# Beadell Resources Limited

ABN 50 125 222 291

# Condensed Consolidated Interim Financial Report

## For the half year ended 30 June 2011

# Contents

# Corporate directory

**Directors**

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

**Company Secretary**

Greg Barrett

**Corporate Details**

Beadell Resources Ltd  (ABN 50 125 222 291)

Issued capital 657,906,946 ordinary shares

**Registered and Principal Office**

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West Perth WA 6005

Telephone: +61 8 9429 0800

Facsimile: +61 8 9481 3176

Internet: www.beadellresources.com.au

**Brazil Office**

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Telephone: + 55 21 2122 0500

Facsimile: + 55 21 2122 0502

**Share Registry**

Computershare Investor Services Pty Ltd

Level 5, 115 Grenfell Street

Adelaide SA 5000

Telephone: 1300 137 515

Telephone: +61 3 9415 4667

**Stock Exchange Listing**

ASX Ltd

ASX code: BDR

**Auditor**

KPMG

# Directors' report

## For the six months ended 30 June 2011

The directors present their report together with the financial report of the Beadell Resources Limited ("the Company" or "Beadell") Group, being the Company and its subsidiaries, for the six months ended 30 June 2011 ("the period") and the auditor's review report thereon.

## Directors

The directors of the Company at any time during or since the end of the period are as set out below. Directors were in office for the entire period unless otherwise stated.

**Non-Executive**

Mr Craig Readhead (Chairman)
Dr Michael Donaldson
Mr Mark Jewell

**Executive**

Mr Peter Bowler
Mr Robert Watkins

## Operating results

The loss after income tax for the six months ended 30 June 2011 was $19,248,000 (six months ended 31 December 2010: $14,614,000).

## Review of operations

### Tucano Gold Mine ("Tucano")

***Background***

Tucano is 100% owned by the Group and is located in Amapá State, Brazil. The project was acquired in April 2010 and a definitive feasibility study into recommencing operations was recently completed. Other significant milestones achieved during the period included the releases of a maiden gold and iron ore reserves, commencement of construction and resumption of mining at Tucano.

***Definitive Feasibility Study ("DFS") findings***

The DFS was commenced in June 2010 and completed in May 2011.

| **Key DFS findings as at May 2011** | | |
|---|---|---|
| **Physical (including stockpiles)** | | |
| Total ore mined and milled | tonnes | 26,397,416 |
| Grade | g/t gold | 1.47 |
| Stripping ratio | waste/ore | 4.9:1 |
| Recovery | % | 90.6 |
| Recovered gold | ounces | 1,126,135 |
| **Operating costs and surplus (including stockpiles)** | | |
| Life of mine cash costs | US$/oz | 618 |
| Cash operating surplus @ US$1,500 (pre tax, pre royalties) | US$'000 | 993,251 |
| **Capital costs** | | |
| Carbon-in-leach ("CIL ") plant and tailings storage | US$'000 | 99,394 |

*The DFS has made no reference or allowance for the extensive iron ore resources which are prevalent within the current pit shells. The inclusion of this ore into the pit optimisations would result in a materially positive improvement in project economics. The joint mining of gold and iron ore at Tucano is discussed below at Tucano iron ore.*

***Reserves and resources***

*Maiden Reserve*

In April 2011 the Group announced a maiden JORC compliant reserve at Tucano totalling 1.25 Moz of gold. The reserve comprises an open pit reserve of 19.0 Mt @ 1.7 g/t gold for 1.04 Moz. Significant stock piles located adjacent to the plant site have been re-estimated after the completion of close spaced RC drilling. A new reserve for the stock pile totals 7.4 Mt @ 0.87 g/t gold for 0.21 Moz. The reserve at 0.65 g/t lower cut off grade comprises:

## Review of operations (continued)

### Tucano Gold Mine (continued)

***Reserves and resources (continued)***

*Maiden Reserve (continued)*

| Reserve category | Tonnes (millions) | Gold grade (g/t) | Gold ounces (millions) |
|---|---|---|---|
| Proved | 7.4 | 0.78 | 0.184 |
| Probable | 19.0 | 1.70 | 1.039 |
| Total | 26.4 | 1.44 | 1.224 |

*The reserve does not include any provision for the significant amount of iron mineralisation within and adjacent to the open pits. This would have a materially positive impact on reserves as all of the extensive iron mineralisation is treated as waste in the current gold pit optimisations. The joint mining of gold and iron ore at Tucano is discussed below at Tucano iron ore.*

*Resource*

The Tucano gold JORC compliant resource for Tucano was estimated in November 2010 and totalled 4.3 Moz of gold. The resource was estimated in November 2010 at a 0.5 g/t lower cut off grade and comprises:

| Resource category | Tonnes (millions) | Gold grade (g/t) | Gold ounces (millions) |
|---|---|---|---|
| Measured | 7.4 | 0.78 | 0.184 |
| Indicated | 40.2 | 1.51 | 1.953 |
| Inferred | 42.9 | 1.56 | 2.150 |
| Total | 90.5 | 1.47 | 4.286 |

***Exploration and resource extension***

In May 2011 the Group announced the commencement a major program of resource extension and exploration drilling. This drilling program is designed to target a 3 Moz addition to the current JORC resource through extensions to existing resource deposits and through testing regional targets such as Sucuruju.

A summary of the resource targets is presented below.

| Target | Target tonnes (millions) | Target gold grade (g/t) | Target gold ounces (millions) |
|---|---|---|---|
| Urucum deeps | 7 – 9 | 5.0 – 7.0 | 1.500 |
| Tapareba AB | 2 – 3 | 5.0 – 7.0 | 0.500 |
| Regional | 10 – 20 | 1.5 – 2.5 | 1.000 |

The program will be aggressively pursued over the next 2 years and has been immediately successful in locating a high grade gold lode continuation of the main Tapereba AB zone (named Tapareba Sul). Excellent potential exists to define a significant gold resource at Tapereba Sul and an extensive drilling program continues.

***Tucano approvals***

During the period Tucano received final regulatory approvals. The federal mining regulator approved the recommencement of mining at Tucano and the state government environmental operating licence was also approved. There are no further regulatory impediments to the construction of the CIL plant or recommencement of mining at Tucano.

***Engineering, Procurement, Construction and Management ("EPCM")***

In May 2011 Ausenco was awarded the EPCM contract for the construction of the Tucano CIL processing plant and related infrastructure.

The detailed engineering and overall procurement is substantially complete with many of the long lead equipment items ordered. Spent ore in the location of the SAG mill, crusher and CIL tanks has been removed to allow commencement of construction. Award of the civil contract is now complete with contractor's mobilised to site in August 2011.

# Directors' report

## For the six months ended 30 June 2011

## Review of operations (continued)

### Tucano Gold Mine (continued)

***Mining***

Mining commenced at Tucano shortly after the approval of the environmental license and in the period approximately 183,000 tonnes of material was mined, including 4,770 tonnes of ore. Mining activities were focused in the Tapareba D2 and D3 open pits, which when mined out will form Tucano's first tailings storage facility.

***Project finance***

The Group appointed WestLB and Macquarie Bank Limited as joint Lead Arrangers for bank facilities totalling US$80 million to support development at Tucano. Under the appointment the joint Lead Arrangers will engage Banco da Amazonia to access lower cost development funding.

The facility will be structured as a limited-recourse project finance loan and includes gold hedging totalling 135,000 ounces if a minimum average price of US$1,500/oz is achieved or down to 115,000 ounces if a minimum price of US$1,600/oz is achieved. The gold hedging requirement will be adjusted pro rata depending on the average price achieved.

***Tucano iron ore***

*Maiden Resource*

In August 2011 the Group announced a maiden JORC compliant iron ore resource at Tucano ("Tap Norte"). The Tap Norte iron ore resource totals 209.1 Mt @ 36.1% Fe. The resource comprises a form of hematite rich banded iron formation (BIF) iron ore known as friable itabirite iron ore. Friable itabirites are beneficiated to concentrate the iron ore to form high grade sinter and pellet feed iron fit for smelting. A considerable amount of compact iron ore beneath the friable itabirite resource has not been included in the current resource estimate and remains a major potential additional source of iron ore.

The resource at 25% lower cut off grade comprises:

| Resource category | Tonnes (million) | Fe % | SiO2 % | Al2O3 % | TiO2 % | P % | Mn % | K2O % | LOI |
|---|---|---|---|---|---|---|---|---|---|
| Measured | 2.9 | 40.4 | 26.5 | 5.0 | 0.3 | 0.13 | 2.2 | 0.1 | 4.8 |
| Indicated | 72.5 | 37.2 | 29.1 | 6.8 | 0.4 | 0.10 | 1.5 | 0.1 | 5.5 |
| Inferred | 133.7 | 35.4 | 28.5 | 8.9 | 0.2 | 0.15 | 2.1 | 0.1 | 7.5 |
| Total | 209.1 | 36.1 | 28.7 | 8.1 | 0.2 | 0.13 | 1.9 | 0.1 | 6.8 |

The Group hopes to rapidly expand the iron ore resource by targeting BIF to the south and east of the existing resource. The group has set conceptual targets of 120 Mt to 180 Mt of additional iron ore resources from these areas.

*Iron ore resource within existing gold reserve*

Within existing gold optimised pits there is a total resource of 35.9 Mt @ 35.5% iron. This iron ore comprises the majority of the current waste within those pits. Realising economic value for the iron ore within the gold pits will dramatically reduce operating costs for the gold operation.

Importantly, there has been no joint optimisation of iron ore and gold. This joint optimisation is expected to dramatically increase the size of the open pits and materially increase existing gold reserves, as widespread, high grade iron ore is located within and adjacent to current gold pit walls.

*Mining of iron ore*

Negotiations are ongoing regarding a gold and iron ore Joint Mining Agreement with Anglo American plc ("Anglo") whereby Anglo will pay for iron ore extracted out of the Group's gold pits. Alternatively, the Group may choose to mine independently of Anglo if the parties are unable to reach agreement on the terms of a Joint Operating Agreement. Under this scenario the Group would mine iron ore located in it's mining concession independent of Anglo. To this end the Group intends to commence a detailed iron ore scoping study.

*Treatment of CIL tailings for iron ore*

The Group has appointed Ausenco Ltd investigate the viability of an initiative to produce iron ore pellet feed from future CIL tailings by way of modifications to the gold plant.

### Tropicana East

Tropicana East is 100% owned by the Group and is located in Western Australia and was acquired in 2007. The project is located adjacent to the AngloGold Ashanti – Independence Group Tropicana 5 Moz gold deposit.

## Review of operations (continued)

### Tropicana East (continued)

The Group has intersected high grade gold mineralisation at the Hercules and Atlantis prospects. The prospects are approximately 5 km apart and located on the 15 km long Hercules Shear Zone (“HSZ”).

Potential for additional gold discoveries along the HSZ is considered to be high and the Group is planning further drilling to target potential extensions and high grade plunges of the mineralisation. A diamond drilling program has recently commenced, aiming to define the structural controls and style of the gold mineralisation intersected to date.

### Tartaruga

Tartaruga is 100% owned by the Group and is located in Amapá State, Brazil. The project was acquired in 2007 and a JORC compliant resource has been estimated for the project.

The Tartaruga gold JORC compliant resource totals 0.3 Moz of gold. The resource was estimated at a 0.5 g/t lower cut off grade and comprises:

| Resource category | Tonnes (millions) | Gold grade (g/t) | Gold ounces (millions) |
|---|---|---|---|
| Inferred | 5.5 | 1.60 | 0.279 |
| Total | 5.5 | 1.60 | 0.279 |

Preparations for recommencement of exploration at the Tartaruga project are underway. During the period the Group was awarded an adjoining tenement that to the northern tenement boundary of the main concession. The northern tenement is known to contain significant gold mineralisation.

## Lead auditor’s independence declaration

The Lead auditor’s independence declaration is set out on page 21 and forms part of the directors’ report for the six months ended 30 June 2011.

## Rounding off

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

This report is made with a resolution of the directors:

PETER BOWLER

Managing Director

Dated at Perth, this 13th day of September 2011

***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.*

# Condensed consolidated interim statement of financial position

**As at 30 June 2011**

| | Note | 30 June 2011 $'000 | 31 December 2010 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 48,441 | 41,904 |
| Prepayments | | 482 | 115 |
| Trade and other receivables | | 1,097 | 1,294 |
| Inventories | | 6,150 | 5,728 |
| Non-current assets held for sale | *6* | - | 1,570 |
| Current tax assets | | 156 | - |
| **Total current assets** | | 56,326 | 50,611 |
| | | | |
| Exploration and evaluation assets | *9* | 2,317 | 18,792 |
| Mine properties under development | *5* | 29,955 | - |
| Property, plant and equipment | *7* | 7,514 | 8,817 |
| Other non-current assets | | 422 | 250 |
| **Total non-current assets** | | 40,208 | 27,859 |
| **Total assets** | | 96,534 | 78,470 |
| | | | |
| **Liabilities** | | | |
| Trade and other payables | | 4,939 | 3,009 |
| Employee benefits | | 1,050 | 625 |
| **Total current liabilities** | | 5,989 | 3,634 |
| | | | |
| Trade and other payables | | 57 | 57 |
| Provisions | | 11,355 | 11,159 |
| **Total non-current liabilities** | | 11,412 | 11,216 |
| **Total liabilities** | | 17,401 | 14,850 |
| | | | |
| **Net assets** | | 79,133 | 63,620 |
| | | | |
| **Equity** | | | |
| Share capital | *9* | 95,755 | 95,566 |
| Reserves | | 34,381 | (191) |
| Retained earnings | | (51,003) | (31,755) |
| **Total equity** | | 79,133 | 63,620 |

The notes on pages 13 to 17 are an integral part of these condensed consolidated interim financial statements.

# Condensed consolidated interim statement of comprehensive income

**For the six months ended 30 June 2011**

| | 30 June 2011 $'000 | 31 December 2010 $'000 |
|---|---|---|
| Revenue | - | 1,778 |
| Cost of sales | - | (2,086) |
| **Gross profit/(loss)** | - | (308) |
| Other income | 190 | 1,770 |
| Administrative expenses | (7,103) | (3,193) |
| Project exploration and evaluation expenses | (12,211) | (14,226) |
| Impairment reversals/(losses) | (1,448) | 212 |
| **Results from operating activities** | (20,572) | (15,745) |
| Finance income | 1,529 | 1,603 |
| Finance expense | (361) | (472) |
| **Net finance income** | 1,168 | 1,131 |
| **Loss for the period before income tax** | (19,404) | (14,614) |
| Income tax recovery | 156 | - |
| **Loss for the period after income tax** | (19,248) | (14,614) |
| **Other comprehensive income** | | |
| Foreign currency translation differences for foreign operations | 992 | (5,074) |
| **Loss for the period after income tax** | (18,256) | (19,688) |
| **Loss attributable to**: | | |
| Equity holders of the Company | (19,248) | (14,614) |
| **Loss for the period** | (19,248) | (14,614) |
| **Other comprehensive income attributable to**: | | |
| Equity holders of the Company | (18,256) | (19,688) |
| **Total comprehensive loss for the period** | (18,256) | (19,688) |
| **Loss per share:** | | |
| Basic Loss per share ($) | (0.03) | (0.02) |
| Diluted Loss per share ($) | (0.03) | (0.02) |

The notes on pages 13 to 17 are an integral part of these condensed consolidated interim financial statements.

# Condensed consolidated interim statement of changes in equity

**For the six months ended 30 June 2011**

| **Attributable to shareholders of the Company** | ***Notes*** | **Share capital $'000** | **Prepaid share reserve $'000** | **Translation reserve $'000** | **Share based payments reserve $'000** | **Option premium reserve $'000** | **Accumulated losses $'000** | **Total equity $'000** |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2011 | | 95,566 | - | (2,216) | 2,022 | 3 | (31,755) | 63,620 |
| **Total comprehensive loss for the period** | | | | | | | | |
| Loss for the period | | - | - | - | - | - | (19,248) | (19,248) |
| **Other comprehensive loss** | | | | | | | | |
| Foreign currency translation differences | | - | - | 992 | - | - | - | 992 |
| Total other comprehensive loss | | - | - | 992 | - | - | (19,248) | (18,256) |
| Total comprehensive loss for the period | | - | - | 992 | - | - | (19,248) | (18,256) |
| **Transactions with owners recorded directly in equity** | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | |
| Issue of ordinary shares | *9* | 189 | - | - | - | - | - | 189 |
| Payments for the issue of shares in advance | *10* | - | 30,000 | - | - | - | - | 30,000 |
| Equity transaction costs | *10* | - | (1,255) | - | - | - | - | (1,255) |
| Share based payments | | - | - | - | 4,835 | - | - | 4,835 |
| Total contributions by and distributions to owners | | 189 | 28,745 | - | 4,835 | - | - | 33,769 |
| Balance as at 30 June 2011 | | 95,755 | 28,745 | (1,224) | 6,857 | 3 | (51,003) | 79,133 |

The notes on pages 13 to 17 are an integral part of these condensed consolidated interim financial statements.

# Condensed consolidated interim statement of changes in equity

**For the six months ended 31 December 2010**

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

The notes on pages 13 to 17 are an integral part of these condensed consolidated interim financial statements.

# Condensed consolidated interim statement of cash flows

**For the six months ended 30 June 2011**

| | 30 June 2011<br>$'000 | 31 December 2010<br>$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash receipts from customers | 598 | 3,686 |
| Cash paid to suppliers and employees | (1,945) | (4,838) |
| Payments for exploration and evaluation expenditure | (13,254) | (12,149) |
| Income tax refund received | - | 196 |
| **Net cash provided by (used in) operating activities** | (14,601) | (13,105) |
| **Cash flows from investing activities** | | |
| Interest received | 1,572 | 709 |
| Proceeds from sale of property, plant and equipment | 5 | 25 |
| Proceeds from the sale of intangible assets | - | 32,202 |
| Cash paid as securities | (172) | - |
| Payments for mine development | (9,321) | - |
| Payments for acquisition of property, plant and equipment | (342) | (877) |
| **Net cash provided by (used in) investing activities** | (8,258) | 32,059 |
| **Cash flows from financing activities** | | |
| Proceeds from issue of shares and options | 30,189 | - |
| Transaction costs paid related to the issue of shares | (1,225) | (26) |
| **Net cash provided by (used in) financing activities** | 28,964 | (26) |
| Net increase (decrease) in cash and cash equivalents | 6,105 | 18,928 |
| Cash and cash equivalents at 1 July | 41,904 | 23,703 |
| Effect of exchange rate fluctuations on cash held | 432 | (727) |
| **Cash and cash equivalents at the end of the period** | 48,441 | 41,904 |

The notes on pages 13 to 17 are an integral part of these condensed consolidated interim financial statements.

# Notes to the condensed consolidated interim 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 condensed consolidated interim financial statements of the Company as at and for the period from 1 January 2011 to 30 June 2011 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. Statement of compliance

The condensed consolidated 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 condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual report of the Group as at and for the six months ended 31 December 2010.

The condensed consolidated interim financial statements were approved by the Board of Directors on 13 September 2011.

## 3. Significant accounting policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial report as at and for the six months ended 31 December 2010.

### (a) Accounting for new transactions and events

#### (i) Mine properties

Once the technical feasibility and commercial viability of the extraction of mineral resources in a particular area of interest become demonstrable, the exploration and evaluation assets attributable to the area of interest are reclassified as mine properties. All development costs subsequently incurred within that area of interest are capitalised and carried at cost, less accumulated amortisation and impairment losses.

Amortisation of capitalised mine development costs is provided on the unit-of-production method, resulting in an amortisation charge proportional to the depletion of the economically recoverable mineral resources. Capitalised costs are amortised from the commencement of commercial production.

#### (ii) Deferred stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units-of-production basis.

Where several open pits are operated in a mine and each pit is regarded as a separate operation for the purpose of mine planning, stripping costs may be accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of mine planning, the subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping (i.e. overburden and other waste) of the subsequent pits is considered to be production phase stripping relating to the combined operation.

Stripping costs incurred subsequently during the production phase of operations are deferred where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the life of the mine. The amount of stripping costs deferred is based on the strip ratio obtained by dividing the tonnage of waste mined by the tonnage of ore. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of mine strip ratio. Such deferred costs are then charged to profit or loss to the extent that, in subsequent periods, the current period ratio falls short of the life of mine (or pit) ratio. The life of mine (or pit) ratio is based on economically recoverable reserves of the mine (or pit). Changes are accounted for prospectively, from the date of the change.

Deferred stripping costs are included as part of 'Mine Properties'. These form part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable.

# Notes to the condensed consolidated interim financial statements

## 3. Significant accounting policies

### (a) Accounting for new transactions and events

#### (iii) Estimates

***Ore Reserves***

Economically recoverable ore reserves represent the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The Group determines and reports ore reserves under the standards incorporated in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2004 edition ("JORC Code"). The Determination of ore reserves includes estimates and assumptions about a range of geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices, and exchange rates. Changes in ore reserves impact the assessment of recoverability of exploration and evaluation assets, provisions for site restoration, the carrying amount of assets depreciated on a units of production basis and the recognition of deferred taxes, including tax losses.

***Exploration and evaluation assets***

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policies requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale of the respective area of interest will be achieved. Critical to this assessment is estimates and assumptions as to Ore Reserves (refer above), the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure, a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement in accordance with the Group's accounting policies.

## 4. Operating segments

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

| **Information about reportable segment loss** | **Brazil $'000** | **Australia $'000** | **Total $'000** |
|---|---|---|---|
| **6 months ended 30 June 2011** | | | |
| External revenues and royalties | - | - | - |
| Depreciation | (846) | (33) | (879) |
| Impairment of segment assets | (1,570) | - | (1,571) |
| Reportable segment loss before income tax | (11,881) | (1,901) | (13,782) |
| **6 months ended 31 December 2010** | | | |
| External revenues and royalties | 3,322 | - | 3,322 |
| Depreciation | (1,060) | (37) | (1,097) |
| Reportable segment loss before income tax | (8,950) | (4,040) | (12,990) |

| **Reconciliation of reportable segment loss** | **6 months ended 30 June 2011 $'000** | **6 months ended 31 December 2010 $'000** |
|---|---|---|
| Total loss for reportable segments | (13,782) | (12,990) |
| Unallocated amounts | | |
| - Corporate income | 1,882 | 1,828 |
| - Corporate expenses | (7,348) | (3,452) |
| Consolidated loss before tax | (19,248) | (14,614) |

## Notes to the condensed consolidated interim financial statements

### 4. Operating segments (continued)

| Information about reportable segment assets | Brazil $'000 | Australia $'000 | Total $'000 |
|---|---|---|---|
| **30 June 2011** | | | |
| Reportable segment assets | 41,191 | 5,902 | 47,093 |
| **31 December 2010** | | | |
| Reportable segment assets | 34,123 | 1,761 | 35,884 |

| Reconciliation of reportable segment assets | 30 June 2011 $'000 | 31 December 2010 $'000 |
|---|---|---|
| Total assets for reportable segments | 47,093 | 35,884 |
| Unallocated amounts | | |
| - Corporate assets | 49,441 | 42,586 |
| Consolidated assets | 96,534 | 78,470 |

**Geographical segments**

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

| | Revenues 6 months ended 30 June 2011 $'000 | Non-current assets as at 30 June 2011 $'000 | Revenues 6 months ended 31 December 2010 $'000 | Non-current assets as at 31 December 2010 $'000 |
|---|---|---|---|---|
| Australia | - | 5,639 | - | 1,761 |
| Brazil | - | 34,569 | 1,778 | 26,098 |
| Balance at the end of the period | - | 40,208 | 1,778 | 27,859 |

### 5. Mine properties under development

| | 30 June 2011 $'000 | 31 December 2010 $'000 |
|---|---|---|
| **Cost** | | |
| Opening balance | - | - |
| Transferred from exploration and evaluation assets | 16,857 | - |
| Transferred from property, plant and equipment | 851 | - |
| Construction costs | 9,941 | - |
| Resource development costs | 958 | - |
| Deferred stripping costs | 1,348 | - |
| Balance at the end of the period | 29,955 | - |

### 6. Non-current assets held for sale

| | 30 June 2011 $'000 | 31 December 2010 $'000 |
|---|---|---|
| Opening balance | 1,570 | - |
| Transfers from property, plant and equipment | - | 1,570 |
| Effects of movement in exchange rates | 35 | - |
| Provision for impairment | (1,605) | - |
| Balance at the end of the period | - | 1,570 |

Part of the existing site infrastructure at the Group's Tucano project was presented as non-current assets held for sale following the commitment of the Group's management to a plan to sell several significant items. During the period the Group was not successful in disposing of these items and has determined the carrying value of the items is no longer recoverable.

# Notes to the condensed consolidated interim financial statements

## 7. Property, plant and equipment

| | 30 June 2011 $'000 | 31 December 2010 $'000 |
|---|---|---|
| **Cost** | | |
| Opening balance | 10,387 | 12,272 |
| Additions | 342 | 44 |
| Capital works in progress | - | 833 |
| Disposals | - | (86) |
| Transfers to mine properties under development | (851) | - |
| Transfers to non-current assets held for sale | - | (1,570) |
| Effect of movements in exchange rates | 223 | (1,106) |
| Closing balance | 10,101 | 10,387 |
| **Depreciation** | | |
| Opening balance | 1,570 | 608 |
| Depreciation for the period | 975 | 1,097 |
| Disposals | - | (61) |
| Effect of movements in exchange rates | 42 | (74) |
| Closing balance | 2,587 | 1,570 |
| **Carrying amount** | | |
| Opening balance | 8,817 | 11,664 |
| Closing balance | 7,514 | 8,817 |

## 8. Exploration and evaluation assets

| | 30 June 2011 $'000 | 31 December 2010 $'000 |
|---|---|---|
| **Cost** | | |
| Opening balance | 18,792 | 20,555 |
| Transferred to mine properties under development | (16,857) | - |
| Effect of movements in exchange rates | 382 | (1,763) |
| Balance at the end of the period | 2,317 | 18,792 |

## 9. Issued capital

**Movement in share capital for the half year ended 30 June 2011**

| Ordinary shares | | Number of shares '000 | Share capital $'000 |
|---|---|---|---|
| 1 January 2011 | Opening balance | 621,937 | 95,566 |
| 12 January 2011 | Options exercised | 70 | 24 |
| 28 January 2011 | Options exercised | 90 | 32 |
| 28 March 2011 | Options exercised | 50 | 12 |
| 24 May 2011 | Options exercised | 225 | 56 |
| 30 June 2011 | Options exercised | 240 | 65 |
| 30 June 2011 | Closing balance | 622,612 | 95,755 |

## 10. Capital raising

On 30 June 2011 the company received $30,000,000 in share subscriptions in advance from a capital raising to sophisticated and professional investors. The shares were allotted on 1 July 2011. Equity transaction costs associated with the capital raising totalled $1,255,000.

## 11. Share-based payments

### Employee Share Option Plan

The Group has an established 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 terms and conditions of the share option plan are disclosed in the consolidated financial report as at and for the six months ended 31 December 2010.

## 11. Share-based payments (continued)

### Employee share options granted during the period

500,000 options were granted on 21 January 2011 and vest on 21 January 2012. The grant date fair value of the employee share options was measured using the Black-Scholes formula. The inputs to the model used to determine the fair value of options granted during the year were:

| | |
|---|---|
| Contractual life (years) | 3.9 |
| Market value of the underlying shares | $0.82 |
| Exercise price of options granted | $0.80 |
| Expected volatility of the underlying shares | 72.29% |
| Risk free rate applied | 5.29% |
| Fair value per option at grant date | $0.48 |

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

## 12. Related parties

Arrangements with related parties remain in place. For details on these arrangements please refer to the Group's 31 December 2010 annual financial report.

## 13. Legal proceedings

During the period the Group settled a legal claim of R$681,000 (approximately $405,000) that was previously provided for. The claim was settled for an amount of R$160,000 (approximately $95,000). Various other legal claims previously provided for (totalling R$105,000 (approximately $62,000)) were dismissed during the period.

## 14. Construction and other commitments

| | 30 June 2011 $'000 | 31 December 2010 $'000 |
|---|---|---|
| **Tucano project construction commitments** | | |
| Within one year | 11,490 | 847 |
| Construction commitments | 11,490 | 847 |

Additional to construction commitments set out above, the group has other ongoing commitments in relation to operating leases, minimum exploration expenditure and other contractual obligations. These commitments are as described in the Group's 31 December 2010 annual financial report.

## 15. Subsequent events

On 1 July 2011 the Company issued of 35,294,118 shares to sophisticated and professional investors at $0.85 per share, raising gross proceeds of $30,000,000. All shares were fully paid.

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

# Directors' declaration

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

   (a) the condensed consolidated interim financial statements and notes 1 to 15 that are contained within 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 2011 and of its performance for the half 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.

Signed in accordance with a resolution of the directors:

PETER BOWLER
Managing Director

Dated at Perth, this 13th day of September 2011.

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

We have reviewed the accompanying interim financial report of Beadell Resources Limited, which comprises the condensed consolidated interim statement of financial position as at 30 June 2011, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the half year ended on that date, notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half year's end or from time to time during the half year.

*Directors' responsibility for the interim financial report*

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

*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 a 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 30 June 2011 and its performance for the half year 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.

*Independence*

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

*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 30 June 2011 and of its performance 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*.

KPMG

KPMG

Graham Hogg
*Partner*

Perth
13 September 2011

***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 half year ended 30 June 2011 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 review.

KPMG

KPMG

Graham Hogg
*Partner*

Perth
13 September 2011