



ASX ANNOUNCEMENT
ASX Code: BDR

28 February 2012

CIL GOLD TAILINGS – MAGNETIC SEPARATION PLANT

Beadell Resources Limited (**Beadell**) is pleased to announce a gold cash cost reduction initiative driven by positive results received from metallurgical test work on the CIL gold tailings at the Company's Tucano Gold Project in Brazil. These tests have determined that sufficient high grade iron ore pellet feed can be economically recovered to enable the Board to commit to the commencement of engineering drawings for a Magnetic Separation plant to be integrated into the CIL Gold plant (see Figure 1).

The metallurgical test work indicates that a high grade (66-67%) iron ore concentrate, known as pellet feed, of 250,000 – 500,000 tonne per annum can be achieved using a standard magnetic separation process. The broad range in tonnes of product results from the gold ore sequencing from several different open pits which contain differing amounts of iron ore. The test work has identified that a relatively high proportion of the iron head grade in the gold oxide zones contains significant amounts of magnetic iron in the form of keno magnetite. Additional metallurgical test work is underway and a more detailed recovery and iron ore concentrate production profile will be released shortly.

Discussions concerning logistics and off-take have commenced with several options available to the Company. Transport costs utilising the State owned railway to the Port of Santana and the privately owned port handling facilities are estimated to be US\$25 to 35 per tonne.

Following a scoping study level report by ProMet Engineers, the Capital Expenditure for the Magnetic Separation plant is estimated to be in the range of US\$10-15M. Net Operating Costs of around US\$5-10 per tonne (including savings of around US\$2 per tonne via diverting material from the tailings storage facility). Construction of this project is estimated to be completed in Q4 CY2012.

A comparable high grade iron ore pellet feed product is currently returning around US\$100 per tonne FOB Port of Santana.

The pellet feed that is to be produced from the CIL gold tailings is incremental to the potential to produce iron ore concentrate from Beadell's iron ore resources. As previously announced, Beadell is in discussions with strategic partners to unlock the value of these resources.

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Beadell's Managing Director Peter Bowler commented "This is an exciting development following extensive testing of our CIL gold tailings. With the proposed logistics solution progressing well, the production of this readily saleable product is likely to have a significant impact on our gold cash cost costs at Tucano. Whilst this will be an add-on to the new CIL Gold plant, no delays to first gold pour will result from this initiative. Importantly, Beadell remains a gold focussed company with construction at the Tucano Gold project continuing apace."

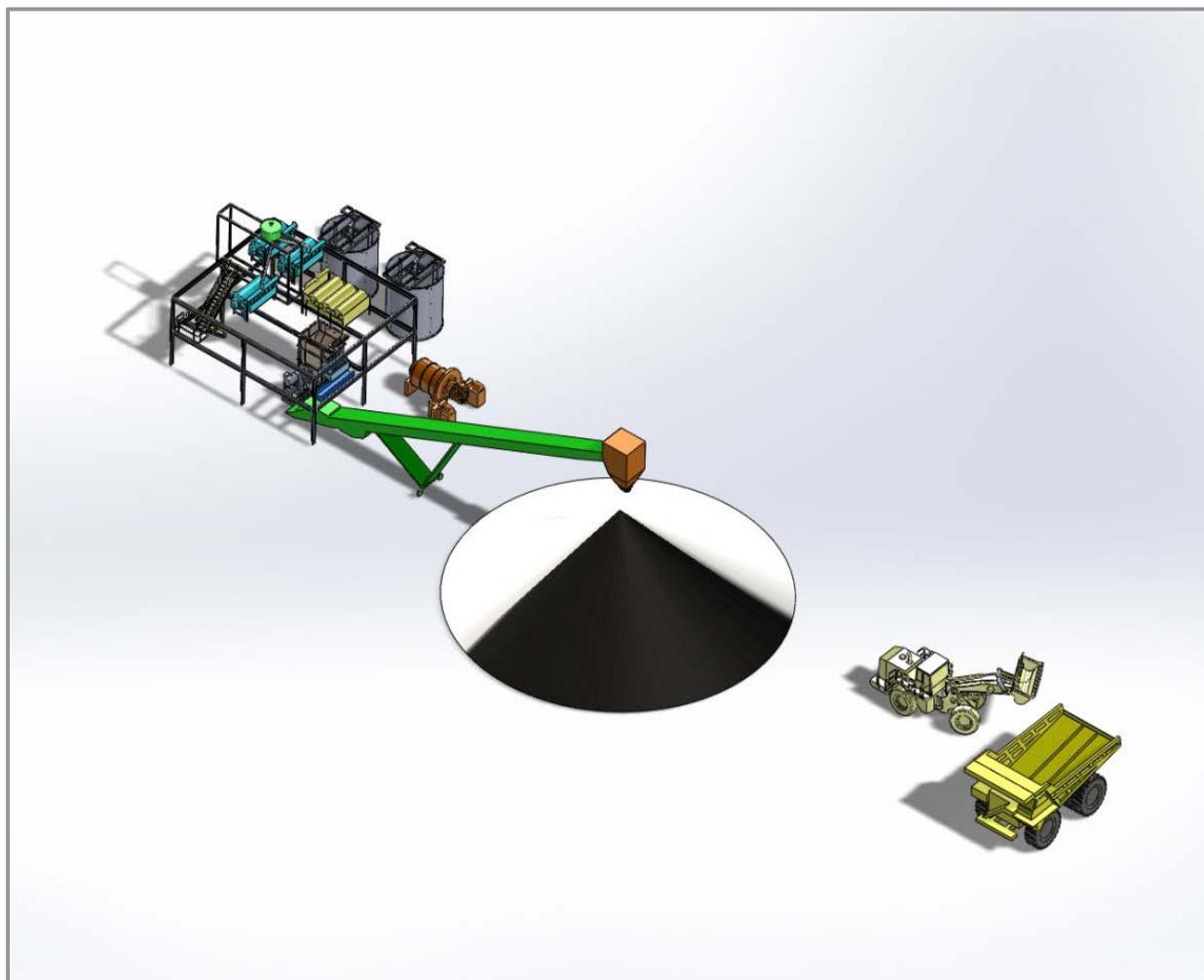


Figure 1. Magnetic Separation Plant

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Competency 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 Australasian Institute of Mining and Metallurgy and has sufficient exploration experience which is relevant to the various styles of mineralisation under consideration to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Watkins is a full time employee of Beadell Resources Ltd. 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.