# Beadell Resources Limited

## ABN 50 125 222 291

## Interim Financial Report

## From incorporation to

## 31 December 2007

# Contents

# Directors' Report

The Directors of Beadell Resources Limited (hereon referred to as "the Company") present their report together with the consolidated interim financial report for the period 3 May 2007 to 31 December 2007 and the auditor's independent review report thereon.

**DIRECTORS**

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

**Non-executive**

- Dr Michael Donaldson (Chairman) Appointed 31 July 2007

**Executive**

- Mr Peter Bowler Appointed 3 May 2007
- Mr Robert Watkins Appointed 3 May 2007
- Mr Gregory Barrett Appointed 3 May 2007 (Resigned 31 July 2007)

**REVIEW OF OPERATIONS**

**Principal Activity**

The principal activity of the Company during the period was mineral exploration.

**Corporate Overview**

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

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

On 18 July 2007 the company incorporated a wholly owned subsidiary, Beadell Resources Mineracao Ltda, a company domiciled in Brazil with share capital of 100,000 shares at 1 Brazilian Real each.

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

On 14 September 2007 the Company successfully completed its Initial Public Offering. The placement was fully subscribed, raising $15,000,000 through the issue of 60,000,000 shares at 25 cents each. The Company was accepted into the official list of the ASX and commenced trading on 27 September 2007.

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

The Company and Rio Tinto Desenvolvimentos Minerais Ltda (subsidiary of Rio Tinto Ltd) have entered into an exploration alliance, allowing the Company access to exploration information for the Tartaruga project to assist in the conversion of the unclassified mineralisation into a JORC resource.

The Directors of the Company are continuing to investigate acquisition opportunities in Australia and internationally to assess their appropriateness for the Company.

# Directors' Report (continued)

**Exploration Overview**
During the period to 31 December 2007 the Company conducted gold exploration activities in Australia and Brazil.

***Western Australia***

Reconnaissance Aircore Drilling at the Tropicana East Project returned significant gold and associated arsenic anomalies during the period to 31 December 2007.

An extensive reconnaissance Auger drilling program commenced on 11 January 2008 throughout the Tropicana East Project.

***Victoria***

A 3,000m RC and 500m Diamond drilling program commenced on 5 February 2008 at the Reedy Creek Project.

***Brazil***

On 10 February 2008 at the Company's Tartaruga Project a 5,000m diamond drilling program commenced to define an initial JORC resource from the current target range of 2.0-3.0Mt @ 1.5g/t and 3.8g/t gold that was delineated by BP Minerals in the 1980's. This target range is conceptual in nature.

Soil results from the Bananal area have highlighted a large contiguous zone of highly anomalous results up to 980ppb gold indicating a mineralised strike length in excess of 1km open to the northwest and south east.

**RESULTS**
The consolidated income statement shows a loss after tax of $1,095,000 for the period ended 31 December 2007.

**ROUNDING OF AMOUNTS**

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.

**AUDITORS INDEPENDENCE DECLARATION**
Section 307C of the Corporations Act 2001 requires the Company's auditors, KPMG, to provide the directors with a written independence declaration in relation to their review of the financial report for the period ended 31 December 2007. This written independence declaration is set out on page 4 and forms part of this directors' report for the period ended 31 December 2007.

Signed in accordance with a resolution of the Directors.

Signed at Perth, 12 March 2008

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**MR PETER BOWLER**
**Managing Director**

## 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 review for the financial period ended 31 December 2007 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the the review.

KPMG.

KPMG

R Gambitta
*Partner*

Perth
Dated: 12 March 2008

# Consolidated interim income statement

**From incorporation to 31 December 2007**

| *In Australian Dollars* | **Consolidated 2007 $'000** |
|---|---|
| **Revenue** | |
| Interest income | 244 |
| | |
| Administrative expenses | (798) |
| Exploration and evaluation expenses | (541) |
| **Results from operating activities** | **(1,095)** |
| | |
| Income tax expense | - |
| | |
| **Loss for the period** | **(1,095)** |
| | |
| **Attributable to:** | |
| Equity holders of the company | (1,095) |
| **Loss for the period** | **(1,095)** |
| | |
| **Earnings per share** | |
| Basic and diluted earnings per share (cents) | (0.03) |

The notes set out on pages 9 to 17 are an integral part of these consolidated interim financial statements.

# Consolidated interim statement of recognised income and expense

**From incorporation to 31 December 2007**

| *In Australian Dollars* | **Consolidated 2007 $'000** |
|---|---|
| Foreign currency translation differences for foreign operations | 7 |
| **Income and expense recognised directly in equity** | **7** |
| **Loss for the period** | **(1,095)** |
| **Total recognised income and expense for the period** | **(1,088)** |
| **Attributable to:** | |
| Equity holders of the company | (1,088) |
| **Total recognised income and expense for the period** | **(1,088)** |

Other movements in equity arising from transactions with owners as owners are set out in note 9.

The notes set out on pages 9 to 17 are an integral part of these consolidated interim financial statements.

# Consolidated interim balance sheet

**As at 31 December 2007**

| *In Australian Dollars* | *Note* | **Consolidated 2007 $'000** |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | | 13,087 |
| Trade and other receivables | | 33 |
| Prepayments | | 55 |
| **Total current assets** | | **13,175** |
| | | |
| Property, plant and equipment | *6* | 231 |
| Exploration and evaluation | | 3,989 |
| **Total non - current assets** | | **4,220** |
| | | |
| **Total assets** | | **17,395** |
| | | |
| **Liabilities** | | |
| Trade and other payables | | 299 |
| Employee benefits | | 110 |
| **Total current liabilities** | | **409** |
| | | |
| **Total liabilities** | | **409** |
| | | |
| **Net assets** | | **16,986** |
| | | |
| **Equity** | | |
| Share capital | | 18,045 |
| Reserves | | 36 |
| Accumulated losses | | (1,095) |
| **Total equity** | *9* | **16,986** |

The notes set out on pages 9 to 17 are an integral part of these consolidated interim financial statements.

# Consolidated interim statement of cash flows

**From incorporation to 31 December 2007**

| *In Australian Dollars* | *Note* | Consolidated 2007 $'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Payments to suppliers and employees | | (603) |
| **Net cash used in operating activities** | | **(603)** |
| | | |
| **Cash flows from investing activities** | | |
| Interest received | | 244 |
| Acquisition of exploration assets | | (114) |
| Exploration and evaluation expenditure | | (442) |
| Acquisition of property, plant and equipment | *6* | (240) |
| **Net cash used in investing activities** | | **(552)** |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from the issue of shares and options | | 15,185 |
| Transaction costs relating to the issue of shares | *9* | (950) |
| **Net cash from financing activities** | | **14,236** |
| | | |
| **Net increase in cash and cash equivalents** | | **13,080** |
| Cash and cash equivalents on hand at 3 May | | - |
| Effect of exchange rate fluctuations on cash held | *9* | 7 |
| **Cash and cash equivalents at 31 December** | | **13,087** |

The notes set out on pages 9 to 17 are an integral part of these consolidated interim financial statements.

# Notes to the consolidated interim financial statements

## 1. Reporting entity

Beadell Resources Limited the "Company" is a company domiciled in Australia. The interim financial report of the Company as at and for the period ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as the "Group").

## 2. Statement of Compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The interim financial report does not include all of the information required for a full annual financial report.

The interim financial report was approved by the Board of Directors on 12 March 2008

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

## 3. Significant accounting policies

This is the first financial report of the Company and accordingly all significant accounting policies have been disclosed.

**(a) Basis of Accounting**

Beadell Resources Limited is a company limited by shares that is incorporated and domiciled in Australia.

The interim financial report is presented in Australian dollars, which is the Company's functional currency.

The consolidated financial information has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 (as it applies to the preparation of consolidated financial information).

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

The following is a summary of the accounting policies adopted by the Company in the preparation of the consolidated financial information. The accounting policies have been consistently applied unless otherwise stated.

**(b) Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non assessable or disallowed items and is calculated using tax rates that have been enacted or are substantially enacted as at balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxation profit or loss.

# Notes to the consolidated interim financial statements

**(b) Income Tax (continued)**

Deferred income tax assets are recognised to the extent that it is probable that the future tax profits will be available against which deductible temporary differences will be utilised. The amount of the benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in the income taxation legislation and the anticipation that the economic unit will derive sufficient future assessable income to enable the benefits to be realised and comply with the conditions of deductibility imposed by law.

**(c) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of twelve months or less and are readily convertible to known amounts of cash.

**(d) Trade and other accounts receivable**

Trade and other accounts receivable are stated at amortised cost and are usually settled in no more than 30 days.

Trade and other accounts receivable are reviewed on an ongoing basis. An impairment loss is recognised for debts which are known to be uncollectable (see significant accounting policy (n)). An impairment provision is raised for any doubtful accounts (see significant accounting policy (n)).

**(e) Exploration, Evaluation and Development Expenditure**

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

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

(i) the acquisition costs are expected to be recouped through successful development and exploitation of the area of interest, or;

(ii) activities in the area of interest have not at the reporting date, reached a state which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

(i) sufficient data exists to determine technical feasibility and commercial viability, and;

(ii) facts and circumstances suggest the carrying amount exceeds the recoverable amount (see significant accounting policy (n)).

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. The cash generating unit 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 written off 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.

# Notes to the consolidated interim financial statements

**(f) Property, Plant and Equipment**

***(i) Owned assets***

Items of property, plant and equipment are carried at cost less any accumulated depreciation and impairment losses (see significant accounting policy (n)).

Gains and losses on disposal are of items of property, plant and equipment are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

***(ii) Subsequent costs***

The Group recognises in the carrying amount of an item of property, plant and equipment subsequent costs incurred where it is probable that the future economic benefits embodied within the item will flow to the Group and the cost can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

***(iii) Depreciation***

The depreciable amount of items of property, plant and equipment is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. The asset's residual value and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

The estimated useful lives for the period are as follows:

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

**(g) Trade and other accounts payable**

Liabilities 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.

**(h) Interest Revenue**

Revenue represents interest received and is recognised as it accrues, using the effective interest method.

**(i) Issued Capital**

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.

**(j) Basis of consolidation**

***(i) Subsidiaries***

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, 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 presently are exercisable or convertible 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.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

# Notes to the consolidated interim financial statements

**(j)Basis of consolidation (continued)**

***(ii) Transactions eliminated on consolidation***

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

***(iii) 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.

***(iv) 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, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at exchange rates at the dates of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to Australian dollars at exchange rates at the reporting date. Prior to translating the financial statements of foreign operations in hyperinflationary economies, its financial statements for the current period are restated to account for changes in general purchasing power of the local currency. The restatement is based on the relevant price indices at the reporting date.

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.

**(k) Employee benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

**(l) Share based payments**

The Group provides benefits to employees of the Group in the form of share-based payment transactions, whereby employees render services in exchange for share options.

# Notes to the consolidated interim financial statements

**(l) Share based payments (continued)**

The cost of these share based payment transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes option pricing model.

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 Group, 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.

**(m) Financial instruments**

***Share capital – ordinary shares***

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any income tax benefit.

**(n) Impairment**

***(i) Financial assets***

A financial asset is considered to be impaired if objective evidence indicates one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

***(ii) Non financial assets***

The carrying amount of the Group’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment.

# Notes to the consolidated interim financial statements

**(n) Impairment (continued)**

***(ii) Non financial assets (continued)***

If such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent of from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or CGU 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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 had been recognised.

**(o) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(p) Earnings per share**

The Group presents basic and when applicable 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 profit or loss attributable to ordinary shareholders of the Company and the weighted average of number of ordinary shares outstanding for the effects of all dilutive potential shares.

**(q) Segment reporting**

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

# Notes to the consolidated interim financial statements

**(r) Critical accounting estimates and judgements**

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**(s) Comparatives**

Beadell Resources Limited was incorporated on 3 May 2007. Accordingly there are no comparative results for prior periods.

## 4. Segment reporting

**Segments**

The Company operates predominantly in one industry, gold and other minerals exploration and in two geographical locations, Australia and Brazil.

From incorporation to 31 December 2007

*In Australian Dollars*

| | Brazil 2007 $'000 | Australia 2007 $'000 | Eliminations 2007 $'000 | Consolidated 2007 $'000 |
|---|---|---|---|---|
| Segment revenue | - | 252 | (8) | 244 |
| Segment result | (39) | (1,048) | (8) | (1,095) |

## 5. Subsidiaries

**Incorporation of a foreign subsidiary**

On 18 July 2007 the company incorporated a wholly owned subsidiary, Beadell Resources Mineracao Ltda, a company domiciled in Brazil with share capital of 100,000 shares at 1 Brazilian Real each.

## 6. Property, plant and equipment

**Acquisitions and disposals**

During the period ended 31 December 2007 the Group acquired items of property, plant and equipment with a cost of $240,000.

## 7. Contingent assets and liabilities

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

# Notes to the consolidated interim financial statements

## 8. Share based payments

**Employee share option scheme**

In 2007 the Group established a share option programme that entitles management personnel and employees to purchase shares in the entity. All options issued under the scheme are subject to the Company's rules for incentive options.

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

| | Number of options issued |
|---|---|
| **Options outstanding on incorporation** | **-** |
| Options granted during the period. | 840,000 |
| **Options outstanding as at 31 December 2007** | **840,000** |
| | |
| **Exercisable at the end of the period** | **235,000** |

The outstanding balance as at 31 December 2007 is represented by:

- 540,000 options granted between 6 June 2007 and 25 September 2007, vesting on 26 September 2007 and expiring on 30 June 2011 with a strike price of $0.25 and a weighted average fair value per option at grant date of $0.07.
- 180,000 options granted between 13 August 2007 and 7 September 2007, vesting on 26 September 2007 and expiring on 30 June 2011 with a strike price of $0.35 and a weighted average fair value per option at grant date of $0.09.
- 120,000 granted on 27 September 2007, vesting on 27 September 2007 and expiring on 30 June 2011 with a strike price of $0.35 and a weighted average fair value per option at grant date of $0.15.

**Fair value of options for the period ending 31 December 2007:**

The weighted average fair value of options granted during the period was $0.09.

**The following table lists the weighted average inputs to the model used to determine the fair value of the options for the period ending 31 December 2007:**

| | Weighted average input |
|---|---|
| Market value of the underlying shares | $0.26 |
| Remaining contractual life of options granted during the period | 3.5 years |
| Exercise price of options granted during the period | $0.29 |
| Expected volatility of the underlying shares | 72% |
| Risk free rate applied | 6.36% |

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

# Notes to the consolidated interim financial statements

## 9. Capital and reserves

**Reconciliation of movements in capital and reserves**

From incorporation to 31 December 2007

*In Australian Dollars*

| | Share Capital<br>$'000 | Translation Reserve<br>$'000 | Share based payments Reserve<br>$'000 | Option Reserve<br>$'000 | Retained Earnings<br>$'000 | Total Equity<br>$'000 |
|---|---|---|---|---|---|---|
| Balance at incorporation | - | - | - | - | - | - |
| Total recognised income and expense | - | 7 | - | - | (1,095) | (1,088) |
| Share-based payments | - | - | 26 | - | - | 26 |
| Issue of ordinary shares for cash | 15,182 | - | - | - | - | 15,182 |
| Issue of ordinary shares for acquisition of tenements | 3,813 | - | - | - | - | 3,813 |
| Issue of options for cash | - | - | - | 3 | - | 3 |
| Equity transaction costs | (950) | - | - | - | - | (950) |
| **Balance at 31 December 2007** | **18,045** | **7** | **26** | **3** | **(1,095)** | **16,986** |

**Dividends**
There were no dividends declared or paid by the Group.

## 10. Options

On 25 June 2007 the Company issued 3,000,000 million options to Directors of the Company. All options expire on 30 June 2012 and the outstanding balance as at 31 December 2007 is represented by:

- 1,500,000 options with a fair value of $2,250 and a strike price of 35 cents.
- 1,500,000 options with a fair value of $750 and a strike price of 50 cents.

# Directors' Declaration

In the opinion of the Directors of Beadell Resources Limited ("the Company"):

(1) the financial statements and notes are in accordance with the Corporations Act 2001, including:

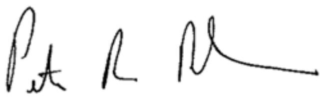
(a) giving a true and fair view of the financial position of the Group as at 31 December 2007 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Signed at Perth, 12 March 2008



**MR PETER BOWLER**
**Managing Director**

# Auditor's independent review report

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

### Report on the financial report

We have reviewed the accompanying interim financial report of Beadell Resources Limited, which comprises the consolidated interim balance sheet as at 31 December 2007, income statement, statement of recognised income and expense and cash flow statement for the interim period ended on that date, a statement of accounting policies and other explanatory notes 1 to 10 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim 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.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2007 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Beadell Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Beadell Resources Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2007 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

KPMG

KPMG

R Gambitta
*Partner*

Perth
Dated: 12 March 2008