

**Beadell Resources Limited**

**ABN 50 125 222 291**

**Interim Financial Report**

**31 December 2008**

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## Directors' Report

The Directors present their report together with the consolidated interim financial report of Beadell Resources Limited ("the Company") and of the Group, being the Company and its subsidiaries, for the six months ended 31 December 2008 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) Director since 2007

#### Executive

- Mr Peter Bowler Director since 2007
- Mr Robert Watkins Director since 2007

### REVIEW OF OPERATIONS

The principal activity of the Group during the period was to conduct mineral exploration. There were no significant changes in the nature of the activities of the Group during the six months ended 31 December 2008.

During the period to 31 December 2008 the Group conducted gold exploration activities on key exploration targets and continues to assess its exploration targets in Australia and Brazil.

The Group has evaluated and pursued potential acquisitions and investments in the resource sector during the period and continues to assess future potential acquisition opportunities, including gold producing assets.

#### Exploration and acquisition activities

##### *Western Australia*

##### *Tropicana East, Neale Prospect:*

The Neale Prospect is located 60km northeast of the recently upgraded 5 Moz Tropicana gold deposit.

Aircore drilling completed during the period returned results of up to 1m @ 0.674 g/t gold and 1m @ 0.312 g/t gold. Several large multi-element foot prints with coincident gold anomalies have also been identified enhancing the prospectively of the tenement.

##### *Tropicana East, Pleiades Lakes Prospect:*

The Pleiades Lakes Prospect is located 20km east of the recently upgraded 5 Moz Tropicana gold deposit.

Aircore drilling completed during the period returned results up to 1m @ 0.16 g/t gold and 1m @ 0.088 g/t gold. Several large multi-element foot prints with coincident gold anomalies have also been identified enhancing the prospectively of the tenement.

##### *West Musgrave, Handpump Prospect*

The Handpump Prospect was originally discovered by WMC Resources as a soil anomaly with a peak value of 0.250 g/t gold. The anomaly was never drill tested even though it was recognised as a 1 Moz gold target.

Rock chip sampling completed immediately to the northeast of the WMC Resources soil anomaly returned results of up to 11m @ 0.516 g/t gold and 13m @ 0.643 g/t gold.

##### *Lake McKay Prospect*

A Land Access Agreement has been signed with the Tjamu Tjamu native title group and a recently completed heritage survey now allows on-ground exploration to commence on the project.

## Directors' Report (continued)

### Exploration and acquisition activities (continued)

#### *Western Australia (continued)*

##### *Lake McKay Prospect (continued)*

A recent regional government helicopter geochemical survey highlighted several areas of anomalous gold in soils up to 0.03 g/t and in lag up to 0.3 g/t adjacent to the northern tenement boundary of the Mt Webb tenement.

#### *Victoria*

A preliminary JORC inferred resource of 609,000t @ 2.4 g/t for 47,000oz's of gold has been calculated at a lower cut off of 0.5 g/t. Excellent potential exists to rapidly expand the resource with further extensional drilling at the Rising Sun and Golden Dyke deposits.

#### *Brazil*

A maiden JORC inferred resource for the Tartaruga project has been calculated at 5,500,000t @ 1.6 g/t for 279,000oz's of gold at a 0.5 g/t lower cut off. Significant potential exists to rapidly grow the resource with further drilling as mineralisation is open at depth and along strike at each of the Mandiocal, Mineiro and Bananal deposits.

Recent regional soil sampling has produced several significant new gold anomalies up to 0.408 g/t along the 6km long Mineiro trend and up to 0.246 g/t gold along the 6km long Jucelino trend.

#### *Cracow acquisition opportunity*

In April 2008 the Company signed two conditional agreements to acquire 100% of the Cracow Gold Mine ("Cracow"), located in Queensland, Australia. The first conditional agreement was signed with 70% owner Newcrest Mining Limited for the acquisition of their interest for \$200 million. The second conditional agreement was signed with 30% owner Lion Selection Limited for the acquisition of their interest for \$80 million. On 4 July 2008, the Company conceded that the condition precedent regarding financing the acquisition of Cracow had not been met and as a result the acquisition of Cracow did not proceed. For further details regarding the unsuccessful acquisition refer to the Group's 30 June 2008 annual financial report.

The Company has continued to pursue the acquisition of Cracow and discussions are ongoing with its owners regarding its sale.

### **RESULTS**

The consolidated interim income statement shows a loss after tax of \$2,842,000 (2007: \$916,000) for the period ended 31 December 2008.

### **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.

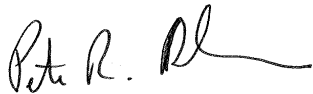
## Directors' Report (continued)

### 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 2008. This written independence declaration is set out on page 5 and forms part of this Directors' report for the period ended 31 December 2008.

Signed in accordance with a resolution of the Directors:

Signed at Perth, 4 March 2009.

A handwritten signature in black ink, appearing to read 'Peter R. Bowler', with a long horizontal flourish extending to the right.

**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 half-year ended 31 December 2008 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.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to read 'R Gambitta'.

R Gambitta  
*Partner*

Perth

4 March 2009

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

**Consolidated interim income statement**

For the six months ended 31 December 2008

	<b>31 December 2008 \$'000</b>	<b>31 December 2007 \$'000</b>
<b>Revenue</b>		
Rental income	155	-
Administrative expenses	(921)	(794)
Project exploration and evaluation expenses	(1,755)	(366)
Impairment of exploration and evaluation assets	(588)	-
<b>Results from operating activities</b>	<b>(3,109)</b>	<b>(1,160)</b>
Finance income	267	244
<b>Net finance income</b>	<b>267</b>	<b>244</b>
<b>Loss for the period before income tax</b>	<b>(2,842)</b>	<b>(916)</b>
Income tax expense	-	-
<b>Loss for the period after income tax</b>	<b>(2,842)</b>	<b>(916)</b>
<b>Attributable to:</b>		
Equity holders of the Company	(2,842)	(916)
<b>Loss for the period</b>	<b>(2,842)</b>	<b>(916)</b>
<b>Loss per share:</b>		
Basic Loss per share	(0.03)	(0.01)
Diluted Loss per share	(0.03)	(0.01)

Note

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The notes set out on pages 10 to 13 are an integral part of these consolidated interim financial statements.

## Consolidated interim statement of recognised income and expense

For the six months ended 31 December 2008

<i>Note</i>	<b>31 December 2008 \$'000</b>	<b>31 December 2007 \$'000</b>
Foreign currency translation differences for foreign operations	(2)	7
<b>Income and expense recognised directly in equity</b>	<b>(2)</b>	<b>7</b>
<b>Loss for the period</b>	<b>(2,842)</b>	<b>(916)</b>
<b>Total recognised income and expense for the period</b>	<b>(2,844)</b>	<b>(909)</b>
<b>Attributable to:</b>		
Equity holders of the Company	(2,844)	(909)
<b>Total recognised income and expense for the period</b>	<b>(2,844)</b>	<b>(909)</b>

The notes set out on pages 10 to 13 are an integral part of these consolidated interim financial statements.



**Consolidated interim balance sheet**

As at 31 December 2008

	<i>Note</i>	<b>31 December 2008 \$'000</b>	<b>30 June 2008 \$'000</b>
<b>Assets</b>			
Cash and cash equivalents		6,067	6,346
Cash deposits		-	2,000
Prepayments		211	729
Trade and other receivables		57	23
<b>Total current assets</b>		<b>6,335</b>	<b>9,098</b>
Exploration and evaluation assets	6	3,401	3,989
Property, plant and equipment	5	363	399
Other non-current assets		302	206
<b>Total non-current assets</b>		<b>4,066</b>	<b>4,594</b>
<b>Total assets</b>		<b>10,401</b>	<b>13,692</b>
<b>Liabilities</b>			
Trade and other payables		310	799
Employee benefits		73	91
<b>Total current liabilities</b>		<b>383</b>	<b>890</b>
Trade and other payables		57	-
<b>Total non-current liabilities</b>		<b>57</b>	<b>-</b>
<b>Total liabilities</b>		<b>440</b>	<b>890</b>
<b>Net assets</b>		<b>9,961</b>	<b>12,802</b>
<b>Equity</b>			
Share capital		18,045	18,045
Reserves		94	93
Retained earnings		(8,178)	(5,336)
<b>Total equity</b>	9	<b>9,961</b>	<b>12,802</b>

The notes set out on pages 10 to 13 are an integral part of these consolidated interim financial statements.

**Consolidated interim statement of cash flows**

For the six months ended 31 December 2008

	<b>Note</b>	<b>31 December 2008 \$'000</b>	<b>31 December 2007 \$'000</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers		185	-
Cash paid to suppliers and employees		(954)	(643)
<b>Net cash used in operating activities</b>		<b>(769)</b>	<b>(643)</b>
<b>Cash flows from investing activities</b>			
Interest received		251	244
Payments for evaluation and exploration expenditure		(1,651)	(295)
Cash paid as security for bank guarantees		(96)	(48)
Payments for acquisition of property, plant and equipment	5	(12)	(223)
Payments for acquisition of exploration assets		-	(114)
Refunded deposit for the acquisition of mine assets		2,000	-
<b>Net cash used in investing activities</b>		<b>492</b>	<b>(436)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and options		-	15,001
Transaction costs paid related to the issue of shares		-	(950)
<b>Net cash from financing activities</b>		<b>-</b>	<b>14,051</b>
Net increase in cash and cash equivalents		(277)	12,972
Cash and cash equivalents at 1 July		6,346	60
Effect of exchange rate fluctuations on cash held	9	(2)	7
<b>Cash and cash equivalents at 31 December</b>		<b>6,067</b>	<b>13,039</b>

The notes set out on pages 10 to 13 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 consolidated interim financial report of the Company as at and for the period ended 31 December 2008 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, and should be read in conjunction with the consolidated annual report of the Group as at and for the year ended 30 June 2008.

The interim financial report was approved by the Board of Directors on 4 March 2009.

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

Except as described below, the accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2008.

**(a) Rental income**

Rental income is recognised in profit or loss on a straight line basis over the term of the lease.

## Notes to the consolidated interim financial statements (continued)

### 4. Segment reporting

#### Segments

The Group operates in one industry, minerals exploration (primary segment), in two geographical locations, being Australia and Brazil (secondary segments).

<b>2008</b>	<b>Brazil \$'000</b>	<b>Australia \$'000</b>	<b>Eliminations \$'000</b>	<b>Consolidated \$'000</b>
Segment revenue	-	155	-	155
Segment result	(249)	(2,860)	-	(3,109)

<b>2007</b>	<b>Brazil \$'000</b>	<b>Australia \$'000</b>	<b>Eliminations \$'000</b>	<b>Consolidated \$'000</b>
Segment revenue	-	-	-	-
Segment result	(39)	(1,121)	-	(1,160)

### 5. Property, plant and equipment

During the six month period ended 31 December 2008 the Group acquired items of property, plant and equipment with a cost of \$12,000 (six months ended 31 December 2007: \$214,000).

### 6. Exploration and evaluation assets

	<b>Consolidated 2008 \$'000</b>	<b>Consolidated 2007 \$'000</b>
<b>Cost</b>		
Balance at 1 July	3,989	3,989
Impairment of tenement acquisition costs	(588)	-
Balance at 31 December	3,401	3,989

Exploration and evaluation assets reflect capitalised tenement acquisition costs only. The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

As part of the Group's regular impairment review of exploration and evaluation assets, a total charge of \$588,000 has been recognised in respect of tenements where, after considering prevailing market conditions and the potential for mineralisation, the Group is unlikely to renew its exploration rights.

### 7. Related parties

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2008 annual financial report.

## Notes to the consolidated interim financial statements (continued)

### 8. Share based payments

#### Employee share option scheme

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 year ended 30 June 2008.

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

<b>Employee options</b>	
Options outstanding 1 July 2008	840,000
Options granted during the period	570,000
Options cancelled during the period	(475,000)
Options outstanding as at 31 December 2008	935,000
<hr/>	
Exercisable at the end of the period	500,000

#### Granted options

570,000 options were granted on 28 July 2008, vesting on 30 June 2010 and expiring on 30 June 2012 with a strike price of \$0.30 and a weighted average fair value per option at grant date of \$0.07.

Weighted average inputs to the model used to determine the fair value of options granted during the period:

<i>Weighted averages</i>	
Market value of the underlying shares	\$0.15
Remaining contractual life of options granted during the period (years)	3.5
Exercise price of options granted during the period	\$0.30
Expected volatility of the underlying shares	78%
Risk free rate applied	6.24%

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

#### Cancelled options

A total of 475,000 options were cancelled during the period. 110,000 options were cancelled on 12 November 2008 and a further 365,000 were cancelled on 26 November 2008 as a result of failure to meet vesting conditions stated in the terms and conditions of the Employee Share Option Scheme.

## Notes to the consolidated interim financial statements (continued)

## 9. Capital and reserves

## Reconciliation of movements in capital and reserves

	Share Capital	Translation Reserve	Share based payments Reserve	Option Reserve	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2008</b>						
Balance at 1 July 2008	18,045	17	73	3	(5,336)	12,802
Total recognised income and expense	-	(2)	-	-	(2,842)	(2,844)
Share-based payments	-	-	3	-	-	3
Balance at 31 December 2008	18,045	15	76	3	(8,178)	9,961
<b>2007</b>						
Balance at 1 July 2007	182	-	-	3	(179)	6
Total recognised income and expense	-	7	-	-	(916)	(909)
Share-based payments	-	-	26	-	-	26
Issue of ordinary shares for cash	15,000	-	-	-	-	15,000
Issue of ordinary shares for acquisition of tenements	3,813	-	-	-	-	3,813
Equity transaction costs	(950)	-	-	-	-	(950)
Balance at 31 December 2007	18,045	7	26	3	(1,095)	16,986

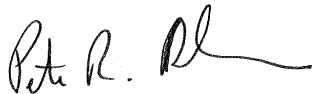
## Directors' Declaration

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

- (1) the financial statements and notes set out on pages 6 to 13 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 2008 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, 4 March 2009.

A handwritten signature in black ink, appearing to read 'Peter R. Bowler', with a long horizontal flourish extending to the right.

**PETER BOWLER**  
Managing Director

## Auditor's independent review report



### 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 consolidated interim balance sheet as at 31 December 2008, income statement, statement of recognised income and expense and cash flow statement for the half year ended on that date, a description of accounting policies and other explanatory notes 1 to 9 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 period.

#### *Directors' responsibility for the interim 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 Standards (including the Australian Accounting Interpretations) 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 Interim and Other Financial Reports 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 2008 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*.

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## Auditor's independent review report (continued)



### *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 2008 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*.

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KPMG

A handwritten signature in black ink, appearing to read 'R Gambitta'.

R Gambitta  
*Partner*

Perth

4 March 2009