished mining industry leader with extensive international mining sector experience, from start-ups to some of North America's largest mining companies. Brant has held technical and management positions and worked in all operational phases, from feasibility to permitting, engineering to construction, and operation to closure (career summary in Appendix A).

Brant Hinze, Chairman, commented: "I welcome Nicole stepping up into the role of CEO and Managing Director of Beadell and I am fully committed to supporting the Company as we execute on the operational turnaround of Tucano. I have known Nicole for several years, initially from when she ably represented a precious metals fund and I was the COO of Kinross. Nicole's broad capital markets and minerals sector experience, plus her enthusiasm and integrity, will be invaluable as we focus entirely on realising the deep inherent value at Tucano with the support of our experienced team in Brazil, led by Luis Pablo Diaz and backed by Graham Donahue, Head of Corporate Development, and Aoife McGrath, Head of Exploration & Geology, in Toronto. The majority of Nicole's compensation package will be linked directly to Beadell's annual share price performance, demonstrating a strong desire from the top towards generating value-per-share for all Beadell shareholders. I would like to thank Craig Readhead for his contribution as Chairman of Beadell and look forward to continuing to work with him as a Director. I also acknowledge the valuable contributions and ongoing support of my fellow Director, Timo Jauristo."

### **U&M LOM MINING CONTRACT EXECUTED**

Beadell is pleased to announce that it has executed a LOM mining contract with U&M Mineração e Construção S/A (U&M) that is expected to result in a forecast ~US\$100 million reduction in the LOM mining costs for Tucano. Under the agreement, U&M will be paid on a 100% volume basis contract that will give mining unitary cost predictability, simplifying the contract, mine management and administration. This is expected to result in an additional ~US\$1 million annual cost savings when compared to the contract with the previous contractor.

U&M is Brazil's largest mining contractor, with more than 40 years of experience in earthworks, mining and material hauling. U&M's 600 vehicle fleet, comprising production and support equipment, has the capacity to move more than 30 million tonnes per month. U&M's existing clients include Vale, Alcoa, Mosaic, Yamana, Leagold Mining and Equinox Gold. U&M is committed to work place health and safety and the environment.

Commenting, Dr Nicole Adshead-Bell, CEO and Managing Director, said: "We are pleased to have reached an agreement with U&M that we believe will materially improve the financial performance of the Tucano Gold Mine. U&M's Brazilian open pit mining expertise, combined with its sizeable fleet, means that U&M is uniquely positioned to help us move Tucano towards generating free cash flow and resolving the key issue of material movement in line with our LOM plan. This will, in turn, allow the Company to shift focus towards extracting value from our exploration activities, including multiple in-mine and near-mine discoveries that are not in a resource or reserve category. I am excited by the resource expansion potential of our geologically impressive, large and wholly-owned land position and look forward to being able to upgrade growth initiatives to a core corporate goal."

Luis Pablo Diaz, Country Manager, added: "U&M's in-country experience, combined with their fleet flexibility and cost structure, will help us realise immediate cost reductions and efficiency gains, but more importantly provide us with the tools to deliver material movement to budget. We have already developed an excellent working relationship with U&M as they mobilised to Tucano in July 2017 to address our material movement challenges and we look forward to building on this relationship."

### **HIGHLIGHTS OF COST REDUCTION INITIATIVES IMPLEMENTED**

- Execution of the U&M LOM contract resulting in forecast ~US\$100 million reduction in LOM mining costs.
- Exit of the MACA contract resulting in ~US\$1 million per year in contract administration savings.

- Removal of the position of COO due to organisational redundancy, decreasing corporate G&A by AUD\$597,247 per year.
- Rationalisation of the Rio de Janeiro office, reducing the head count from 14 to four and moving one position to the Tucano Gold Mine, resulting in annual savings of approximately BRL\$2 million/AUD\$700,000.
- Reduction of CEO & Managing Director cash compensation by 52% from the AUD\$726,931 paid in 2017. Dr Nicole Adshead-Bell will receive an annual gross salary of AUD\$350,000 comprising AUD\$146,000 cash and AUD\$204,000 Deferred Share Price Correlation Compensation. The material terms of her employment agreement with the Company, including incentive arrangements, are set out in Appendix B.

### NEAR TERM COST REDUCTION STRATEGY

A Planning, Budget and Cost Committee was established by Tucano mine management to identify additional cost reduction opportunities. The focus has been on leveraging off existing systems used in the Company to develop operational parameters that have accountability and can be measured on a timely basis to ensure alignment with near-, medium- and long-term objectives. Communication and accountability have been identified as key issues across the Company and immediate action has been taken to redress the situation. The Tucano team has also identified near-term cost reduction opportunities across multiple departments and are taking steps to immediately realise those savings. Beadell will update the market on additional material cost reduction initiatives.

The Company has also terminated the project management contract for the Tucano Plant Upgrade Project on the basis of a repudiatory breach of contract by the contractor. Tucano site personnel have assumed responsibility for completion of the Project, including procurement and financial control. This will reduce management fees incurred in connection with the Project. Tucano site personnel are assessing the status of the Project and a detailed update will be provided when this assessment is complete.

Dr Nicole Adshead-Bell, CEO & Managing Director of Beadell, commented: “We acknowledge that Beadell has underperformed in terms of cost and production guidance. In the opinion of the Board and management, the key contributing factor to this underperformance has been an inability to mine waste and ore tonnes at the forecast rates assumed in the mining contract executed by the predecessor management team (prior to Simon Jackson’s appointment) in November 2014. The ripple effect of a continual shortfall in material movement resulted in lower mined ore tonnes available to the plant. This was supplemented by low grade stockpiles and spent ore, resulting in a head grade that was materially lower than reserve grade, thereby negatively impacting production and revenue. The relatively high fixed price component of the mining contract meant that unit mining costs increased as material movement declined. Consequently, Beadell mobilised a second mining contractor in July 2017 to try to meet budgeted material movement. This action helped the Company achieve increased mining rates at a cost of ~36% less per tonne of material moved when compared to the unit costs under the then existing mining contract. However, it also resulted in an additional cost burden to Tucano under the terms and conditions of that existing mining contract. The Board and management of Beadell made the decision that the only viable option was to exit that mining contract and rationalise the mining under one contractor. The Company considers that the terms of the exit agreed with the contractor, MACA Limited, including the extended payment terms, represent a positive outcome for Beadell shareholders and other stakeholders.”

Despite the material movement issues, Beadell has achieved numerous Tucano Gold Mine milestones that will provide the platform for free cash flow and reserve growth as follows:

- Negotiated exit of the MACA contract under extended payment terms (as noted above) (ASX release: 22 June 2018).
- Conversion from diesel to national grid power, reaching agreement with CEA for an increase in demand to 12MW. The current demand supplied by the national grid is 6MW and Beadell is working towards an additional load increase to 8MW. Beadell will increase to 12MW upon completion of the

Tucano Plant Upgrade Project, reducing power costs and oil price exposure (ASX release: 14 September 2016).

- Improved haul roads and site logistics (ASX release: 30 January 2018).
- Received LOM INCRA tailings permits with eight years of capacity; developed alternative tailings dam option with lower capex.
- Negotiated two- year labour agreement.
- Consolidated a contiguous 2,500 km<sup>2</sup> highly prospective property package under 100% Beadell ownership.
- Completed a pre-feasibility study on the Urucum underground (ASX release: 31 March 2016).
- Restarted exploration in the mine corridor resulting in material open pit reserve grade increases from 31 December 2015 to the 30 June 2017 (ASX Releases: 14 April 2016 and 19 December 2017). The total open pit oxide and primary reserve gold grade increased 18% and total ounces increased 3% to 1.05 million ounces at 1.77g/t gold. However, this included the negative impact of 198,000 ounces of total gold production in 2016 and H1 2017 (ASX Releases: 30 January 2017, 31 March 2017 and 30 June 2017), so there was a net addition of 195,000 ounces of gold at less than US\$10/oz discovery cost. In addition, the total open pit oxide resource grade increased by 20%. Beadell has also identified four new discoveries at Torres, Urso, Neo, Urucum (ASX releases: 26 October 2017, 21 May 2018, 23 May 2018). Multiple intersections of gold mineralisation are not yet included in any resource/reserve category (ASX release: 23 May 2018).
- Neo and the currently outlined extents of Neo North and Neo East are all in the current reserve pit boundary for Tap AB (ASX release: 23 May 2018).
- Identified 10 gold-in-soil and gold-in-stream sediment anomalies within 20 km of the Tucano plant.
- Received archaeological permits for regional exploration and completed the first exploration drilling program outside mine corridor at Mutum.
- Completed a feasibility study and commenced construction on the Tucano Plant Upgrade Project to increase processing flexibility for any combination of sulphide and oxide ore, while maintaining throughput at 450 t/hour (3.6 Mt/year) (ASX release: 11 May 2017).
- Extended repayment terms on Santander/Itau facility to increase balance sheet flexibility (ASX release: 31 July 2017).
- Hired Toronto-based Head of Corporate Development, Graham Donahue (ASX release: 27 Sep 2016).
- Hired Toronto-based Head of Exploration & Geology, Aoife McGrath (ASX release: 18 June 2018).

Brazil is one of the most favourable mining jurisdictions in the world, with enormous mineral wealth, an extremely skilled mining workforce and a proven regulatory environment. The following fiscal structure also encourages investment in remote northern Brazilian states, including Amapa, where Tucano is located:

- Tax incentives to encourage investment in underdeveloped regions of Brazil that reduce the Company's Brazilian corporate income tax rate from 34% to an effective rate of 15.25%.
- Federal gross sales royalty of 1.5%.
- Amapa state royalty related to gold production in grams multiplied by a ratio approved by the state of Amapa multiplied by the Amapa index. The state of Amapa has continued to support the gold mining industry with a proposed new law reducing the ratio by 75% in 2018/2019 and 50% after 2020. This new law is subject to Congress approval and the effective rate will be approximately 0.3% of LOM gold sales.
- Community contribution of 1% of gross sales.
- Brazilian tax losses to the end of May 2018 of approximately BRL\$350 million/US\$91 million that can be applied to reduce net annual taxable income by 30% each year. These tax losses can be carried forward indefinitely.

- Potential to recover a federal VAT credit (PIS/COFINS) of approximately BRL\$70 million/US\$18 million to date. Beadell has filed an application for the refund of these PIS/COFINS credits that may result in advance payment of 50% (approximately BRL\$35 million/US\$9 million).

## OTHER MATTERS

As outlined above, the Board has a strategic plan to address many of the operational and management issues the Company is facing. Although its primary focus is to implement this strategy, including a primary listing in Canada, the Board is always open to considering alternative transactions if the result would be in the best interest of the Company and its shareholders.

## COMPETENCY STATEMENT

The information in this announcement relating to the Company's exploration results and reserve and resource estimates is extracted from the ASX releases referenced in the text of this announcement, which are available to view on [www.beadellresources.com.au](http://www.beadellresources.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of reserve and resource estimates, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

## ABOUT BEADELL

Beadell owns and operates the Tucano gold mine in Amapá State, in the north of Brazil. Tucano sits within an extensive land package of 2,500 km<sup>2</sup> of highly prospective, under explored greenstone belt.

## FOR FURTHER INFORMATION PLEASE CONTACT:

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## Appendix A – Biographies

### Dr Nicole Adshead-Bell's career includes:

- Established Cupel Advisory Corp. to focus on investments in the natural resource sector and provide strategic advisory, due diligence and research services to exploration and mining companies plus natural resource funds in 2011 and from 2015.
- Building and managing the research team as Director of Mining Research for SEC-registered investment fund, Sun Valley Gold LLC, from 2012 to 2015.
- Managing Director, Investment Banking, at Haywood Securities, where she co-established a successful M&A franchise that handled more than 20 public M&A transactions, including corporate acquisitions/sales/mergers, asset divestures and streaming deals, with total transaction value of in the order of C\$3.75 billion. Also led and participated in raising approximately C\$1.8 billion in more than 45 equity and debt financings between 2007 and 2010. This resulted in Bloomberg top 10 Canadian mining M&A activity rankings in 2009 (second by transaction volume) and 2008 (eighth by transaction value).
- Sell-side mining equity research, geology consulting and geology research.

### Luis Pablo Diaz's career includes:

- General Manager of Tucano from 2014. Role includes overseeing all operational activities, employee relations, health and safety, community engagement and social programs, permitting and environmental activities, and building working relationships with government entities.
- Senior Mining Consultant at AMC Consultants, focused on feasibility studies, construction projects, short/long term mine planning and mine management, from 2012 to 2014.
- Project Development Estimator at Leighton Contractors (now CPB Contractors under CIMIC Group) focused on all aspects of the mining contractor business, including bid manager and estimator, project evaluations and tenders, fleet calculations and combinations, mining schedules, capital requirements, commercial risk and financial analysis from 2007 to 2012.
- Various open pit and underground mine production, ventilation engineering, project construction and mine start-up roles with increasing seniority at several companies, including Vale and Rio Deserto Coal, from 2000 to 2007.

### Fábio Marques' career includes:

- Advanced from Geology Manager to Tailings Dam Manager of Tucano from 2011 to current. As Tailings Dam Manager Fábio was responsible for construction, operation and monitoring of the Tucano tailings dams. Fábio was also accountable for compliance with legal requirements, monitoring and updating safety and emergency plans and acted as alternative General Manager. As Geology Manager, Fábio implemented rigorous grade control systems and led near mine target generation to increase resources and reserves. He was also responsible for managing the Company's mineral rights and land control as an ANM (National Mining Agency) representative.
- HSE Manager at Rio Tinto Desenvolvimentos Minerais where he was responsible for the implantation of HSEC standards relating to exploration activities in Brazil and integration into Rio Tinto's global system from 2003 to 2009.
- Advanced from Mine Geologist to Head of Planning and then Head of Operation and Crushing at the Paracatu open pit gold mine from 1990 to 2003.
- Various exploration geology roles with Ferrous Resources, RTZ Mineração Ltda, CESBRA, BP Mineração Ltda.

- Extensive training in safety, ISO 14001, open pit mining load and haul (IETEC) and total quality control and risk assessment.

**Brant Hinze's career includes:**

- President and Chief Operating Officer of Kinross Gold Corp. where he was responsible for a CAD\$3-4 billion operating and capital budget and 15,000 employees, overseeing 10 global operations as well as the projects, exploration and corporate technical services groups. Kinross had operations in Brazil, Chile, USA, Russia, Ghana and Mauritania, as well as exploration projects on four continents from 2010 to his retirement in 2014.
- Increasingly senior roles at Newmont Mining Corp., culminating in Senior Vice President, North American Operations from 1991 to 2010 where he oversaw eight operating mines, regional exploration and development activities, and led Newmont's corporate social responsibility, information technology, supply chain, legal and human resources functions in the region. From 2002 to 2005, Brant was General Manager of Newmont's Yanacocha Project in Peru, which at its peak was the largest producing gold mine in the world. Prior to Yanacocha, he managed other operations for the company in the United States, Bolivia and Indonesia.
- Reputation for assessing operational needs, formulating and expeditiously implementing plans to meet corporate objectives, as well as developing and implementing policies focused on progressive safety standards, personnel development, environmental and social programs, and productive working relationships with governments and community organisations.

## Appendix B – Material terms of Dr Nicole Adshead-Bell’s employment contract

- Dr Nicole Adshead-Bell will be engaged as CEO and Managing Director commencing on 15 July 2018 and will continue unless terminated in accordance with the employment agreement.
- Either party may terminate with twelve months’ written notice. The Company may elect to pay out Dr Adshead-Bell’s notice period. The Company may also summarily terminate Dr Adshead-Bell’s employment in certain circumstances.
- Dr Nicole Adshead-Bell will receive an annual gross salary of AUD\$350,000 comprising AUD\$146,000 cash and AUD\$204,000 Deferred Share Price Correlation Compensation (DSPCC) that will be calculated as follows:
  - The right to receive, vesting monthly, AUD\$17,000 worth of new ordinary shares in the Company based on the volume-weighted average price of the Company’s shares on ASX during the relevant calendar month. The Board may, in its discretion, elect to pay the DSPCC in cash in lieu of shares
  - Initial payment will be deferred for 12 months after the employment start date to 16 July 2019 and annually thereafter.
  - The issue of new ordinary shares will be subject to receipt of all necessary shareholder approvals under the ASX Listing Rules. If shareholders do not give the necessary approvals, Dr Nicole Adshead-Bell will receive the equivalent value of those shares in cash based on the volume weighted average share price of the 20 trading days up to the payment date.
  - Payment of accrued DSPCC will be accelerated on a change of control event (other than the potential transaction announced on 26 June 2018 or substantially similar transaction). In addition, if the change of control event occurs within the next three months, then vesting and payment of Dr Nicole Adshead-Bell’s DSPCC for the remaining nine months of that year will be accelerated, and if the change of control event occurs after that, then vesting and payment of Dr Adshead-Bell’s DSPCC for the following 12 months will be accelerated. Dr Nicole Adshead-Bell will not be entitled to this payment if she has received an incentive payment (as outlined below).
- In addition, Dr Adshead-Bell will be granted rights to receive, each as a one-off incentive payment:
  - if the Company’s share price is AUD\$0.14 (100% gain on the recent SPP financing price of AUD\$0.07/share and 175% gain on Friday 13 July 2018 closing price) or more as at the close of trading for at least 10 consecutive trading days within the 12 months after 16 July 2018, 5,000,000 new ordinary shares in the Company (to represent a value of AUD\$700,000);
  - if the Company’s share price is AUD\$0.18 (150% gain on the recent SPP financing price of AUD\$0.07/share and 253% gain on Friday 13 July 2018 closing price) or more as at the close of trading for at least 10 consecutive trading days within the 12 months after 16 July 2018, a further 5,000,000 new ordinary shares in the Company (to represent a value of AUD\$1,050,000); and
  - if the Company’s share price is \$0.21 (200% gain on the recent SPP financing price of AUD\$0.07/share and 312% gain on Friday 13 July 2018 closing price) or more as at the close of trading for at least 10 consecutive trading days within the 12 months after 16 July 2018, a further 5,000,000 new ordinary shares in the Company (to represent a value of AUD\$1,400,000).
  - The issue of new ordinary shares under the one-off incentive payment will be subject to receipt of all necessary shareholder approvals under the ASX Listing Rules. If shareholders do not give the necessary approvals and the conditions for the payment are satisfied, Dr Adshead-Bell will

be given the cash value of those shares as set out above. The Board may, in its discretion, elect to pay a one-off incentive payment in cash in lieu of shares.

- Dr Nicole Adshead-Bell will not be entitled to an incentive payment (as outlined above) if there is change of control event.
- A 6-month post-termination restraint period will apply.