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2015

ANNUAL  
REPORT



# CORPORATE DIRECTORY

## Directors

Craig Readhead Independent Non-Executive Chairman  
Brant Hinze Independent Non-Executive Director  
Timo Jauristo Independent Non-Executive Director  
Simon Jackson Chief Executive Officer & Managing Director  
Glen Masterman Executive Director – Geology & Corporate Development

## Company Secretary

Greg Barrett

## Corporate Details

Beadell Resources Limited (ABN 50 125 222 291)  
Issued Capital: 1,055,067,540 ordinary shares

## Registered and Corporate Office

2nd Floor, 16 Ord Street  
West Perth, WA 6005  
Telephone: +61 8 9429 0800  
Facsimile: +61 8 9481 3176  
Internet: [www.beadellresources.com.au](http://www.beadellresources.com.au)

## Brazil Offices

### Rio de Janeiro

Rua Voluntários da Pátria, 89, 6° andar  
Botafogo – Rio de Janeiro  
Telephone: + 55 21 2122 0500  
Facsimile: + 55 21 2122 0502

### Tucano Minesite

Estrada do Taperebá, SN, Pedra Branca do Amapari  
Amapa  
Telephone: +55 21 2122 2400  
Facsimile: +55 21 2122 2438

## Share Registry

Computershare Investor Services Pty Ltd  
Level 5, 115 Grenfell Street  
Adelaide SA 5000 Australia  
Telephone: 1300 137 515  
Telephone: +61 3 9415 4667  
(from outside Australia)

## Stock Exchange Listing

ASX Ltd  
ASX Code: BDR

## Auditor

KPMG  
235 St Georges Terrace  
Perth WA 6000

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## LETTER FROM CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dear Fellow Shareholder,

2015 was a tough year for the commodities industry and for your Company. Indecisive economic indicators and increasing geopolitical instability as well as the uncertainty regarding the slowing growth rates in the Chinese economy resulted in volatility in the global markets. Gold price was heavily affected reaching its lowest price in nearly six years in December, US\$ 1,050.80 per ounce, and closing the year at US\$ 1,060.30 per ounce.

Beadell's production and profitability were well below expectations for 2015. This was primarily due to a poor operating performance in the first half of 2015.

At the 100% owned Tucano mine in northern Brazil, 3.7 million tonnes of predominately oxide ore were processed at a mill head grade of 1.14 g/t. Gold sales were 121,469 ounces at an All-In Sustaining Cost of US\$1,006 per ounce.

During the first half of 2015, we commenced implementation of strong cost control and labour reduction initiatives. The strategic review of the Tucano mine site operating costs included a workforce reduction of ~20%, which included 73 company personnel and 150 contracted positions. The initial savings from this initiative were realised during the year with further cost reductions expected.

In September, we released a maiden Urucum underground resource which illustrates the potential for underground development in the future at Tucano. The underground resource at Urucum North is the only part of the mining lease which has had any significant drilling at depth. All known open pit mineralisation at Tucano remains open at depth.

In November, the Company announced sweeping changes to the composition of its Board of Directors and Management team. Mr Simon Jackson was appointed as Chief Executive Officer and Managing Director, while Mr Peter Bowler retired as Managing Director of the Company. Mr Mike Donaldson and Mr Ross Kestel retired from the Board of Directors. In addition, Mr Rob Watkins retired as a Director of the Company, but has remained in the senior management team as Head of Geology. Mr Brant Hinze, Non-Executive Director, and Dr Glen Masterman, Executive Director of Geology and Corporate Development, were appointed to the Board of Directors. Mr Peter Holmes was appointed as Chief Operating Officer. Subsequently, Mr Timo Jauristo was announced as a Non-Executive Director.

These new, experienced and proven mining professionals joined Beadell to refresh and enhance our team. Consequently, a full project review of Tucano aimed at continuous operational improvements was commenced. The review is ongoing and is aimed at maximising cashflow and return for all shareholders.

We would like to thank all Beadell employees and contractors for their contributions during 2015. We very much look forward to the future.

Yours faithfully,



**SIMON JACKSON**  
CEO & Managing Director



**CRAIG READHEAD**  
Non-Executive Chairman



# Highlights

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## CORPORATE

- Restructuring of the US\$60 million Bridge Loan with Santander into a 3-year Facility with Santander and Banco Itaú.
- Strategic review of the Tucano mine site's operating costs which, amongst other things, resulted in a workforce reduction of ~20%.
- On 10 November 2015, the Company announced important changes to its Board of Directors and Management team, including the appointment of Mr Simon Jackson as the new Chief Executive Officer and Managing Director of Beadell Resources.

## OPERATIONAL

- Gold recovered totalled 122,292 ounces of gold.
- Cash costs were US\$827 per ounce.
- All-in Sustaining Costs ("AISC") were US\$1,006 per ounce.
- Ore and waste mined totalled 19,532,537 tonnes.
- Predominantly oxide ore milled totalled 3,714,942 tonnes with a feed grade of 1.14 g/t gold.

## EXPLORATION

- Diamond drilling at Urucum North delivered a maiden underground resource of 4.8 million tonnes grading 3.76 g/t gold for 575,000 ounces at 1.6 g/t lower cut off. Subsequent infill drilling increased confidence in the distribution of high grades in the upper lodes of the underground resource and will continue in 2016 to further define this developing trend.
- Reverse circulation (RC) drilling late in 2015 returned initial high grade results at Tap AB1 Trough Lode. Drilling continued in the March 2016 quarter and confirmed the continuation of this mineralised position on the south side of the Mataforme fault. Mineralisation is open along strike in both directions.
- Significant new results were received from RC drilling on the eastern edge of the Tap AB1 open pit. Known as the Neo Lode, these new results are located 80 metres east of the main BIF-schist contact that hosts the majority of gold mineralisation at Tucano. The discovery of this new mineralised position opens a new target corridor not previously explored.
- A new style of lode mineralisation was identified at Urucum North which added incremental non-reserve oxide ounces to the production profile in 2015. The Urucum Flat Lodes have been confirmed as shallow-dipping in-situ gold mineralisation hosted by banded-iron formation (BIF).

## RESOURCES AND RESERVES

- Tucano overall ore reserves as at 31 December 2015 were 28.9 million tonnes @ 1.59 g/t gold for 1.5 million ounces. Open pit reserves were 21.1 million tonnes @ 1.50 g/t gold for 1.0 million ounces and underground reserves were 3.0 million tonnes @ 3.61 g/t gold for 345,000 ounces.
- Total mineral resources as at 31 December 2015 were 67.2 million tonnes @ 1.64 g/t gold for 3.5 million ounces.

## TUCANO GOLD MINE – BRAZIL

### Overview

Beadell Resources Limited is an ASX listed gold mining company. Its primary asset is the 100% owned Tucano Gold Mine, located in the Amapá state, north of Brazil. Tucano has approximately 3.21 million ounces of gold resources and 1.48 million ounces of gold reserves. Tucano covers over 2,500km<sup>2</sup> of highly prospective gold exploration tenements. The Company completed construction of the 3.5 million tonnes per annum CIL plant and began operating the Tucano gold mine in December 2012.

<b>Operating results</b>	<b>Dec 2015</b>	<b>Dec 2014</b>
Total Waste Moved (t)	16,062,548	10,559,034
Marginal Ore Moved (t)	156,735	318,820
Gold Ore Mined (t)	3,363,254	2,355,755
Gold Ore Milled (t)	3,714,942	4,288,264
Head Grade (g/t)	1.14	1.24
Plant Recovery (%)	89.3%	90.0%
Total Gold Recovered (oz)	122,292	153,691
Total Gold Sold (oz)	121,469	165,789



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## Mining

Mining operations were focussed on the extraction of higher grade oxide ore as feed for the CIL plant during the year. This material was sourced mainly from the Urucum pit, as well as from Tap AB and Tap C pits.

During the period, 19,532,537 tonnes of ore and waste were mined and moved, an improvement over the previous period of 48%, including 3,363,254 tonnes of ore mined at a grade of 1.19 g/t.

Mining activities during the first half of 2015 were mostly impacted by the wet conditions on the waste dumps, restricting the use of the larger fixed frame haulage fleet with primary reliance on the smaller articulated dump trucks. The primary mining fleet was relocated to Urucum as the Duckhead stage 2 pit was completed.

During the second half, with the establishment of the Urucum open pit area, the mining areas were less constrained, having the anticipated positive impact on productivities and production. The TAP AB1 cutback was also re-established as a primary mining area to deliver ounces in the December 2015 quarter onward. The Duckhead stage 3 pit was also started in the period. A number of haul road and pit ramp improvements were undertaken during the December 2015 quarter to prepare for the upcoming rainy season.

During the year, five new 40T Volvos, two Caterpillar 16M graders, a new Liebherr 9150 excavator, three new Cat 777 haulage trucks, one Liebherr 580 wheel loader, one Caterpillar 988K wheel loader and two Cat MD5150 top hammer blast drill rigs were commissioned by the Group's mining contractor. Additionally, two Liebherr 964 excavators and nine 35T Volvo trucks were hired for mining stage 3 at Duckhead during the period.

Gold ore stockpiles at the end of December totalled 4.8 million tonnes @ 0.73 g/t for 113,000 ounces plus marginal stockpiles of 1.5 million tonnes @ 0.45 g/t for 21,000 ounces. Total stockpiles, including marginal stockpiles totalled 6.3 million tonnes @ 0.67 g/t for 135,000 ounces. Available ore on ROM and temporary stockpiles were 429,000 tonnes @ 0.82 g/t for 11,000 ounces as at 31 December 2015.

## Processing

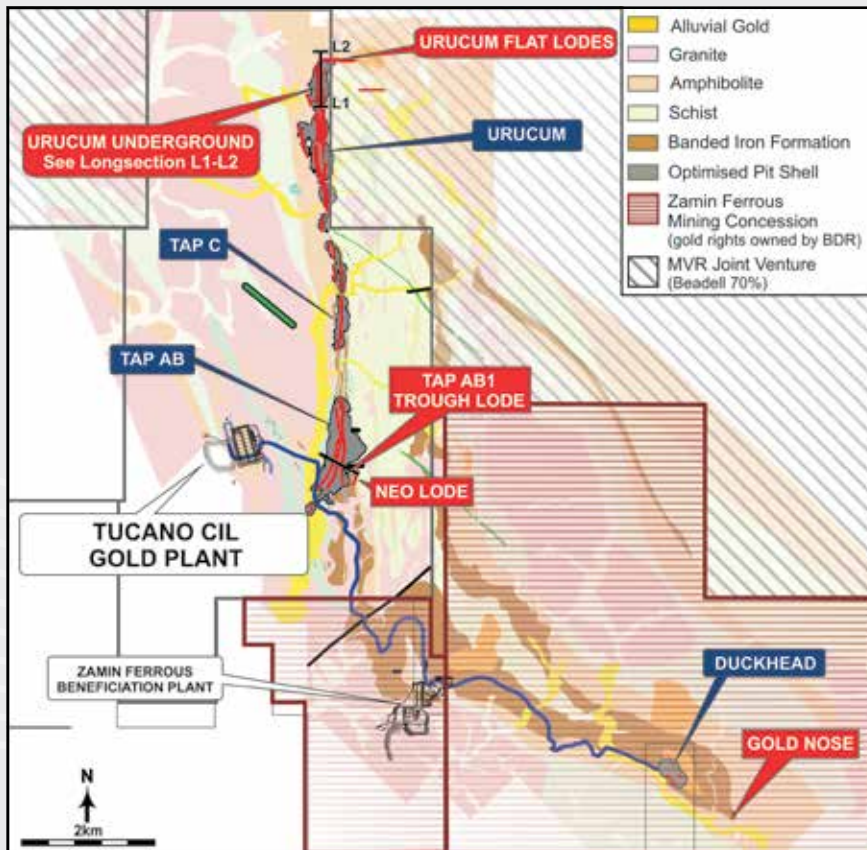
During the period, CIL plant throughput was 3.7 million tonnes with mill feed grade at 1.14 g/t and process plant recovery of 89%. Gold production at Tucano was 122,292 ounces of gold.



## EXPLORATION

### Reserve and Resource Development

#### BRAZIL



**Mining concession plan**

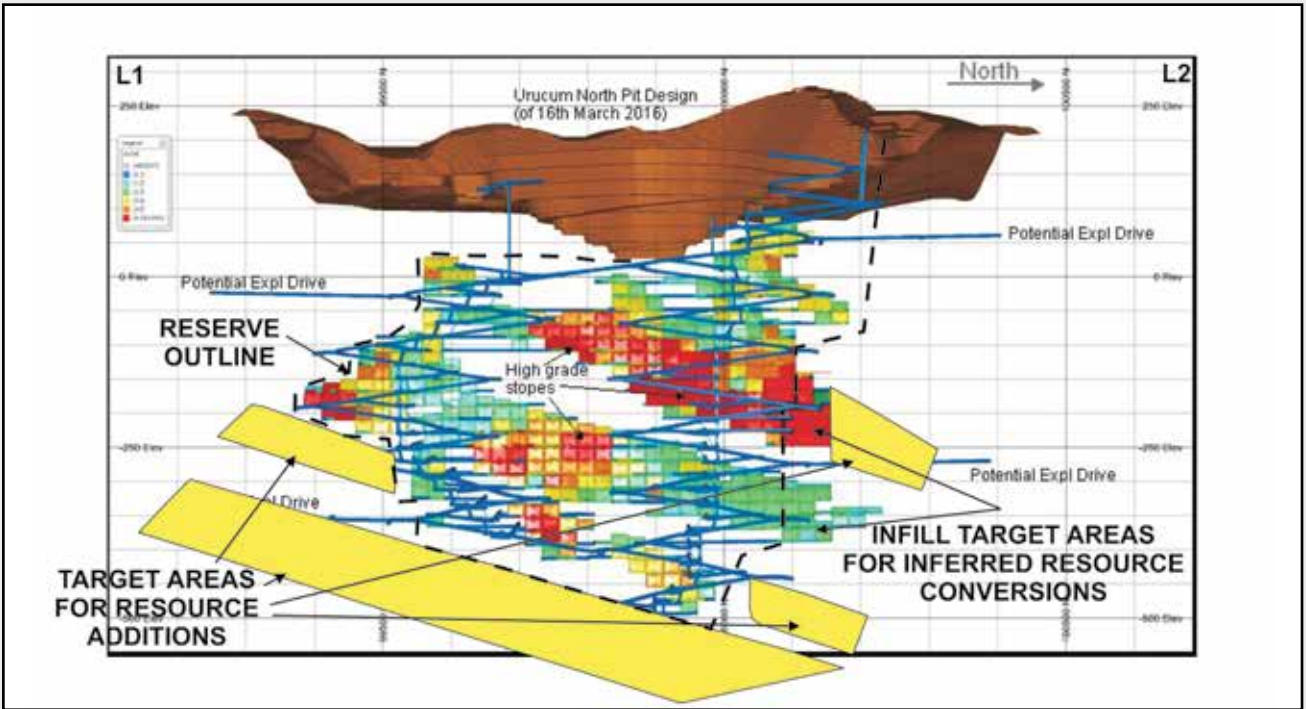
### Urucum Underground Reserve and PFS Results

A positive Pre-feasibility study (PFS) was announced in the March quarter of 2016 based on results of the deep core drilling program completed at Urucum North in 2015. AMC Consultants Pty Ltd completed the study which yielded a pre-tax NPV and IRR of \$49 million and 30%, respectively. Probable underground ore reserves were 3.0 million tonnes grading 3.61 g/t gold for 345,000 ounces. Measured, indicated and inferred resources totalled 4.8 million tonnes grading 3.76 g/t Au from 575,000 ounces at a 1.6 g/t lower cut off.

The stated results of the PFS are based on the Measured and Indicated Mineral Resources re-estimated to take into account a re-optimisation and re-design of the Urucum North open pit. Future deep drilling will be aimed at upgrading the Inferred Mineral Resources (1.93 million tonnes @ 3.01 g/t for 186,000 ounces at a 1.6 g/t lower cut off) to Measured and Indicated Mineral Resources and ultimately conversion to Ore Reserves, as well as continuing to explore the mineralisation at depth.

The Company believes there is good potential to further expand the Urucum Underground Mineral Resource proximal to areas of capital development contemplated by the PFS. A number of these target areas will be tested during the 2016 drilling campaign.



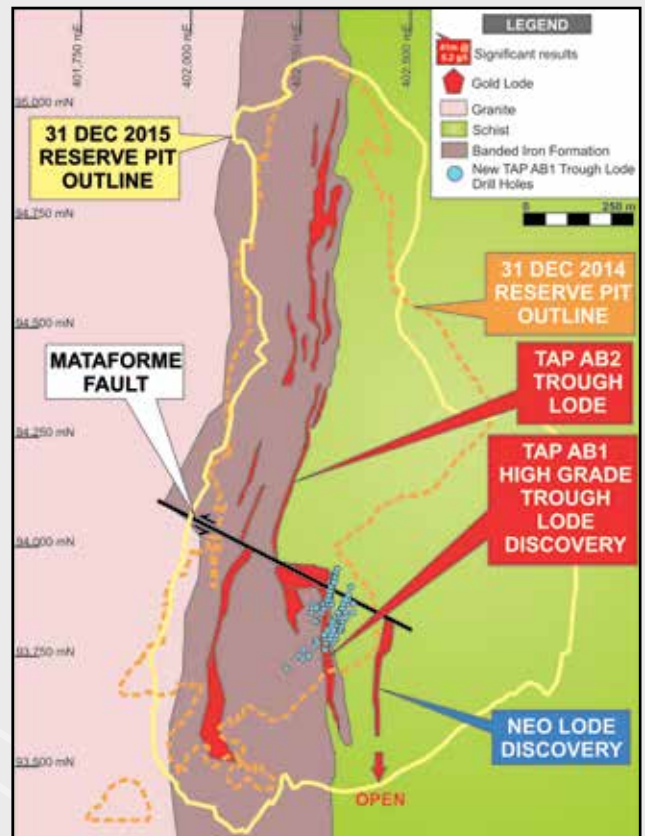


Urucum Underground longsection (facing west)

### Tap AB1 - Neo and trough lode

Reverse circulation drilling initiated late 2015 and completed in the March quarter of 2016 has defined a new zone of high grade oxide mineralisation at Tap AB1 Trough Lode. These new results were situated predominantly below the year-end 2014 reserve pit and 80 metres from the Neo Lode discovery.

Pit optimization results have confirmed both zones will be mined in the year-end 2015 reserve pit. This zone of mineralisation is open to the north towards the Mataforme fault which offsets continuation of Trough Lode in the AB2 pit. An expanded, well-funded near-mine drilling program is currently underway with the goal of delineating resource extensions at AB1 Trough and to assess the potential for the pit to pull deeper on this zone of high grade.



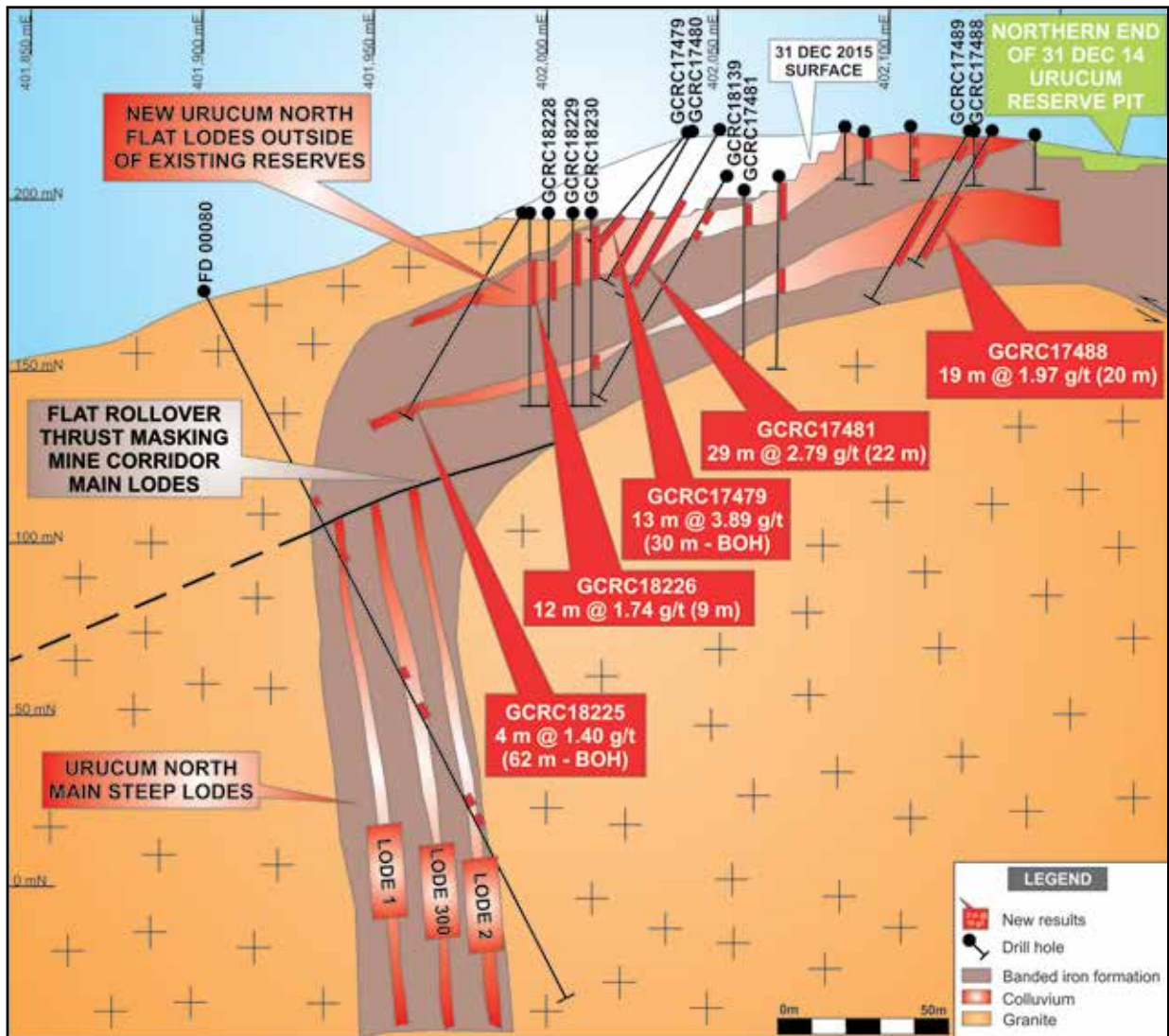
Tap AB pit illustrating location of Neo and Trough AB1 Lodes

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## EXPLORATION (cont.)

### Urucum Flat Lodes

Grade control drilling at Urucum North has delineated a new lode orientation at Urucum that added incremental non-reserve oxide ounces to the production profile in 2015. These lodes, known as the Urucum Flat Lodes, are interpreted to be controlled by a flat-lying over thrust of banded iron formation (BIF) emplaced over and across the underlying steep-dipping mine corridor lodes. Previously, this near surface mineralisation was thought to be exclusively colluvium deposited downslope of the main Urucum steep lodes. However, subsequent drilling and mining through these zones has confirmed shallow dipping, in-situ gold mineralisation hosted by BIF in addition to the overlying mineralised colluvium. The Flat Lodes are a new target style at Urucum which remains open in a number of directions. Further drilling will be completed in the coming months to delineate potential extensions of the Flat Lodes beyond the current Urucum open pit reserve. Tucano District



Urucum North cross-section (facing north)



### Tucano District

The Tucano tenement package covers 2,500 sq km of the highly prospective Amapari greenstone belt. Wide spread geochemical anomalism occurs throughout the Company's underexplored land package with only a handful of drill holes ever completed outside of the Tucano mine corridor.

In 2015, an initial phase of auger and blast hole drilling commenced at Mutum, 20 km east of Tucano. The target consisted of an undrilled camp scale soil anomaly 3 km long by 500 m wide. Results have been encouraging and follow-up work is expected to commence later in 2016.

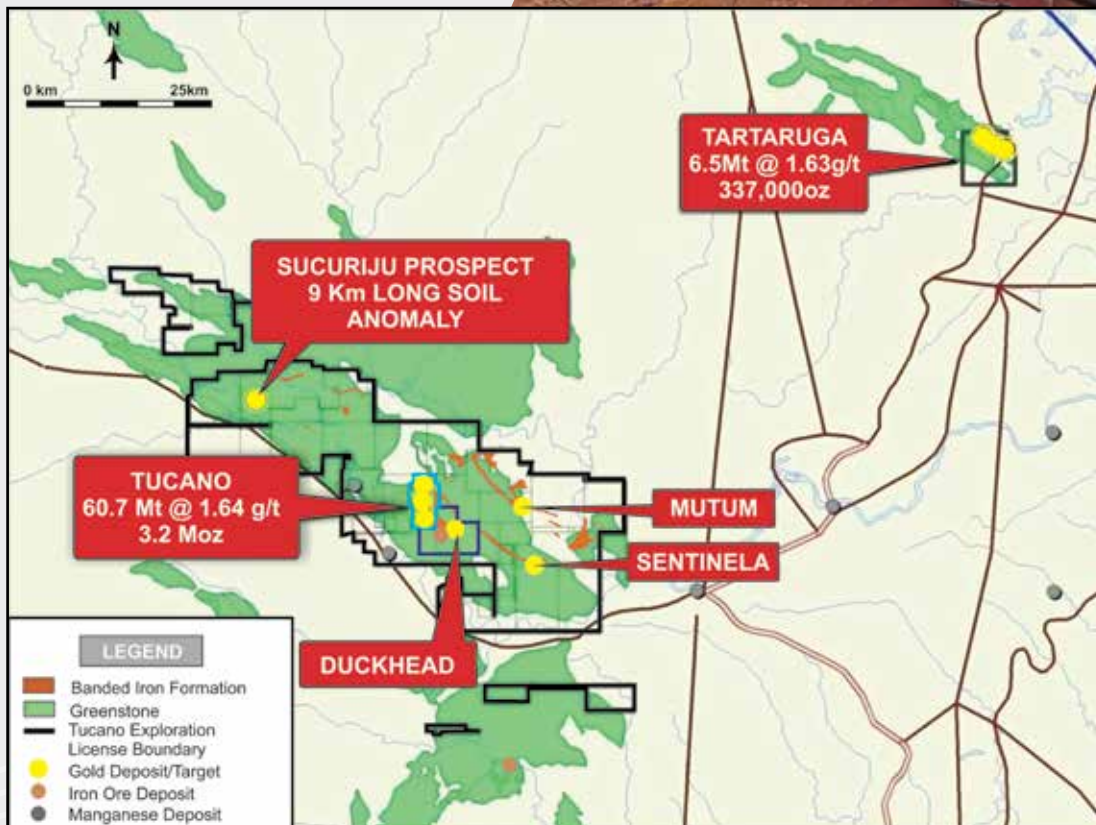
### Tartaruga Project

The Tartaruga project is located 120 km northeast of Tucano covering 357 sq km of the Tartarugalzinho greenstone Belt. The project was acquired in 2007 and includes a JORC Inferred resource of 6.5 million tonnes @ 1.63 g/t gold for 337,000 ounces.

Surface mapping, auger and rock chip sampling was completed in 2015 with the aim of developing targets to be further assessed in 2016.



*Air blast drill rig in operation on district exploration targets*



**Tucano Regional plan showing location of land holding and prospective greenstone belts**

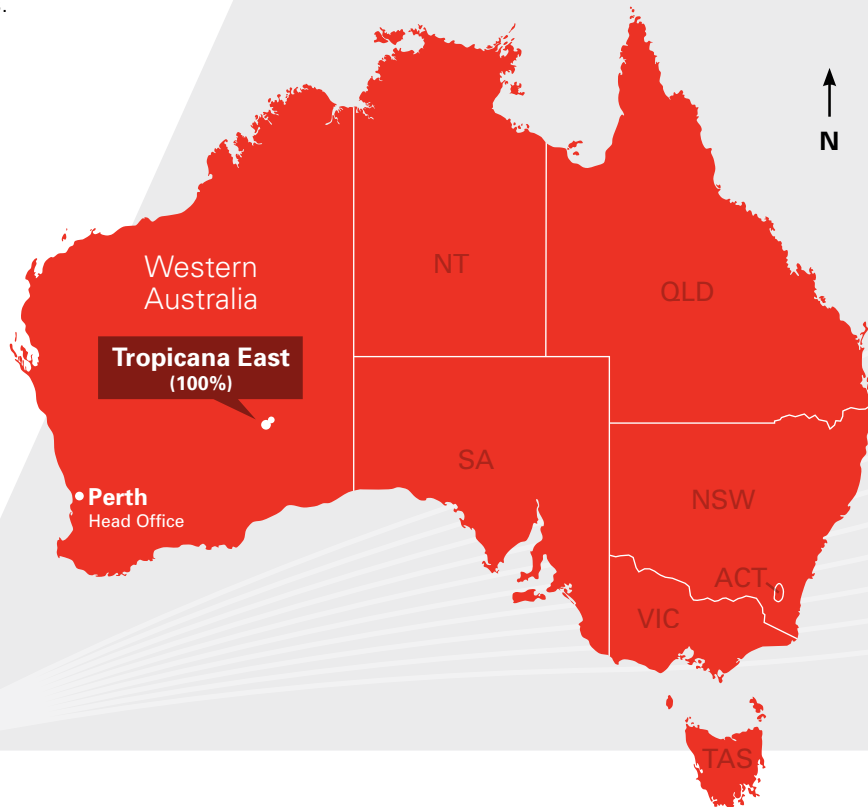
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## EXPLORATION (cont.)

### AUSTRALIA

Exploration in Australia is focussed on the highly prospective Albany - Fraser belt in Western Australia where early stage exploration has been undertaken on the 100% owned Tropicana East tenement package.

Tropicana East is located near the 7.9 million ounces Tropicana gold deposit (AngloGold Ashanti/Independence Group). Early stage gold discoveries are present at the Hercules and Atlantis prospects 60 km northeast of Tropicana and in 2016 will be followed up with targeted drilling programs.



## RESOURCES & RESERVES

Summaries of gold ore reserves and mineral resources as at 31 December 2015, produced in accordance with the 2012 Edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code) are presented in the tables 1 and 2 below, respectively. A complete detailed public report on the resource and reserve update is also available on the Company's website.

Tucano ore reserves as at 31 December 2015 are 28.9 million tonnes @ 1.59 g/t gold for 1.5 million ounces including underground reserves of 3.0 million tonnes @ 3.61 g/t gold for 345,000 ounces and stockpiles of 4.8 million tonnes at 0.73 g/t gold for 113,000 ounces. Total ore reserves before depletion increased by 175,000 ounces (+13%). Production depletion was 136,000 ounces resulting in a net increase of 311,000 ounces (24%) of gold reserves after depletion in 2015. The increase was predominantly a result of the addition of the Urucum Underground probable reserve. A net incremental increase was also realised in the Tap AB1 pit where the Neo and AB1 Trough Lode discoveries have converted to reserves. The open pit strip ratio has improved 11% to 6.7 to 1 (from 7.5 to 1).

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Table 1: Gold Reserves

As at 31 December 2015

Brazil	Proved Reserve			Probable Reserve			Total Mineral Inventory			Cut off
	Tonnes ('000)	Grade g/t Au	Ounces ('000)	Tonnes ('000)	Grade g/t Au	Ounces ('000)	Tonnes ('000)	Grade g/t Au	Ounces ('000)	g/t
Urucum Open Pit Oxide	460	1.18	17	175	1.21	7	635	1.19	24	0.6
Tap AB Open Pit Oxide	2,763	1.54	137	1,741	1.42	79	4,504	1.49	216	0.5
Tap C Open Pit Oxide	239	1.12	9	166	1.02	5	405	1.08	14	0.5
Tap D Open Pit Oxide	24	1.27	1	-	-	-	24	1.27	1	0.5
Duckhead Open Pit Oxide	18	36.10	21	-	-	-	18	36.10	21	1.0
<b>Total Oxide</b>	<b>3,504</b>	<b>1.64</b>	<b>185</b>	<b>2,082</b>	<b>1.37</b>	<b>91</b>	<b>5,586</b>	<b>1.54</b>	<b>276</b>	
Urucum Open Pit Primary	4,885	1.44	226	6,922	1.55	345	11,807	1.50	571	0.6
Urucum Underground Primary	-	-	-	2,972	3.61	345	2,972	3.61	345	1.6
Tap AB Open Pit Primary	1,564	1.46	73	1,579	1.35	69	3,143	1.40	142	0.5
Tap C Open Pit Primary	229	1.35	10	372	1.53	18	601	1.46	28	0.5
Tap D Open Pit Primary	5	1.33	0	-	-	-	5	1.33	0	0.5
Duckhead Open Pit Primary	1	13.90	1	-	-	-	1	13.90	1	1.0
<b>Total Primary</b>	<b>6,684</b>	<b>1.44</b>	<b>310</b>	<b>11,845</b>	<b>2.04</b>	<b>777</b>	<b>18,529</b>	<b>1.82</b>	<b>1,087</b>	
Urucum Open Pit Total	5,345	1.42	244	7,097	1.54	352	12,442	1.49	596	0.6
Urucum Underground Total	-	-	-	2,972	3.61	345	2,972	3.61	345	1.6
Tap AB Open Pit Total	4,327	1.51	210	3,320	1.39	148	7,647	1.46	358	0.5
Tap C Open Pit Total	468	1.23	19	538	1.37	23	1,006	1.31	42	0.5
Tap D Open Pit Total	29	1.28	1	-	-	-	29	1.28	1	0.5
Duckhead Open Pit Total	19	34.43	21	-	-	-	19	34.43	21	1.0
<b>Total Oxide and Primary</b>	<b>10,188</b>	<b>1.51</b>	<b>495</b>	<b>13,927</b>	<b>1.94</b>	<b>868</b>	<b>24,115</b>	<b>1.76</b>	<b>1,363</b>	
Open Pit Stockpile	1,822	0.67	39	-	-	-	1,822	0.67	39	0.5
Spent Ore Stockpile	3,008	0.77	74	-	-	-	3,008	0.77	74	0.5
<b>Total Stockpiles</b>	<b>4,830</b>	<b>0.73</b>	<b>113</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,830</b>	<b>0.73</b>	<b>113</b>	
<b>Total Brazil</b>	<b>15,018</b>	<b>1.26</b>	<b>608</b>	<b>13,927</b>	<b>1.94</b>	<b>868</b>	<b>28,945</b>	<b>1.59</b>	<b>1,476</b>	

See Appendix 1 for JORC Code section criteria.

The Company's mineral resources as at 31 December 2015 were 67.2 million tonnes @ 1.64 g/t gold for 3.5 million ounces. Resource ounces declined 34% compared to the year-end 2014 results. Introduction of a new resource model for the Urucum Underground contributed to the decrease as a result of applying much higher cut-off grades than used in previous years. Resources reported for Tap AB and Urucum South (exclusive of underground resources) were constrained by a US \$1,500/ounce resource pit shell. All resources below this shell are reported at the marginal break-even cut-off grade for underground resources using a US \$1,500/ounce gold price.

## RESOURCES & RESERVES (cont.)

Table 2: Gold Resources

As at 31 December 2015

Brazil	Measured			Indicated			Inferred			Total			Lower Cut-off
	Tonnes ('000)	Grade g/t Au	Ounces ('000)	Tonnes ('000)	Grade g/t Au	Ounces ('000)	Tonnes ('000)	Grade g/t Au	Ounces ('000)	Tonnes ('000)	Grade g/t Au	Ounces ('000)	g/t
Urucum Surface Oxide#	1,108	1.06	38	737	1.20	28	173	1.00	6	2,018	1.11	72	0.4
Tap AB Surface Oxide*	3,150	1.60	162	3,456	1.55	173	1,108	1.17	41	7,714	1.52	376	0.4
Tap C Surface Oxide	621	0.88	17	543	0.73	13	307	0.54	5	1,471	0.75	35	0.4
Tap D Surface Oxide	49	1.22	2	153	1.16	6	91	1.44	4	293	1.26	12	0.4
Duckhead Surface Oxide	61	14.82	29	27	4.41	4	84	2.11	6	172	6.95	39	1.0
<b>Total Oxide</b>	<b>4,989</b>	<b>1.55</b>	<b>248</b>	<b>4,916</b>	<b>1.41</b>	<b>224</b>	<b>1,763</b>	<b>1.10</b>	<b>62</b>	<b>11,668</b>	<b>1.42</b>	<b>534</b>	
Urucum Surface Primary#	5,801	1.45	271	8,869	1.58	452	1,712	1.68	92	16,382	1.55	815	0.4
Urucum Underground Primary	258	4.09	34	2,578	4.28	355	9,528	2.03	621	12,364	2.54	1,010	1.1
Tap AB Surface Primary	1,765	1.57	89	3,656	1.72	201	686	1.53	34	6,107	1.65	324	0.4
Tap AB Underground Primary	-	-	-	-	-	-	3,086	1.89	187	3,086	1.89	187	1.1
Tap C Surface Primary	507	1.14	19	2,285	1.13	83	1,387	1.15	52	4,179	1.14	154	0.4
Tap D Surface Primary	62	1.11	2	19	0.98	0	11	1.74	1	92	1.16	3	0.4
Duckhead Surface Primary	197	3.24	21	84	2.80	8	270	1.78	15	551	2.46	44	1.0
<b>Total Primary</b>	<b>8,590</b>	<b>1.58</b>	<b>436</b>	<b>17,491</b>	<b>1.95</b>	<b>1,099</b>	<b>16,680</b>	<b>1.87</b>	<b>1,002</b>	<b>42,761</b>	<b>1.85</b>	<b>2,537</b>	
Urucum Surface Total#	6,909	1.39	309	9,606	1.55	480	1,885	1.61	98	18,400	1.50	887	0.4
Urucum Underground Total	258	4.09	34	2,578	4.28	355	9,528	2.03	621	12,364	2.54	1,010	1.1
Tap AB Surface Total	4,915	1.59	251	7,112	1.64	374	1,794	1.31	75	13,821	1.58	700	0.4
Tap AB Underground Total	-	-	-	-	-	-	3,086	1.89	187	3,086	1.89	187	1.1
Tap C Surface Total	1,128	1.00	36	2,828	1.05	96	1,694	1.04	57	5,650	1.04	189	0.4
Tap D Surface Total	111	1.16	4	172	1.14	6	102	1.47	5	385	1.23	15	0.4
Duckhead Surface Total	258	5.97	50	111	3.20	12	354	1.86	21	723	3.53	83	1.0
<b>Total Oxide and Primary</b>	<b>13,579</b>	<b>1.57</b>	<b>684</b>	<b>22,407</b>	<b>1.84</b>	<b>1,323</b>	<b>18,443</b>	<b>1.79</b>	<b>1,064</b>	<b>54,429</b>	<b>1.75</b>	<b>3,071</b>	
Open Pit Stockpile	1,822	0.67	39	-	-	-	-	-	-	1,822	0.67	39	0.5
Spent Ore Stockpile	3,008	0.77	74	-	-	-	-	-	-	3,008	0.77	74	0.5
Marginal Ore Stockpiles	1,473	0.45	21	-	-	-	-	-	-	1,473	0.45	21	0.3
<b>Total Stockpiles</b>	<b>6,303</b>	<b>0.67</b>	<b>134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,303</b>	<b>0.67</b>	<b>134</b>	
Tartaruga	-	-	-	-	-	-	6,451	1.63	337	6,451	1.63	337	0.5
<b>Total Brazil</b>	<b>19,882</b>	<b>1.28</b>	<b>818</b>	<b>22,407</b>	<b>1.84</b>	<b>1,323</b>	<b>24,894</b>	<b>1.75</b>	<b>1,401</b>	<b>67,183</b>	<b>1.64</b>	<b>3,542</b>	

\*Tap AB surface oxide includes 13,000oz that was classified at a lower cut off of 1.1g/t.

#Urucum resource includes 25,000oz at Urucum East that is located in the MVR joint venture ground (Beadell 70%). The total resource has been included in the statement.

### Competency Statement

The information in this report relating to Open Pit Ore Reserves is based on information compiled by Mr Nigel Arthur Spicer who is a member of the Australasian Institute of Mining and Metallurgy and who has sufficient experience which is relevant to the styles of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Spicer is a consultant who is employed by Minesure Pty Ltd and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report relating to Underground Ore Reserves is based on information compiled by Mr Frank Greblo who is a member of the Australasian Institute of Mining and Metallurgy and who has sufficient experience which is relevant to the styles of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Greblo is a consultant and a full time employee of AMC Consultants Pty Ltd and consents to the inclusion in this announcement of the matters based on his information, in the form and context in which they appear.

The information in this report relating to Mineral Resources has been approved by Mr Paul Tan 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Tan is a full time employee of the Beadell Resources Ltd and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report relating to Urucum Underground, Tap AB Underground, Tap C open pit and Duckhead Open pit Mineral Resources is based on information compiled by Mr Marcelo Batelochi 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Batelochi is a consultant and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report relating to Urucum open pit and Tap AB open pit Mineral Resources is based on information compiled by Mr Brian Wolfe 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Wolfe is a consultant and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information is extracted from the reports entitled "Maiden Urucum Underground Mineral Resource" created on 17 September 2015 and "Continued Exploration Success at Tucao Mine" created on 18 December 2015 and are available to view on [www.beadellresources.com.au](http://www.beadellresources.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.



## CORPORATE

<b>Financial results</b>	<b>Dec 2015 (\$ millions)</b>	<b>Dec 2014 (\$ millions)</b>
<b>Revenue and costs of production</b>		
Sales revenue	190.6	260.2
Costs of production	(139.4)	(145.2)
	51.2	115.0
<b>Other significant items</b>		
Depreciation and amortisation	(29.5)	(36.6)
Administrative expense	(18.8)	(13.4)
Impairment losses	(16.8)	(1.2)
Net finance expense	(30.5)	(27.6)
Income tax benefit/(expense)	6.9	(8.4)
Other items	(6.8)	(14.3)
<b>Reported (loss)/profit after tax</b>	<b>(44.3)</b>	<b>13.5</b>
<b>Other financial information</b>		
	<b>(\$ millions)</b>	<b>(\$ millions)</b>
Cash flow from operating activities	31.3	13.0
Cash and cash equivalents	9.7	13.4
Net assets	122.7	221.8
Basic (loss)/earnings per share	(A\$0.06)/share	A\$0.02/share

### Bank Finance

On 21 January 2015, the Company announced that the US\$60 million Bridge Loan with Santander was restructured into an unhedged 3-year Facility with Banco Santander and Banco Itaú.

The Facility is secured by the Company's Tucano Mining Concession and is repayable in 12 equal quarterly instalments starting from 15 April 2015. Interest payments of USD LIBOR + 3% per annum on the outstanding balance are also payable quarterly.



## Board and Management changes

On 10 November 2015, the Company announced important changes to its Board of Directors and Management team. Mr Simon Jackson was appointed as Chief Executive Officer and Managing Director while Mr Peter Bowler retired as Managing Director of the Company. Mr Mike Donaldson and Mr Ross Kestel retired from the Board of Directors. In addition, Mr Rob Watkins retired as a Director of the Company, but has remained in the senior management team as Head of Geology. Mr Brant Hinze (Non-Executive Director) and Dr Glen Masterman (Executive Director - Geology and Corporate Development) were appointed to the Board of Directors. Mr Peter Holmes was appointed as Chief Operating Officer.

On 9 December 2015, the Company announced the appointment of Mr Timo Jauristo as a Non-Executive Director of its Board of Directors.



*Board and Management at Tucano on 4 December 2015*

## CORPORATE RESPONSIBILITY

### Safety and Health

Beadell has made significant investments to go beyond compliance and ensure the prevention of accidents through the implementation of best practices in health and safety management.

During the year, the Company mainly invested in recycling training and qualification of its employees, focussing on critical activities. Safety inspections, interactions and daily security dialogue with the employees were also carried out.

Beadell's safety tools include:

- Singular Portal (website to control R.O. actions, accidents and inspections)
- R.O. (Registration of Safety Occurrence in Portuguese)
- A.P.R. (Preliminary Risk Analysis in Portuguese)
- Safety Interactions and Inspections
- Special work permissions

In 2015, the Company acquired a four-wheel drive ambulance to provide first aid services in remote areas of Tucano mine site. The company also has an air ICU service provision contract to transport accident victims in serious health condition.

During the period, the total injury frequency rate without lost time was 1.58 and the lost time injury frequency rate (LTIFR) was 0.58, using 200,000 hours for the calculation.





## Community

At Beadell, we value our partnership with the surrounding communities of the Tucano Gold Mine and pursue meaningful, long-term relationships that respect local cultures and create lasting benefits. The Company has supported programs that take into account local needs and priorities. Beadell also provides numerous employment opportunities for the local community who fully support the mining activities at Tucano.

The Company's social projects are aligned with the "Eight Millennium Goals" established by the United Nations (UN) in 2000, which aims to mobilise countries to improve the quality of life of people. The Company's main activities developed during 2015 were:

- Week of the Tree
- Christmas' Initiative
- Open Doors Programme ("Portas Abertas" in Portuguese)
- Children Citizenship Project
- Community Movie Library



*Christmas' Initiative*

## CORPORATE RESPONSIBILITY (cont.)

### Environment

Beadell is committed to ensuring effective environmental management through firstly meeting the relevant laws and secondly performing various social and environmental programs.

The Company's activities are subject to environmental and administrative licensing, which are monitored by environmental agencies through monthly, quarterly, semi-annual and annual reports depending on their complexity.

In 2015, Beadell renovated the seedling nursery in order to improve the production of seedlings of native species used for recovery of degraded areas and environmental programs in the community.

The environmental quality of surface and groundwater in the Tucano Gold Mine area is monitored through a sampling program and analysis of physicochemical parameters, according to the environmental legislation. Currently, the Company has 16 points throughout the mine site that are monitored daily, monthly and quarterly.



*Seedling nursery*



*Environmental monitoring*



## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their report together with the financial report of Beadell Resources Limited ("Company" or "Beadell") and its subsidiaries ("Group"), for the year ended 31 December 2015 ("the period" or "the year") and the auditor's report thereon.

### 1. DIRECTORS

The Directors of the Company during or since the end of the period are:

Name and qualifications	Experience, special responsibilities and other directorships
<b>Current Board Members</b>	
<p><b>Mr Craig Readhead</b></p> <p>B.Juris, LL.B, FAICD Independent Non-Executive Director Chairman <i>Appointed 14 April 2010</i></p>	<p>Mr Readhead is a lawyer with over 30 years legal and corporate advisory experience with specialisation in the resources sector, including the implementation of large scale mining projects both in Australia and overseas. Mr Readhead is a former president of the Australian Mining and Petroleum Law Association and is a Senior Consultant of specialist mining and corporate law firm, Allion Legal.</p> <p>Mr Readhead is currently a non-executive director of Eastern Goldfields Ltd (previously called Swan Gold Mining Ltd), Redbank Copper Ltd and Western Areas Ltd. During the past three years, he has served as the chairman of the ASX listed companies Galaxy Resources Ltd (1999 to 2013) and Heron Resources Ltd (1999-2015), and as a non-executive director of the ASX listed company General Mining Ltd (2009 to 2015).</p> <p>Mr Readhead is also a member of the WA Council of the Australian Institute of Company Directors.</p> <p>Mr Readhead is a member of the Remuneration, Nomination and Diversity Committee and the Audit and Risk Management Committee.</p>
<p><b>Mr Brant E. Hinze</b></p> <p>B.S. Mining Engineering Independent Non-Executive Director <i>Appointed 9 November 2015</i></p>	<p>Mr Hinze is a mining engineer with a career spanning more than 30 years and has worked in all facets of the mining business from small start-ups to some of North America's largest mining companies, in remote operations and on foreign assignments in South America and Southeast Asia. Mr Hinze has held technical and management positions as well as worked in all operational phases, from feasibility to permitting, engineering to construction and operation to closure. He has extensive experience with boards of directors and senior executive teams in large companies aimed at setting strategic directions to meet or exceed expectations.</p> <p>He was President and Chief Operating Officer of Kinross Gold Corporation from 2010 to 2014. Mr Hinze also worked for Newmont Mining Corporation from 2001 to 2010. Prior to 2001 Mr Hinze worked for Battle Mountain Gold until its merger with Newmont in 2001. He served as Senior Vice President for North American Operations, General Manager of the Minera Yanacocha SRL in Peru, as well as other senior management positions in Southeast Asia.</p> <p>Mr Hinze is the chairman of the Remuneration, Nomination and Diversity Committee and member of the Audit and Risk Management Committee.</p>

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

### Name and qualifications

### Experience, special responsibilities and other directorships

#### Mr Timo Jauristo

B.App.Sc, Grad Dip Fin, MAusIMM  
Independent Non-Executive Director

*Appointed 8 December 2015*

Mr Jauristo is a geologist and seasoned mining professional with over 35 years' experience in the gold mining industry. Most recently, Mr Jauristo was Executive Vice President – Corporate Development of Goldcorp. He spent 15 years with Placer Dome in various operating and corporate roles. Mr Jauristo was involved in numerous merger and acquisition transactions in many of the major gold producing regions of the world. Between leaving Placer Dome in 2005 and joining Goldcorp in 2009, Mr Jauristo was the Chief Executive Officer of two junior mining companies with exploration and development assets mostly in Peru and China. He was also a key team member in the discovery of the Osborne copper-gold mine in Queensland.

During the past three years, Mr Jauristo has served as a non-executive director of the TSX listed company Primero Mining (2010 to 2014).

Mr Jauristo is the chairman of the Audit and Risk Management Committee and member of the Remuneration, Nomination and Diversity Committee.

#### Mr Simon Jackson

FCA, B.Comm  
Chief Executive Officer ("CEO")  
and Managing Director

*Appointed 9 November 2015*

Mr Jackson is a Chartered Accountant with 25 years' experience in the gold industry. Most recently, Mr Jackson was a founding shareholder and President & CEO of the Toronto Stock Exchange Venture ("TSXV") listed Orca Gold Inc, a junior exploration company with multiple gold discoveries in Sudan. Prior to that, he was an integral part of the senior management team at Red Back Mining Inc, which grew from a small West Perth based junior to a TSX listed intermediate producer that was taken over by Kinross Gold Corp in 2010 in a transaction that valued Red Back at over C\$9 billion. The Red Back merger with Kinross ranks as one of the largest gold deals in history. Mr Jackson's career includes corporate transactions and equity financings involving assets in Australia, Africa, Asia and South America.

Mr Jackson is currently a non-executive director of the TSXV listed companies Sarama Resources Ltd and Orca Gold Inc. He is also a non-executive director of the ASX listed company Cardinal Resources Ltd. During the past three years, he has also served as a non-executive director of the TSXV listed company RB Energy Inc (2014 to 2015).

#### Dr Glen Masterman

B.Sc. (Hons), PhD, MAIG, P.Geo  
Executive Director – Geology and  
Corporate Development

*Appointed 9 November 2015*

Dr Masterman is a professional geoscientist with more than 20 years' experience in executive leadership in global mining organisations with expertise in corporate strategy and business development, minerals exploration and resource development, and operations strategy. He previously served as Kinross' Head of Exploration and over a period of seven years significantly enhanced that company's strength in global exploration, building a world-class exploration program and team across four continents. In addition to replenishing resources at Kinross' active mining sites, Dr Masterman and his team were responsible for a number of important near-mine discoveries in Russia and Chile. Between 2010 and 2012, he oversaw the immense drilling effort at the Tasiast mine in Mauritania which resulted in a significant resource expansion. Prior to Kinross, Dr Masterman was General Manager, Exploration for Bolnisi Gold, an Australian junior company that discovered and developed the Palmarejo silver-gold mine in Mexico up until its US\$1.1 billion takeover by Coeur Mining in 2007.

Dr Masterman is currently a non-executive director of the TSXV listed companies Palamina Corp and Sarama Resources. During the past three years, he has also served as a non-executive director of the TSXV listed company Soltoro Ltd (2014 to 2015).

**Name and qualifications****Experience, special responsibilities and other directorships****Former Board Members****Mr Ross Kestel**

B.Bus, CA, AICD  
Independent Non-Executive Director

*Appointed 29 February 2012  
Resigned 9 November 2015*

Mr Kestel is a Chartered Accountant and was a director of a mid-tier accounting practice for over 25 years and has a strong corporate and finance background. He has acted as a director and company secretary of a number of public companies.

Mr Kestel is currently a non-executive director of the ASX listed company Regis Resources Ltd. During the past three years, he has served as a non-executive director of the ASX listed company Xstate Resources Ltd (2006 to 2013).

Mr Kestel is a member of the Australian Institute of Company Directors. Mr Kestel was the Chairman of the Remuneration, Nomination and Diversity Committee and the Audit and Risk Management Committee until his resignation.

**Dr Michael Donaldson**

BA (Hons), PhD, MAIG, MAICD  
Independent Non-Executive Director

*Appointed 31 December 2007  
Resigned 9 November 2015*

Dr Donaldson has over 40 years' experience in the minerals industry, including 15 years with Western Mining Corporation in nickel, gold and base metals exploration. Dr Donaldson was the Exploration Manager of Coolgardie Gold NL, and General Manager Exploration with Sons of Gwalia Ltd and Ashton Mining Ltd, General Manager Mapping with the Geological Survey of Western Australia, and Group Chief Geologist with the AIM listed Lithic Metals and Energy.

Dr Donaldson is a member of the Australian Institute of Company Directors. He was a member of the Remuneration, Nomination and Diversity Committee and the Audit and Risk Management Committee until his resignation.

**Mr Peter Bowler**

Dip Farm Management (Hons)  
Managing Director

*Appointed 3 May 2007  
Resigned 9 November 2015*

Prior to his position with Beadell Resources Ltd, Mr Bowler was the Managing Director of Agincourt Resources Ltd and was instrumental in driving its rapid growth. He was also a founding Director of Nova Energy Ltd. As Managing Director of Agincourt Resources Ltd, he facilitated the acquisition of the Martabe gold project in Indonesia and the subsequent takeover by Oxiana Ltd in April 2007.

**Mr Robert Watkins**

BSc (Hons), MAusIMM  
Executive Director – Geology

*Appointed 3 May 2007  
Resigned 9 November 2015*

Mr Watkins is the former Exploration Manager for Agincourt Resources Ltd and has over 20 years exploration experience in Australia, Brazil, Indonesia and Africa where he has a track record of exploration success.



## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. COMPANY SECRETARY

Mr Barrett is a member of the Institute of Chartered Accountants and a Fellow of the Financial Services Institute of Australasia. He has over 20 years of management, corporate advisory, finance and accounting experience, working for several listed and unlisted companies for which he has held the role as Chief Financial Officer ("CFO") and Company Secretary. He is the former Finance Executive and Company Secretary for Agincourt Resources Ltd and Nova Energy Ltd and had previously worked for KPMG before specialising in the mining industry.

### 3. DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each director in the capacity of director of the Company from beginning to end of the period are:

Director	Audit & Risk Management Committee Meetings		Remuneration, Nomination & Diversity Committee Meetings		Board of Directors Meetings	
	A	B	A	B	A	B
Mr Craig Readhead	2	2	2	2	13	13
Mr Brant E Hinze (appointed 9 November 2015)	-	-	1	1	2	2
Mr Timo Jauristo (appointed 8 December 2015)	-	-	-	-	-	-
Mr Simon Jackson (appointed 9 November 2015)	-	-	1	1	2	2
Dr Glen Masterman (appointed 9 November 2015)	-	-	-	-	2	2
Mr Ross Kestel (resigned 9 November 2015)	2	2	1	1	11	11
Dr Michael Donaldson (resigned 9 November 2015)	1	2	1	1	10	11
Mr Peter Bowler (resigned 9 November 2015)	-	-	-	-	10	11
Mr Robert Watkins (resigned 9 November 2015)	-	-	-	-	7*	11

**A** – Number of meetings attended      **B** – Number of meetings held while in office

Note: \*Mr Watkins was at the Tucano Gold Mine and unable to attend four meetings.

### 4. PRINCIPAL ACTIVITIES

The principal activities of the Group during the period were:

- Mining and processing activities at the Group's Tucano gold mine ("Tucano") located in Northern Brazil; and
- Exploration for and evaluation of mineral resources in Brazil.

During the period, the Group focused its efforts on Carbon in Leach ("CIL") process plant optimisation and on the improvement of mining activities.

There were no other significant changes in the nature of the activities of the Group during the period ended 31 December 2015.

#### Objectives

The Group's objectives are to:

- Improve operational performance focusing on producing profitable ounces;
  - Global resources of 5.4 million ounces.
  - Potential for underground development. Urucum Underground Pre-Feasibility Study due March 2016 Quarter.
  - Minimal capital expenditure in short term. Tailings dams have 3-year capacity and 3.5 million tonnes per annum CIL plant operating above nameplate.

- Strengthen balance sheet;
- Convert impressive exploration upside to resources & reserves;
  - Under-drilled 8 km mine corridor (Tap AB to Urucum);
  - Multiple targets across under-explored regional property (2,500 km<sup>2</sup>);
  - Neo lode discovery in new structural setting adds strike potential parallel to Banded Iron Formation (“BIF”) ore-host;
  - Gold Nose discovery highlights value of historic iron ore datasets.
- Overall focus on share price appreciation.

## 5. OPERATING AND FINANCIAL REVIEW

### Overview of the Group

The Group is a gold producer, with its head office in Perth, Western Australia. Its primary asset is the Tucano gold mine, located in Brazil.

The Group also has an extensive portfolio of key gold exploration tenements throughout Australia and Brazil, including the highly prospective Tartaruga in Brazil and Tropicana East Projects in Australia.

### Operating and financial summary

	Dec 2015	Dec 2014
<b>Operating results</b>		
Total Waste Moved (t)	16,062,548	10,559,034
Marginal Ore Moved (t)	156,735	318,820
Gold Ore Mined (t)	3,363,254	2,355,755
Gold Ore Milled (t)	3,714,942	4,288,264
Head Grade (g/t)	1.14	1.24
Plant Recovery (%)	89.3	90.0
Total Gold Recovered (oz)	122,292	153,691
Total Gold Sold (oz)	121,469	165,789
<b>Financial results</b>		
	(\$ millions)	(\$ millions)
<b>Revenue and costs of production</b>		
Sales revenue	190.6	260.2
Costs of production	(139.4)	(145.2)
	<b>51.2</b>	<b>115.0</b>
<b>Other significant items</b>		
Depreciation and amortisation	(29.5)	(36.6)
Administrative expense	(18.8)	(13.4)
Impairment losses	(16.8)	(1.2)
Net finance expense	(30.5)	(27.6)
Income tax benefit/(expense)	6.9	(8.4)
Other items	(6.8)	(14.3)
<b>Reported (loss)/profit after tax</b>	<b>(44.3)</b>	<b>13.5</b>
<b>Other financial information</b>		
	(\$ millions)	(\$ millions)
Cash flow from operating activities	31.3	13.0
Cash and cash equivalents	9.7	13.4
Net assets	122.7	221.8
Basic (loss)/earnings per share	(A\$0.06)/share	A\$0.02/share

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

### Review of financial results

#### *Sales revenue*

Revenue of \$190.6 million (2014: \$260.2 million) has been recorded from the sale of 121,469 ounces at an average price, net of smelting and refining costs, of \$1,568.75 per ounce.

#### *Costs of production*

Despite a 48% increase in material movement, costs of production have decreased by \$5.8 million in comparison to the 2014 financial year. The reduction in costs is largely the result of cost saving initiatives, including a ~30% reduction in employee and contractor head count, a reduction in variable processing costs associated with lower throughput and a weakening of the Brazilian Real against the Group's reporting currency, the Australian Dollar.

#### *Depreciation and Amortisation*

The disposal of its earthmoving and ancillary fleet to MACA Ltd in November 2014 has had a full year effect in reducing the depreciation and amortisation expense recognised by the Group, in addition to the weakening of the Brazilian Real against the Group's reporting currency, the Australian Dollar.

#### *Administrative expense*

Administrative expenses have increased in 2015 primarily due to an increase in legal provisions of \$1.2 million and increased costs of international consultants in Brazil of \$1.8 million (largely associated with a weakening of the Brazilian Real). Included within international consultant's costs was \$0.6 million associated with the identification and rollout of cost saving initiatives. Other significant movements included termination payments for administration employees of \$0.6 million.

#### *Impairment*

Impairment losses for the period included \$11.8 million in relation to its Magnetic Separation Plant and iron ore receivables. The impairment charge has been recognised as a result of continued financial difficulties of the Group's iron ore by-product off-take partner, Zamin Amapá Mineração Ltda ("Zamin"), following the destruction of the port facility at Santana and the suspension of production activities by Zamin at their Amapá Iron Ore Mine.

#### *Reported profit after tax*

Profit before tax has been negatively impacted by net finance expense. Borrowings are primarily denominated in US Dollars, resulting in the Group recognising a net foreign exchange loss of \$26.3 million from a significant depreciation of the Brazilian Real against the US Dollar in 2015.

Tax benefit was \$6.9 million, compared to a tax expense of \$8.4 million recognised in the 2014 financial year. The tax benefit has primarily arisen as a result of the generation of carry forward tax losses in 2015.

#### *Cash Flow*

Cash and cash equivalents as at 31 December 2015 totalled \$9.7 million (2014: \$13.4 million).

Beadell sold 121,469 ounces, including \$5.1 million (2014: \$19.7 million) that was booked for 3,360 ounces that was awaiting settlement at 31 December 2015, generating net cash flows from operating activities of \$31.3 million (2014: \$13.0 million)

Cash payments for investing activities were \$38.0 million (2014: \$18.7 million) and were largely represented by payments for the construction of the long term West Pond and North Mill Pond tailings dams, deferred stripping and CIL process plant upgrades and improvements.

Cash outflows from financing activities were \$5.4 million (2014: inflow \$9.7 million). Cash outflows were principally represented by net repayment of borrowings of \$17.7 million, interest payments of \$2.5 million and the payment of an \$8.0 million dividend, offset by the transfer of \$33.5 million in cash held as security, classified as restricted cash that has now become unrestricted.



## Review of operations

### Tucano Gold Mine

The Tucano gold mine is 100% owned by the Group and is located in the Amapá State, in northern Brazil. The project was acquired in April 2010 and a definitive feasibility study into recommencing operations was completed in May 2011. Detailed engineering for the Tucano 3.5 million tonnes per annum CIL process plant commenced in January 2011 and was completed in July 2012. Ore commissioning commenced in the CIL plant in November 2012 and first gold pour occurred on 16 December 2012. Commercial production started on 1 April 2013.

#### *Gold Production*

In 2015, 3,714,942 tonnes of predominantly oxide ore were processed at a recovery rate of 89.3%, producing 122,292 ounces of gold at Tucano.

#### *Mining*

During the period, mining operations were focussed on the extraction of higher grade oxide ore as feed for the CIL plant. This material was sourced mainly from the Urucum pit, as well as from Tap AB and Tap C pits.

During the period, 19,532,537 tonnes of ore and waste were mined and moved, an improvement over the previous period of 48%, including 3,363,254 tonnes of ore mined at a grade of 1.19 g/t.

Mining activities during the first half of 2015 were mostly impacted by the wet conditions on the waste dumps, restricting the use of the larger fixed frame haulage fleet with primary reliance on the smaller articulated dump trucks. The primary mining fleet was relocated to Urucum as the Duckhead stage 2 pit was completed.

During the second half, with the establishment of the Urucum open pit area, the mining areas were less constrained, having the anticipated positive impact on productivities and production. The TAP AB1 cutback was also re-established as a primary mining area to deliver ounces in the December 2015 quarter onward. The Duckhead stage 3 pit was also started in the period. A number of haul road and pit ramp improvements were undertaken during the December 2015 quarter to prepare for the upcoming rainy season.

During the year, five new 40T Volvos, two Caterpillar 16M graders, a new Liebherr 9150 excavator, three new Cat 777 haulage trucks, one Liebherr 580 wheel loader, one Caterpillar 988K wheel loader and two Cat MD5150 top hammer blast drill rigs were commissioned by the Group's mining contractor. Additionally, two Liebherr 964 excavators and nine 35T Volvo trucks were hired for mining stage 3 at Duckhead during the period.

Gold ore stockpiles at the end of December totalled 4.8 million tonnes @ 0.73 g/t for 113,000 ounces plus marginal stockpiles of 1.5 million tonnes @ 0.45 g/t for 21,000 ounces. Total stockpiles, including marginal stockpiles totalled 6.3 million tonnes @ 0.67 g/t for 135,000 ounces. Available ore on ROM and temporary stockpiles were 429,000 tonnes @ 0.82 g/t for 11,000 ounces as at 31 December 2015.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

### Exploration

#### Brazil

Tucano contains a Mineral Resource of 100.1 million tonnes @ 1.67 g/t for 5.4 million ounces as at 31 December 2014. Tucano ore reserves as at 31 December 2014 were 25.7 million tonnes @ 1.57 g/t for 1.3 million ounces including open pit reserves of 20.6 million tonnes @ 1.77 g/t for 1.2 million ounces. The 1.3 million ounces Tucano reserve has a robust 5-year open pit mine life at a significantly increased profitability and reduced open pit strip ratio of 7.5:1 from 12.7:1 in 2013. Full details of the 2014 Mineral Resource and Ore Reserves are available on the Company's website. The 2015 Mineral Resource and Ore Reserves will be available in the Company's Annual Mineral Resource and Ore Reserve Update, expected to be released in April 2016.

During the period, a total of 115,769 m of drilling was completed, comprising 89,314 m of grade control reverse circulation ("RC") drilling and 17,470 m of exploration / resource delineation RC drilling. A total of 8,985 m of diamond drilling was also completed.

#### *Duckhead Gold Deposit*

Resource extension drilling of the Duckhead Main Lode as well as exploration of the Duckhead Near Mine area continued in 2015 defining extensions of the very high grade Main Lode that will be mined in 2016 in the Stage 3 open pit cutback at Duckhead.

#### *Urucum Underground*

The Urucum Underground mineral resource totalled 4.86 million tonnes @ 4.06 g/t gold for 634,000 ounces and was estimated using Ordinary Kriging and reported at a 1.6 g/t lower cut off. The resource encapsulates the northern most section of the 2 km long, 3 million ounces Urucum orebody and is located immediately below the Urucum North open pit reserve. A summary of the underground resource is presented in table below.

Lode	Measured			Indicated			Inferred			Total			Top-cut g/t
	Tonnes ( <b>'000</b> )	Grade g/t Au	Ounces ( <b>'000</b> )	Tonnes ( <b>'000</b> )	Grade g/t Au	Ounces ( <b>'000</b> )	Tonnes ( <b>'000</b> )	Grade g/t Au	Ounces ( <b>'000</b> )	Tonnes ( <b>'000</b> )	Grade g/t Au	Ounces ( <b>'000</b> )	
South Lode 1	134	2.54	11	1,215	3.83	150	114	3.68	14	<b>1,463</b>	<b>3.70</b>	<b>174</b>	40
Central Lode 1	111	6.72	24	476	7.75	119	5	5.23	1	<b>592</b>	<b>7.54</b>	<b>143</b>	25
Minor Lode 1	-	-	-	5	6.70	1	380	2.37	29	<b>385</b>	<b>2.42</b>	<b>30</b>	25
Lode 2	-	-	-	600	3.89	75	244	4.24	33	<b>844</b>	<b>3.99</b>	<b>108</b>	Uncut
Lode 300	-	-	-	191	3.38	21	869	4.13	116	<b>1,060</b>	<b>4.00</b>	<b>136</b>	Uncut
Minor Lodes	-	-	-	-	-	-	517	2.54	42	<b>517</b>	<b>2.54</b>	<b>42</b>	8-25
<b>Total</b>	<b>245</b>	<b>4.44</b>	<b>35</b>	<b>2,486</b>	<b>4.57</b>	<b>365</b>	<b>2,129</b>	<b>3.42</b>	<b>234</b>	<b>4,860</b>	<b>4.06</b>	<b>634</b>	

The Urucum Underground Pre-Feasibility Study ("PFS") commenced in the latter half of 2015 being undertaken by AMC Consultants. The scope of the PFS was expanded to include consideration of a number of additional potential development scenarios, including a comparison of both owner operator and mining contractor alternatives across a variety of development scales. The results of the PFS are expected to be reported in the March 2016 Quarterly Report.

#### *Urucum Flat Lodes*

In the December 2015 quarter, grade control drilling at Urucum North delineated a new lode orientation at Urucum that added incremental non-reserve oxide ounces to the production profile. These lodes, known as the Urucum Flat Lodes, were interpreted to be controlled by a flat-lying over thrust of BIF emplaced over and across the underlying steep-dipping mine corridor lodes. The Flat Lodes are a new target style at Urucum which remains open in a number of directions.

#### *Tap AB1 - Neo Lode*

During the second half of 2015, significant new drill results were received from RC drilling on the eastern edge of the Tap AB1 open pit with a new discovery named Neo Lode located 80 m into the footwall of the main BIF contact zone that hosts a majority of the gold mineralisation at Tucano. The Neo Lode is characterised by a steep dipping mineralised structure delineated over 170 strike metres, 80 metres east of the main ore-host BIF unit at Tap AB. The discovery of gold developed in a newly identified mineralised structure opens up a new target corridor which has not been explored.

## Greenfields Exploration

### **Brazil**

#### *Tucano Regional*

Surface soil sampling and mapping defined a camp scale soil geochemical anomaly in excess of 3 km long by 500 m wide at the Mutum prospect located 20 km east of Tucano. The soil sampling was done on a nominal 400 m x 40 m spacing with a peak result of 147.1 ppb. The Mutum prospect is located in a previously unexplored part of the Tucano greenstone belt and hosts a similar geological setting to Tucano.

#### *Tartaruga Project (100%)*

The Tartaruga project is 100% owned by the Group and is located in the Amapá State, Brazil, 120 km northeast of Tucano. The project was acquired in 2007 and includes a JORC Inferred resource of 6.45 Mt @ 1.63 g/t gold for 337,000 oz.

### **Significant changes in the state of affairs**

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the period under review other than those listed in the above review of operations.

## **6. DIVIDENDS**

During the period the following dividend was paid to shareholders of the Company (2014: nil).

<b>Dividend Rate</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Franking</b>
1 cent per share	31 March 2015	16 April 2015	Nil



## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

### 7. EVENTS SUBSEQUENT TO REPORTING DATE

#### Capital Raising

On 22 February 2016, the Company announced it has received commitments to raise \$50 million through the placement of 256.4 million fully paid ordinary shares ("Shares") to domestic and international institutional and sophisticated investors ("Placement").

The Placement is being completed in two tranches:

- Tranche 1 – the Placement of up to 119.8 million Shares, at an issue price of \$0.195 per Share, which is not subject to shareholder approval and will fall within the Company's placement capacity under ASX Listing Rule 7.1. Settlement is expected to take place on 1 March 2016; and
- Tranche 2 – the Placement of up to 136.6 million Shares, at an issue price of \$0.195 per Share, which will be issued subject to shareholder approval at a meeting of shareholders scheduled to take place on or around 24 March 2016. Settlement is currently scheduled to take place on 1 April 2016 (conditional upon shareholder approval).

There has not arisen in the interval between the end of the period and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future periods.

### 8. LIKELY DEVELOPMENTS

The Group is focused on improving operational performance focusing on producing profitable ounces and converting exploration upside to resources and reserves at its Tucano gold mine.

Exploration activities on Australian and Brazilian exploration assets will continue in 2016, with a particular emphasis on opportunities at Urucum Underground and other Tucano targets.

### 9. ENVIRONMENTAL REGULATION

The Group's operations are subject to environmental laws and regulations under the Brazilian (State and Federal) legislation depending on the activities undertaken. Compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve. There were no known significant breaches of these regulations during the year.

The Group's Australian operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

### 10. DIRECTORS' INTERESTS

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the Australian Securities Exchange in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report are:

Director	Ordinary shares	Options
Mr Readhead	945,000	1,750,000
Mr Hinze	-	1,750,000
Mr Jauristo	-	1,750,000
Mr Jackson	-	6,000,000
Dr Masterman	-	5,000,000

## 11. SHARE OPTIONS

### Options granted to directors and executives of the Company

During or since the end of the period, the Company have granted the following options to directors and senior executives.

	Number of options granted
<b>Directors</b>	
Mr Readhead	1,750,000
Mr Hinze	1,750,000
Mr Jauristo	1,750,000
Mr Jackson	6,000,000
Dr Masterman	5,000,000
<b>Senior Executives</b>	
Mr Barrett	5,000,000
Mr Holmes	5,000,000
Mr Diaz	2,000,000

### Unissued shares under unlisted options related to remuneration

At the date of this report, unissued ordinary shares of the Company under option that are related to remuneration are:

Expiry date	Exercise price	Number of unissued shares
30 June 2017	\$0.65	1,800,000
20 September 2018	\$0.93	250,000
31 December 2018	\$0.20	21,250,000
31 December 2019 (vesting 31 December 2016)	\$0.25	11,500,000
31 December 2019 (vesting 21 January 2017)	\$0.25	9,750,000
		<b>44,550,000</b>

All options expire on the earlier of their expiry date or, if not vested, on termination of the employee's employment.

### Unissued shares under unlisted options not related to remuneration

At the date of this report, the Company has no unissued shares under unlisted options not related to remuneration.

### Shares issued on exercise of options

During or since the end of the financial year, the Company did not issue any ordinary shares as a result of the exercise of options.

### Cancellation of unissued shares

During the period, forfeited 600,000 options at an exercise price of \$0.85 were forfeited as a result of failure to meet vesting conditions.

### Expiration of unissued shares

During or since the end of the financial year, the following options were not exercised and expired in accordance with their terms.

Expiry date	Exercise price	Number of options
1 January 2015	\$0.80	500,000
1 January 2015	\$0.85	550,000
29 April 2015	\$0.85	100,000
14 June 2015	\$1.15	850,000
		<b>2,000,000</b>

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

### 12. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group provides insurance to cover legal liability and expenses for the directors and executive officers of the Company. The directors' and officers' liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers. Disclosure of the nature of the liability cover and amount of the premium is subject to a confidentiality clause under the insurance policy.

The Group has not provided any insurance or indemnity for the auditor of the Company.

### 13. NON-AUDIT SERVICES

During the period KPMG, the Company's auditor, provided no services in addition to their statutory duties in Australia and Brazil (2014: nil).

### 14. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 86 and forms part of the Directors' Report for the period ended 31 December 2015.

### 15. ROUNDING OFF

The Group 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.

### 16. REMUNERATION REPORT – AUDITED

#### 16.1 Principles of remuneration – audited

Key management personnel ("KMP") have authority and responsibility for planning, directing and controlling the activities of the Group. KMP include Directors of the Company and other executives, whom during the period have been identified as:

Name	Position	Period in position during the year
<b>Non-Executive Directors</b>		
Craig Readhead	Independent Non-Executive Director, Chairman	Full year
Brant E. Hinze	Independent Non-Executive Director	Appointed 9 November 2015
Timo Jauristo	Independent Non-Executive Director	Appointed 8 December 2015
<b>Executive Directors</b>		
Simon Jackson	CEO and Managing Director	Appointed 9 November 2015
Glen Masterman	Executive Director – Geology and Corporate Development	Appointed 9 November 2015
<b>Executives</b>		
Peter Holmes	Chief Operating Officer	Appointed 9 November 2015
Gregory Barrett	CFO and Company Secretary	Full year
Luis Pablo Diaz	General Manager – Brazil	Appointed 14 August 2015
<b>Former KMP</b>		
Ross Kestel	Non-Executive Director	Resigned 9 November 2015
Mike Donaldson	Non-Executive Director	Resigned 9 November 2015
Peter Bowler	Managing Director	Resigned 9 November 2015
Rob Watkins	Executive Director of Geology	Resigned 9 November 2015
Boyd Timler	Chief Operating Officer	Resigned 9 November 2015
Luis Abadi	General Manager – Brazil	Resigned 28 May 2015



The Remuneration, Nomination and Diversity Committee is charged with setting remuneration for the Australian based KMP and the CEO and Managing Director determines the remuneration for the Brazilian based General Manager.

Remuneration levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The Board determines remuneration packages using trends in comparative companies and the objectives of the Group's remuneration strategy.

The remuneration structure takes into account:

- the capability and experience of the KMP;
- the KMP's ability to control the relevant segment's performance; and
- the Group's performance regarding operational success as reflected by growth in share price and delivering constant returns on shareholder wealth.

Remuneration structures may include fixed and performance linked remuneration.

The table below represents the target remuneration mix for group executives in the current year. The short-term incentive ("STI") is provided at target levels, and the long-term incentives ("LTI") amount is provided based on the value granted for the 2016 year.

	At risk		
	Fixed remuneration	Short-term incentive	Long-term incentive
CEO & Managing Director, CFO, COO and Executive			
Director of Geology and Corporate Development	45%	23%	32%
General Manager - Brazil	50%	21%	29%

### Fixed remuneration

Fixed remuneration consists of base remuneration and employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Remuneration, Nomination and Diversity Committee through a process that considers individual, segment and overall performance of the Group. In addition, external consultants may be engaged to provide analysis and advice to ensure the directors' and senior executives' remuneration is competitive in the market place.

Further details regarding executive officers' remuneration can be found at Section 16.2 of this Directors' Report.

### Performance linked remuneration

Performance linked remuneration includes both STI and LTI plans, and is designed to reward KMP for meeting or exceeding the financial and key performance metrics.

#### STI Plan

Amounts paid or payable under the Group's STI Plans are as described in Section 16.2 of this Directors' Report.

#### Australian Executive STI Plan 2015

The Board determined that the STI opportunity would be payable up to 50% of the executives individual total fixed remuneration for the twelve month period to 31 December 2015 based on the achievement of the following STI performance measures:

- Production (170,000 – 190,000 ounces): 20% of STI opportunity;
- All-In Sustaining Costs (AISC) (US\$810 – US\$890 per ounce): 20% of STI opportunity;
- Earnings per share (A\$/share): 20% of STI opportunity;
- Resources growth (ounces): 20% of STI opportunity; and
- Safety (LTI's): 20% of STI opportunity.

## DIRECTORS' REPORT

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Following the end of the twelve-month period to 31 December 2015, the Remuneration, Nomination and Diversity Committee reviewed actual outcomes against the abovementioned performance measures. It was determined that none of the five performance measures had been satisfactorily achieved. Thus, no STI opportunity was payable to the Australian executives.

### *Brazilian Executive STI Plan 2015*

The Group's Managing Director established the terms for the Brazilian General Manager STI Plan for the 2015 year.

The STI opportunity for the General Manager - Brazil STI Plan for the period 1 January 2015 to 31 December 2015 comprised performance measures with different weighting according to the strategic importance of each one. The opportunity to be payable was up to 50% of the base salary and was proportional to the accomplishment of the following STI performance measures:

- Company performance measures: 30% of STI opportunity;
  - Gold production (ounces and tonnes of high grade iron ore): 25% of STI opportunity;
  - Operational expenses before credits (BRL million): 25% of STI opportunity;
  - Total mined ore (excluding low grade and spent ore) (million tonnes): 15% of STI opportunity;
  - Feed mass (thousand tonnes): 15% of STI opportunity;
  - Absenteeism (%): 10% of STI opportunity; and
  - Safety, Health and Environment prevention program (%): 10% of STI opportunity.
- Target for each department: 70% of STI opportunity, with different weighting according to the strategic importance of each one.

Following the end of the twelve-month period to 31 December 2015, the CEO and Managing Director reviewed actual outcomes against the above mentioned performance measures. It was determined that none of the Company's and department's performance measures had been satisfactorily achieved. Thus, no STI opportunity was paid to Mr Diaz.

### *Australian Executive STI Plan 2016*

The Board and the Remuneration, Nomination and Diversity Committee has established the terms of the Australian Executive STI Plan for the year to 31 December 2016.

The STI opportunity to be payable will be up to 50% of their respective total fixed remuneration for the period 1 January 2016 to 31 December 2016. The STI performance measures relate to achieving the following:

- Production (145,000 – 160,000 ounces): 20% of STI opportunity;
- All-In Sustaining Costs (AISC) (US\$715 – US\$815 per ounce): 20% of STI opportunity;
- Earnings per share (A\$/share): 20% of STI opportunity;
- Resources growth (ounces): 20% of STI opportunity; and
- Safety (LTI's): 20% of STI opportunity.

Any payment of STI opportunity is subject to final approval by the Board. The Board may, in its absolute discretion, vary payments of STI opportunity regardless of achievement of STI performance measures.

In the event of a change of control of the Company, participants are entitled to a pro rata incentive payment for the current performance period, based on the achievement of performance targets to date. The Board, as it exists immediately prior to a change of control, may, in its absolute discretion, determine that any additional amounts should be paid to the participants.

### *Brazilian Executive STI Plan 2016*

The Group's CEO and Managing Director established the terms of the Brazilian Executive STI Plan for the year to 31 December 2016.

The STI comprises performance measures with different weighting according to the strategic importance of each one. The opportunity to be payable will be up to 50% of the respective total fixed remuneration for the period 1 January 2016 to 31 December 2016. The STI performance measures relate to achieving the following:

- Company performance measures: 30% of STI opportunity;
  - Gold production (ounces and tonnes of high grade iron ore): 25% of STI opportunity;
  - Operational expenses before credits (BRL million): 25% of STI opportunity;
  - Total mined ore (excluding low grade and spent ore) (million tonnes): 15% of STI opportunity;
  - Feed mass (thousand tonnes): 15% of STI opportunity;
  - Absenteeism (%): 10% of STI opportunity; and
  - Safety, Health and Environment prevention program (%): 10% of STI opportunity.
- Target for each department: 70% of STI opportunity, with different weighting according to the strategic importance of each one.

Any payment of STI opportunity is subject to final approval by the CEO and Managing Director, who may, in his absolute discretion, vary payments of STI opportunity regardless of achievement of STI performance measures.

### LTI Plan

The LTI Plan consists of share based payments in the form of employee share options or performance rights. The Remuneration, Nomination and Diversity Committee determine if any share based payments will be provided to executives under the LTI Plan.

On 21 January 2016, the shareholders of the Company approved a new Employee Option Scheme ("2015 EOS"). All options granted subsequent to 21 January 2016 have been granted under the 2015 EOS. All options granted prior to 21 January 2016 have been granted under the prior Employee Option Scheme ("2007 EOS").

The key terms of the 2007 EOS and the key changes adopted in the 2015 EOS are described following.

#### 2007 EOS

- Options will be issued free of charge to eligible employees. The exercise price of the options shall be as the Directors, in their absolute discretion, determine, provided that it shall not be less than that amount which is equal to 90% of the average market price of the shares in the 5 days in which sales in the shares were recorded immediately preceding the day on which the Directors resolve to offer the options;
- The Board may limit the total number of options which may be exercised under the ESOP in any year;
- Options shall lapse upon the earlier of:
  - a. the expiry of the exercise date;
  - b. the option holder ceasing to be an employee by reason of dismissal, resignation or termination of employment, office or services for any reason, unless waived by the Board;
  - c. the expiry of 30 days after the option holder ceases to be an employee by reason of retirement; or
  - d. a determination by directors that the option holder has acted fraudulently, dishonestly or in breach of his or her obligations to the Group.
- Shares issued pursuant to the exercise carry the same rights and entitlements as other shares on issue;
- Options may contain minimum service periods and/or achievement of performance hurdles for them to vest; and
- Options are not quoted on the ASX.

During the period and since the 2007 EOS was last approved by shareholders on 19 May 2014, 20,250,000 options were issued under the 2007 EOS. Options granted to KMP during the period are discussed at Section 16.3.1 of this Directors' Report.

#### 2015 EOS

The key changes adopted in the 2015 EOS are as follows.

- Eligible participants are full-time and part-time employees (including Directors) or any other Eligible Participant in accordance with ASIC Class Order 14/1000, which may include contractors and casual employees;
- The maximum number of options that may be offered under the EOS from time to time is limited to such number as will not breach applicable ASX Listing Rules, the Corporations Act or any other applicable legislation;
- There is no maximum number of options that may be made issuable to any one person or company. However, the Directors may limit the total number of options which may be exercised under the EOS in any one year.



## DIRECTORS' REPORT

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Other key terms of the 2015 EOS are consistent with those of the 2007 EOS.

Further details regarding the 2015 EOS can be found on the Notice of Extraordinary General Meeting available at the Company's website.

### *Performance Rights ("Rights")*

The Performance Rights Plan ("PRP") was approved by the Company's shareholders at the 2013 Annual General Meeting ("AGM"). The Rights issued under the PRP will be awarded subject to meeting a pre-determined performance condition. The awarded Rights will be subject to vesting conditions and shares will subsequently be issued through an automatic exercise of the Rights, for nil consideration.

### *2015 LTI Plan*

At the 2015 AGM, the issuance of Rights to the Managing Director and to the Executive Director of Geology was approved subject to meeting a pre-determined performance condition. Additionally, the Board of Directors, in its discretion, approved the issuance of Rights to the Chief Financial Officer and Chief Operating Officer subject to meeting a pre-determined performance condition.

The sole performance hurdle for the Rights was the measurement of the Company's Total Shareholder Return ("TSR") relative to the constituents of a selected comparator group, which comprised the following companies:

Alacer Gold	Alkane Resources	AngloGold Ashanti	Kingsgate Consolidate
Medusa Mining	Norton Goldfields	Perseus Mining	Resolute Mining
Saracen Minerals	Silver Lake Resources	Tribune Resources	Troy Resources

The performance period for the Performance Rights commenced on 1 January 2015 and will end on 31 December 2017.

### *2016 LTI Plan*

On 10 November 2015, the Company announced changes in the composition of its Board and Management team. Accordingly, as part of the remuneration package of the new board members, a proposed grant of options to Directors under the 2015 EOS was submitted to shareholders for approval in a General Meeting held on 21 January 2016. In addition, the Board approved the grant of options under the 2007 EOS to the senior management.

Given that the aggregate cash remuneration to be received by Directors since the last AGM was reduced by \$325,038 per annum (a 19% per annum reduction), the Board believed that the grant of options to the Directors was reasonable and appropriate and constituted an important component of each Director's remuneration package.

Furthermore, the Board considered that the grant of the options was a cost effective method of aligning the interests of Directors and shareholders whilst maintaining the Company's cash reserves.

The following options were granted to the KMP under the 2016 LTI Plan:

	<b>Number of options granted</b>
<b>Directors</b>	
Mr Readhead*	1,750,000
Mr Hinze*	1,750,000
Mr Jauristo*	1,750,000
Mr Jackson*	6,000,000
Dr Masterman*	5,000,000
<b>Senior Executives</b>	
Mr Barrett	5,000,000
Mr Holmes	5,000,000
Mr Diaz	2,000,000

\* Options granted to directors subsequent to year end at the General Meeting on 21 January 2016.

### Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Remuneration, Nomination and Diversity Committee have regard to the following indices in respect of the current financial year and the previous four financial years.

	2015	2014	2013	2012	2011
(Loss)/Profit after tax (\$'000's)	(44,345)	13,533	113,549	(42,993)	(34,840)
Results from operating activities (\$'000's)	(20,695)	49,542	99,818	(27,484)	(35,788)
Share price (\$/share)	0.14	0.225	0.79	0.98	0.60
EPS (\$/share)	(0.06)	0.02	0.15	(0.06)	(0.05)

Profit is one of the financial performance measures considered in setting the STI. Profit amounts have been calculated in accordance with the Australian Accounting Standards (AASBs).

### Other benefits

With the exception of Mr Luis Pablo Diaz (General Manager – Brazil), KMP are not entitled to receive additional benefits as part of the terms and conditions of their appointment. Mr Diaz receives various non-cash insurance benefits as part of the terms and conditions of his employment.

### Service contracts

It is the Group's policy that service contracts for KMP are unlimited in term and capable of termination by either party.

The service contracts of the Company's Non-Executive Directors do not require any notice periods upon termination. The service contracts of Mr Jackson, Dr Masterman, Mr Barrett and Mr Holmes require 12 months' written notice, Mr Diaz' service contract requires 30 days written notice. The Company may elect to make a payment to these KMP in lieu of notice for all or part of the notice period, subject to restraint conditions after the employment is terminated.

In the case of wilful or fraudulent misconduct, the Group retains the right to terminate all service contracts without notice.

KMP are entitled to receive on termination of employment their statutory entitlements, including any accrued annual and long service leave, together with any superannuation benefits. Each service contract outlines the components of remuneration paid to KMP, but does not prescribe how remuneration levels are modified year to year.

### Non-Executive Directors

Aggregate remuneration payable to all Non-Executive Directors, as approved by shareholders, is not to exceed \$500,000 per annum. Directors' fees cover all regular board activities and membership of two committees.

Following the appointment of the new board members on 9 November 2015, the Board reduced the aggregate cash remuneration to be received by Directors to \$325,038 per annum (a 19% per annum reduction).

Consequently, as at the end of the year, each non-executive director receives base fees up to \$100,000 per annum and the Chairman receives a base fee up to \$125,000 per annum, plus superannuation of 9.5% when applicable.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

### 16.2 Directors' and executive officers' remuneration – audited

Details of the nature and amount of each major element of remuneration of each director of the Company and other KMP are as set out following.

	Salary & fees (short term) \$	Cash bonus (short term) \$	Non cash benefits (short term) \$	Super (post-employment) \$	Termination benefits \$	SBP options \$	SBP performance rights \$	Total \$	Performance related %
<b>12 months ended 31 December 2015</b>									
<b>Non-executive directors</b>									
Mr Readhead, Chairman	163,147	-	-	7,186	-	58,270	-	228,603	25%
Mr Hinze (appointed 9 November 2015)	15,000	-	-	-	-	58,270	-	73,270	80%
Mr Jauristo (appointed 8 December 2015)	6,923	-	-	-	-	55,740	-	62,663	89%
Dr Donaldson (resigned 9 November 2015)	81,969	-	-	7,787	-	-	-	89,756	0%
Mr Kestel (resigned 9 November 2015)	97,979	-	-	9,308	-	-	-	107,287	0%
<b>Executive directors</b>									
Mr Jackson, Managing Director (appointed 9 November 2015)	85,310	-	-	5,028	-	199,782	-	290,120	69%
Mr Masterman, Exploration Director (appointed 9 November 2015)	58,847	-	-	-	-	166,485	-	225,332	74%
Mr Bowler, Managing Director (resigned 9 November 2015)	929,518	-	-	61,355	-	-	(72,528)	918,345	(8%)
Mr Watkins, Exploration Director (resigned 9 November 2015)	394,656	-	-	31,291	-	151,682	76,433	654,062	35%
<b>Executives</b>									
Mr Barrett, Company Secretary, CFO	460,222	-	-	36,489	-	176,882	89,131	762,724	35%
Mr Holmes, COO (appointed 9 November 2015)	69,229	-	-	4,992	-	176,882	-	251,103	70%
Mr Diaz, GM Operations – Brazil (appointed 14 August 2015)	84,646	-	4,675	6,772	-	70,753	-	166,846	42%
Mr Timler, COO (resigned 9 November 2015)	416,576	-	-	49,641	159,647	-	(41,486)	584,378	(7%)
Mr Abadi, GM Operations – Brazil (resigned 28 May 2015)	111,181	-	9,404	1,448	99,176	-	-	221,209	0%
<b>Total compensation (Group)</b>	<b>2,975,203</b>	<b>-</b>	<b>14,079</b>	<b>221,297</b>	<b>258,823</b>	<b>1,114,746</b>	<b>51,550</b>	<b>4,635,698</b>	

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	Salary & fees (short term) \$	Cash bonus (short term) \$	Non cash benefits (short term) \$	Super (post-employment) \$	Termination benefits \$	SBP options \$	SBP performance rights \$	Total \$	Performance related %
<b>12 months ended 31 December 2014</b>									
<b>Non-executive directors</b>									
Mr Readhead, Chairman	175,000	-	-	-	-	-	-	175,000	0%
Dr Donaldson	96,739	-	-	9,070	-	-	-	105,809	0%
Mr Kestel	115,633	-	-	10,842	-	-	-	126,475	0%
<b>Executive directors</b>									
Mr Bowler, Managing Director	748,715	-	-	69,485	-	-	236,437	1,054,637	22%
Mr Watkins, Exploration Director	454,945	-	-	42,546	-	-	141,176	638,667	22%
<b>Executives</b>									
Mr Barrett, Company Secretary, CFO	454,945	-	-	42,546	-	-	141,176	709,455	30%
Mr Timler, COO <i>(appointed 11 Mar 2014)</i>	335,096	50,000	-	36,286	-	-	41,486	462,868	20%
Mr Abadi, GM Operations – Brazil	264,579	40,000	12,713	23,702	-	-	-	504,484	40%
<b>Total compensation (Group)</b>	<b>2,645,652</b>	<b>90,000</b>	<b>12,713</b>	<b>234,477</b>	<b>-</b>	<b>-</b>	<b>560,275</b>	<b>3,777,395</b>	

Notes:

- The fair value of share based payments ("SBP") are calculated at the date of grant using the Black Scholes option-pricing model for options and a combination of the Monte Carlo and/or Trinomial Lattice pricing models for performance rights. SBP expense is allocated to each period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the SBP's recognised as an expense in each reporting period.
- Payments to Mr Bowler, Mr Timler and Mr Abadi include leave entitlements accrued to the date of resignation.
- Options for Mr Readhead, Mr Hinze, Mr Jauristo, Mr Jackson and Mr Masterman have been provisionally expensed in accordance with accounting standards from the date of issue (being the earlier of the Board resolution or Notice of Extraordinary General Meeting). These options were all subsequently granted at the General Meeting on 21 January 2016.
- Mr Watkins remuneration has been disclosed up to the date of his resignation as a director on 9 November 2015. Subsequent to his resignation he was appointed as Head of Geology which is not a KMP position.



## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

### 16.3 Equity Instruments – audited

#### 16.3.1 Options over equity instruments granted as remuneration – audited

All options refer to options over ordinary shares of the Company, which are exercisable on a one for one basis according to the rules of the ESOP.

	Number of options granted	% Vested	% Forfeited	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	Number of options vested in the period
<b>12 months ended 31 December 2015</b>								
<b>Directors</b>								
Mr Readhead	-	-%	-%	-	-	-	-	-
Mr Hinze (appointed 9 November 2015)	-	-%	-%	-	-	-	-	-
Mr Jauristo (appointed 8 December 2015)	-	-%	-%	-	-	-	-	-
Mr Jackson (appointed 9 November 2015)	-	-%	-%	-	-	-	-	-
Dr Masterman (appointed 9 November 2015)	-	-%	-%	-	-	-	-	-
<b>Executives</b>								
Mr Barrett	2,500,000	100%	-%	18-Nov-15	\$0.06	\$0.20	31-Dec-2018	2,500,000
Mr Barrett	2,500,000	-%	-%	18-Nov-15	\$0.06	\$0.25	31-Dec-2019	-
Mr Holmes (appointed 9 November 2015)	2,500,000	100%	-%	18-Nov-15	\$0.06	\$0.20	31-Dec-2018	2,500,000
Mr Holmes (appointed 9 November 2015)	2,500,000	-%	-%	18-Nov-15	\$0.06	\$0.25	31-Dec-2019	-
Mr Diaz (appointed 14 August 2015)	1,000,000	100%	-%	18-Nov-15	\$0.06	\$0.20	31-Dec-2018	1,000,000
Mr Diaz (appointed 14 August 2015)	1,000,000	-%	-%	18-Nov-15	\$0.06	\$0.25	31-Dec-2019	-

Notes:

1. Unvested options granted in the period contain minimum service period requirements.
2. All options have been provided at no cost to recipients.
3. All options expire on the earlier of their expiry date or termination of the individuals' appointment.

### 16.3.2 Performance rights over equity instruments granted as remuneration – audited

All performance rights refer to performance rights over ordinary shares of the Company, which are converted on a one for one basis according to the rules of the PRP.

	Number of rights granted	% Vested	% Forfeited	Grant date	Fair value per right at grant date	Expiry date	Number of rights vested in the period
<b>12 Months ended 31 December 2015</b>							
<b>Directors</b>							
Mr Readhead	-	-%	-%	-	-	-	-
Mr Hinze (appointed 9 November 2015)	-	-%	-%	-	-	-	-
Mr Jauristo (appointed 8 December 2015)	-	-%	-%	-	-	-	-
Mr Jackson (appointed 9 November 2015)	-	-%	-%	-	-	-	-
Dr Masterman (appointed 9 November 2015)	-	-%	-%	-	-	-	-
<b>Executives</b>							
Mr Barrett	799,222	-%	-%	20-May-15	\$0.17	1-Jan-18	-
Mr Holmes (appointed 9 November 2015)	-	-%	-%	-	-	-	-
Mr Diaz (appointed 14 August 2015)	-	-%	-%	-	-	-	-
<b>Former KMP</b>							
Mr Kestel (resigned 9 November 2015)	-	-%	-%	-	-	-	-
Dr Donaldson (resigned 9 November 2015)	-	-%	-%	-	-	-	-
Mr Bowler (resigned 9 November 2015)	1,314,114	-%	100%	20-May-15	\$0.17	1-Jan-18	-
Mr Watkins (resigned 9 November 2015)	799,222	-%	-%	20-May-15	\$0.17	1-Jan-18	-
Mr Timler (resigned 9 November 2015)	751,680	-%	100%	20-May-15	\$0.17	1-Jan-18	-
Mr Abadi (resigned 28 May 2015)	-	-%	-%	-	-	-	-

Notes:

1. Non-executive directors are not eligible to be granted performance rights under the terms and conditions of the PRP.
2. Mr Bowler's and Mr Timler's performance rights were forfeited as at the dates of their resignations.
3. Mr Watkins resigned as a Director on 9 November 2015 his performance rights were not forfeited as he is still employed as Head of Geology.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

### 16.3.3 Issue of equity instruments granted as remuneration – audited

No equity instruments granted as remuneration were issued during the reporting period.

### 16.3.4 Details of equity incentives affecting current and future remuneration – audited

Details of vesting profiles of the rights and options held by each KMP of the Group as at 31 December 2015 are detailed below:

KMP	Instrument		Grant date	% vested in previous years	% vested in year	% forfeited in year	Financial years in which grant vests
<b>Executives</b>							
Mr Barrett	Options	750,000	12-Jun-12	100%	-%	-%	2013
	Options	750,000	12-Jun-12	100%	-%	-%	2014
	Rights	300,892	19-May-14	-%	-%	-%	2016
	Rights	799,222	20-May-15	-%	-%	-%	2017
	Options	2,500,000	18-Nov-15	-%	100%	-%	2015
	Options	2,500,000	18-Nov-15	-%	-%	-%	2016
Mr Holmes (appointed 9 November 2015)	Options	2,500,000	18-Nov-15	-%	100%	-%	2015
	Options	2,500,000	18-Nov-15	-%	-%	-%	2016
Mr Diaz (appointed 14 August 2015)	Options	1,000,000	18-Nov-15	-%	100%	-%	2015
	Options	1,000,000	18-Nov-15	-%	-%	-%	2016

Refer to 16.3.7 for KMP options granted subsequent to year end.

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### 16.3.5 Analysis of movements in equity instruments – audited

The movement during the reporting period, by value, of rights or options over ordinary shares in the Company held by each key management person during the year is detailed below.

	Value of rights granted (A) \$	Value of options granted (B) \$	Value of rights or options exercised (C) \$
<b>Directors</b>			
Mr Readhead	-	-	-
Mr Hinze (appointed 9 November 2015)	-	-	-
Mr Jauristo (appointed 8 December 2015)	-	-	-
Mr Jackson (appointed 9 November 2015)	-	-	-
Dr Masterman (appointed 9 November 2015)	-	-	-
<b>Executives</b>			
Mr Barrett	135,069	315,383	-
Mr Holmes (appointed 9 November 2015)	-	315,383	-
Mr Diaz (appointed 14 August 2015)	-	126,153	-
<b>Former KMP</b>			
Mr Kestel (resigned 9 November 2015)	-	-	-
Dr Donaldson (resigned 9 November 2015)	-	-	-
Mr Bowler (resigned 9 November 2015)	222,085	-	-
Mr Watkins (resigned 9 November 2015)	135,069	-	-
Mr Timler (resigned 9 November 2015)	127,034	-	-
Mr Abadi (resigned 28 May 2015)	-	-	-
<b>Total</b>	<b>619,257</b>	<b>756,919</b>	<b>-</b>

Notes:

1. The value of rights granted in the year reflects the fair value of the rights calculated at grant date. The total value of the rights granted is included in the table above; however, the amount is actually allocated to remuneration over the vesting period.
2. The value of options granted in the year reflects the fair value of the options calculated at grant date. The total value of the options granted is included in the table above; however, the amount is actually allocated to remuneration over the vesting period. All Directors listed above subsequent to year end have been granted options at the General Meeting on 21 January 2016.
3. The value at exercise date has been determined by the Company's share price at close of business on the exercise date multiplied by the number of options exercised.



**DIRECTORS' REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2015

**16.3.6 Options and rights over equity instruments**

The movement during the reporting period, by number of rights and options over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

**Options**

<b>KMP</b>	<b>Held at 1 Jan 15</b>	<b>Granted as compensation</b>	<b>Sold or exercised</b>	<b>Lapsed</b>	<b>Forfeited</b>	<b>Held at 31 Dec 15</b>	<b>Vested during the period</b>	<b>Vested and exercisable at 31 Dec 15</b>
<b>Executives</b>								
Mr Barrett	1,500,000	5,000,000	-	-	-	6,500,000	2,500,000	4,000,000
Mr Holmes (appointed 9 November 2015)	-	5,000,000	-	-	-	5,000,000	2,500,000	2,500,000
Mr Diaz (appointed 14 August 2015)	-	2,000,000	-	-	-	2,000,000	1,000,000	1,000,000
<b>Former KMP</b>								
Mr Abadi (resigned 28 May 2015)	600,000	-	-	-	(600,000)	-	-	-

Options that were forfeited during the year were granted in the financial year ended 31 December 2013.

**Performance Rights**

<b>KMP</b>	<b>Held at 1 Jan 15</b>	<b>Granted as compensation</b>	<b>Awarded</b>	<b>Lapsed</b>	<b>Forfeited</b>	<b>Held at 31 Dec 15</b>	<b>Vested during the period</b>	<b>Vested and exercisable at 31 Dec 15</b>
<b>Executives</b>								
Mr Barrett	300,892	799,222	-	-	-	1,100,114	-	-
<b>Former KMP</b>								
Mr Bowler (resigned 9 November 2015)	494,740	1,314,114	-	-	(1,808,854)	n/a	-	n/a
Mr Watkins* (resigned 9 November 2015)	300,892	799,222	-	-	-	n/a	-	n/a
Mr Timler (resigned 9 November 2015)	282,994	751,680	-	-	(1,034,674)	n/a	-	n/a

\* Mr Watkins has retired as a Director of the Company, but has remained in the management team as Head of Geology; consequently, his rights were not forfeited. Rights that were forfeited during the year were granted in the financial years ended 31 December 2014 and 31 December 2015.

**16.3.7 Grant of equity instruments as remuneration since the end of the period – audited**

On 21 January 2016, the following options were granted to Directors following the approval by the shareholders:

<b>Directors</b>	<b>Number of options granted</b>
Mr Readhead	1,750,000
Mr Hinze	1,750,000
Mr Jauristo	1,750,000
Mr Jackson	6,000,000
Dr Masterman	5,000,000

No performance rights have been granted to KMP since the end of the period.

**16.4 Analysis of bonuses included in remuneration – audited**

No cash bonuses were included in the KMP remuneration during financial period, as a result of failure to achieve and satisfy specified performance criteria.

**16.5 Payments to persons before taking office – audited**

There were no payments made to persons before taking office during the period.

**16.6 Key management personnel transactions – audited****Movement in shares**

There was no movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties.

This report is made with a resolution of the Directors:



**SIMON JACKSON**  
CEO & Managing Director

Dated at Perth, this 29th day of February 2016

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	Dec 2015 \$'000	Dec 2014 \$'000
<b>Assets</b>			
Cash and cash equivalents	16	9,721	13,398
Restricted cash	17	5,059	28,241
Prepayments		947	4,138
Gold bullion awaiting settlement	15	5,058	19,729
Trade and other receivables	14	16,791	29,394
Inventories	11	57,534	61,330
<b>Total current assets</b>		<b>95,110</b>	<b>156,230</b>
Restricted cash	17	-	10,338
Trade and other receivables	14	66	17,026
Exploration and evaluation assets		673	1,111
Mineral properties	13	17,734	17,995
Property, plant and equipment	12	122,573	163,402
Deferred tax assets	10	20,108	20,320
<b>Total non-current assets</b>		<b>161,154</b>	<b>230,192</b>
<b>Total assets</b>		<b>256,264</b>	<b>386,422</b>
<b>Liabilities</b>			
Trade and other payables	22	38,189	31,628
Employee benefits	20	2,774	5,542
Borrowings	18	49,497	97,278
Provisions	25	2,751	2,738
<b>Total current liabilities</b>		<b>93,211</b>	<b>137,186</b>
Employee benefits	20	180	196
Borrowings	18	34,061	20,960
Provisions	25	6,130	6,241
<b>Total non-current liabilities</b>		<b>40,371</b>	<b>27,397</b>
<b>Total liabilities</b>		<b>133,582</b>	<b>164,583</b>
<b>Net assets</b>		<b>122,682</b>	<b>221,839</b>
<b>Equity</b>			
Share capital	24	206,585	206,585
Reserves	24	(49,065)	(2,240)
Accumulated (losses)/profits		(34,838)	17,494
<b>Total equity</b>		<b>122,682</b>	<b>221,839</b>

The notes are an integral part of these consolidated financial statements.

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	Dec 2015 \$'000	Dec 2014 \$'000
Revenue		190,554	260,180
Cost of sales	6	(172,898)	(186,311)
<b>Gross profit</b>		<b>17,656</b>	<b>73,869</b>
Other income		217	594
Administrative expenses		(18,788)	(13,420)
Project exploration and evaluation expenses		(809)	(8,763)
Impairment losses	9	(16,808)	(1,156)
Other expenses		(2,163)	(1,582)
<b>Results from operating activities</b>		<b>(20,695)</b>	<b>49,542</b>
Finance income		774	189
Finance expense		(31,323)	(27,758)
<b>Net finance (expense)</b>	8	<b>(30,549)</b>	<b>(27,569)</b>
<b>(Loss)/Profit for the period before income tax</b>		<b>(51,244)</b>	<b>21,973</b>
Income tax benefit/(expense)	10	6,899	(8,440)
<b>(Loss)/Profit for the period after income tax</b>		<b>(44,345)</b>	<b>13,533</b>
<b>Other comprehensive (loss)/profit</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Cash flow hedges transferred to profit or loss	8	-	(27,966)
Foreign currency translation differences for foreign operations	8	(46,558)	(9,153)
<b>Other comprehensive (loss)/profit for the period net of tax</b>		<b>(46,558)</b>	<b>(37,119)</b>
<b>Total comprehensive (loss)/profit for the year</b>		<b>(90,903)</b>	<b>(23,586)</b>
<b>Earning per share:</b>			
Basic (loss)/earnings per share (\$)	19	(0.06)	0.02
Diluted (loss)/earnings per share (\$)	19	(0.06)	0.02

The notes are an integral part of these consolidated financial statements.



## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Notes	Share capital \$'000	Share based payments reserve \$'000	Translation reserve \$'000	Option premium reserve \$'000	Hedging reserve \$'000	Tax reserve \$'000	Accumulated profits/ (losses) \$'000	Total equity \$'000
Balance at 1 January 2015		206,585	12,937	(26,888)	3	-	11,708	17,494	221,839
<b>Total comprehensive income for the period</b>									
(Loss)/Profit for the period		-	-	-	-	-	-	(44,345)	(44,345)
<b>Other comprehensive income</b>									
Foreign currency translation differences	8	-	-	(46,558)	-	-	-	-	(46,558)
<b>Total other comprehensive income</b>		-	-	<b>(46,558)</b>	-	-	-	-	<b>(46,558)</b>
<b>Total comprehensive income for the period</b>		-	-	<b>(46,558)</b>	-	-	-	<b>(44,345)</b>	<b>(90,903)</b>
<b>Transactions with owners recorded directly in equity</b>									
<b>Contributions by and distributions to owners</b>									
Dividends		-	-	-	-	-	-	(7,987)	(7,987)
Share based payments	21	-	1,087	-	-	-	-	-	1,087
Transfer to tax reserve	24	-	-	-	-	-	(1,354)	-	(1,354)
<b>Total contributions by and distributions to owners</b>		-	<b>1,087</b>	-	-	-	<b>(1,354)</b>	<b>(7,987)</b>	<b>(8,254)</b>
<b>Balance as at 31 December 2015</b>		<b>206,585</b>	<b>14,024</b>	<b>(73,446)</b>	<b>3</b>	-	<b>10,354</b>	<b>(34,838)</b>	<b>122,682</b>

The notes are an integral part of these consolidated financial statements.

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# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Notes	Share capital \$'000	Share based payments reserve \$'000	Translation reserve \$'000	Option premium reserve \$'000	Hedging reserve \$'000	Tax reserve \$'000	Accumulated profits/ (losses) \$'000	Total equity \$'000
Balance at 1 January 2014		205,087	11,935	(17,735)	3	27,966	6,599	3,961	237,816
<b>Total comprehensive income for the period</b>									
Profit for the period		-	-	-	-	-	-	13,533	13,533
<b>Other comprehensive income</b>									
Foreign currency translation differences	8	-	-	(9,153)	-	-	-	-	(9,153)
Movement in hedge reserve	8	-	-	-	-	(27,966)	-	-	(27,966)
<b>Total other comprehensive income</b>		-	-	<b>(9,153)</b>	-	<b>(27,966)</b>	-	-	<b>(37,119)</b>
<b>Total comprehensive income for the period</b>		-	-	<b>(9,153)</b>	-	<b>(27,966)</b>	-	<b>13,533</b>	<b>(23,586)</b>
<b>Transactions with owners recorded directly in equity</b>									
<b>Contributions by and distributions to owners</b>									
Issue of ordinary shares		1,510	-	-	-	-	-	-	1,510
Equity transaction costs		(12)	-	-	-	-	-	-	(12)
Share based payments	21	-	1,002	-	-	-	-	-	1,002
Transfer to tax reserve	24	-	-	-	-	-	5,109	-	5,109
<b>Total contributions by and distributions to owners</b>		<b>1,498</b>	<b>1,002</b>	-	-	-	<b>5,109</b>	-	<b>7,609</b>
<b>Balance as at 31 December 2014</b>		<b>206,585</b>	<b>12,937</b>	<b>(26,888)</b>	<b>3</b>	-	<b>11,708</b>	<b>17,494</b>	<b>221,839</b>

The notes are an integral part of these consolidated financial statements.

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Dec 2015 \$'000	Dec 2014 \$'000
<b>Cash flow from operating activities</b>		
(Loss)/Profit for the year	(44,345)	13,533
<b>Adjustments for:</b>		
Release of effective portion of cash flow hedges to revenue	-	(32,982)
Depreciation	29,521	36,612
Net Impairment losses	16,808	1,156
Net loss on sale of plant and equipment	994	1,583
Net finance costs	30,549	27,569
Equity-settled share-based payment transactions	1,087	1,002
Income (benefit)/tax expense	(6,899)	8,440
	<b>27,715</b>	<b>56,913</b>
<b>Changes in:</b>		
Inventories	(14,550)	(10,677)
Gold bullion awaiting settlement	9,877	(10,696)
Trade and other receivables	(8,526)	(31,405)
Prepayments	2,268	435
Trade and other payables	13,963	5,326
Provisions and employee benefits	526	3,077
<b>Net cash from operating activities</b>	<b>31,273</b>	<b>12,973</b>
<b>Cashflow from investing activities</b>		
Interest received	856	189
Proceeds on sale of property plant and equipment	54	10,888
Payments for property, plant and equipment	(38,862)	(29,752)
<b>Net cash used in investing activities</b>	<b>(37,952)</b>	<b>(18,675)</b>
<b>Cashflow from financing activities</b>		
Restricted cash held for security	33,520	(38,129)
Proceeds from issue of share capital, net of transaction costs	-	1,498
Hedge proceeds	-	28,044
(Repayment of)/Proceeds from loans and borrowings	(17,658)	24,769
Interest paid on loans	(2,468)	(6,439)
Dividends paid	(7,987)	-
<b>Net cash from financing activities</b>	<b>5,407</b>	<b>9,743</b>
Net (decrease)/increase in cash and cash equivalents	(1,272)	4,041
Cash and cash equivalents 1 January	13,398	9,813
Effect of exchange rate fluctuations on cash held	(2,405)	(456)
<b>Cash and cash equivalents 31 December</b>	<b>9,721</b>	<b>13,398</b>

The notes are an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. REPORTING ENTITY

Beadell Resources Limited (the "Company") is a for profit 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 consolidated financial statements of the Company as at and for the period from 1 January 2015 to 31 December 2015 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. BASIS OF PREPARATION

#### a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial report of the Group complies with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors on 29 February 2016.

#### b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments measured at fair value.

#### c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

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, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

#### d) Use of estimates and judgements

Set out below is information about:

- critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements; and
- assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

#### Critical judgements

##### *Going concern*

The directors consider the going concern basis of preparation to be appropriate based on forecast cash flows which includes the completion of the \$50 million capital raising (refer to Note 30 for further information). As at 31 December 2015, the Group has \$49,497,000 of debt due for repayment within the next 12 months. The directors intend to review the Group's debt repayment schedules in conjunction with evaluating whether to apply some of the funds from the capital raising to repaying a portion of the Group's debt.

Whilst the funds have not yet been received from the \$50 million capital raising, the Group has received irrevocable confirmations for the full \$50 million raising. As a result, the Directors have a reasonable expectation that full settlement for the capital raising will occur in line with the settlement schedule as disclosed at Note 30 of this financial report.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The cash flow forecast also depends on successful mining operations and processing activities in accordance with management's schedule and forecast gold price and foreign exchange assumptions to enable cash flow forecasts to be achieved. Should operations not successfully achieve forecasts, or forecast gold sales, foreign exchange rates not be achieved, and the capital raising not complete as expected, the Group may require additional funding in the form of debt or equity.

### Estimates and assumptions

#### *Restoration obligations*

Significant estimation is required in determining the provision for site restoration as there are many factors that may affect the timing and ultimate cost to rehabilitate sites where construction, mining and/or exploration activities have taken place. These factors include future development and exploration activities, changes in the cost of goods and services required for restoration activities and changes to the legal and regulatory framework governing restoration obligations. These factors may result in future actual expenditure differing from amounts currently provided.

#### *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, 2012 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 units of production basis and the recognition of deferred taxes, including tax losses.

#### *Exploration and evaluation assets*

Determining the amount 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 are estimates and assumptions as to Ore Reserves (refer above), the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Any such estimates and assumptions may change as new information becomes available, which may require adjustments to the carrying value of assets. If, after having capitalised the expenditure, a judgement is made that an impairment indicator exists, an impairment loss is recorded in the income statement in accordance with the Group's accounting policies.

In addition, an allocation of the cost associated with acquired mineral rights to individual projects is performed on acquisition. This allocation process requires estimates and judgement by management as to the value of those projects acquired.

#### *Recognition of tax losses*

A deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. Determination of future taxable profits 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. This includes estimates and judgements about commodity prices, ore reserves, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

#### *Impairment of assets*

The recoverable amount of each non-financial asset or cash generating unit ("CGU") is determined as the higher of the value in use and fair value less costs to sell. Determination of the recoverable amount of an asset or CGU based on a discounted cash flow model requires the use of estimates and assumptions, including: the appropriate rate at which to discount cash flows, timing of cash flows, the expected life of the area of interest, commodity prices, exchange rates, ore reserves, future capital requirements and operational performance. Changes in these estimates and assumptions impact the recoverable amount of the asset or CGU and accordingly could result in an adjustment to the carrying amount of that asset or CGU.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. The Group has not elected to early adopt any accounting standards or amendments.

#### a) Basis of consolidation

##### i. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

##### ii. Transactions and balances eliminated on consolidation

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

##### iii. Business combinations

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

#### Measuring goodwill or discount in a business combination

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Where the net amount of identifiable assets exceeds fair value of consideration transferred, a discount on acquisition has arisen and the resultant gain is recognised in the Group's profit or loss. Provisional accounting for fair values is used where the Group has not completed final valuations. Where provisional accounting has been used, the Group completes final valuations within a year of acquisition.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and entity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

#### Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

#### Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

#### Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### b) Foreign currency

#### 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. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are measured using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for qualifying cash flow hedges which are recognised in the other comprehensive income to the extent the hedge is effective.

#### 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 are translated to Australian dollars at average exchange rates prevailing during the period. 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.

### c) Financial instruments

#### i. Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, restricted cash, borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost, less any impairment charges.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash on hand and short term deposits at call. Short term deposits have original maturities of 3 months or less that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in fair value.

#### Restricted cash

Restricted cash comprises cash at bank and short term deposits that have been given as security in relation to the Group's borrowings. As the Group has given security over these balances they are not eligible for recognition as cash and cash equivalents.

**Trade and other receivables**

Receivables are initially recorded at fair value expected to be received when there has been a significant passing of significant risks and rewards of ownership. Collectability of debtors is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off and an allowance for doubtful debts is raised where objective evidence exists that the debt will not be collected.

**Bullion awaiting settlement**

Bullion awaiting settlement comprises gold that has not been turned out by the Group's refiner prior to period end. Bullion awaiting settlement is initially recognised at fair value less costs to sell and represents revenue to the Group as it has met the criteria defined at Note 3(d) below.

**Trade and other payables**

Trade and other payables are carried at amortised cost. The amounts are unsecured and typically settled in 30 to 60 days of recognition. Due to their short term nature, balances are generally not discounted.

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial measurement, borrowings are recorded at amortised cost using the effective interest rate method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual drawdown of the facility, are amortised on a straight line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**ii. Share capital****Ordinary shares**

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.

**Dividends**

Dividends are recognised as a liability in the period in which they are declared.

**d) Revenue**

Revenue is recognised and measured at fair value of the consideration received or receivable to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be measured reliably. The following specific criteria must also be met before revenue is recognised:

**i. Gold sales**

Gold sales revenue is recognised when;

- there has been a transfer of risks and rewards from the Group to an external party;
- no further processing is required by the Group;
- the quality and quantity of the gold has been determined; and
- the sale is probable.

Each of the above criteria are satisfied at the point at which the Group's bullion transporter takes custody of gold bullion for delivery to the Group's external refiner.

**ii. Rental income**

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

**e) Royalties**

Royalty obligations based on quantity produced or as a percentage of revenue that do not have the characteristics of income tax, are included in costs of sales.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### f) Exploration and evaluation 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.

For the purposes of impairment testing, exploration and evaluation assets are allocated to CGU's to which the exploration activity relates. The CGU 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 impaired 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.

### g) Mineral properties

Mineral properties represents expenditure in respect of capitalised exploration, evaluation, feasibility and other capitalised expenditure previously accumulated and carried forward as mineral properties under development in relation to areas of interest in which gold production has now commenced. Mine properties are stated at cost, less accumulated amortisation and accumulated impairment losses.

Mine properties are amortised on a unit-of-production basis over the economically recoverable reserves of the mine concerned, resulting in an amortisation charge proportional to the depletion of the economically recoverable mineral resources. Amortisation begins at the commencement of commercial production.

### h) Deferred stripping

The Group defers stripping costs during the production phase of its surface mining operations. Stripping costs that generate a benefit of improved access to future components of an ore body and meet the definition of an asset are recognised as stripping activity assets. Stripping activity assets are depreciated on a units of production basis over the useful life of the identifiable component of the ore body that becomes more accessible as a result of the stripping activity. Stripping activity assets form part of property, plant and equipment.

### i) Property, plant and equipment

#### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income or other expenses in profit or loss. When re-valued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.



**Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**Depreciation**

Depreciation of mine specific plant and equipment and buildings and infrastructure is charged to the statement of profit and loss and other comprehensive income on a units of production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of mine, in which case the straight line method is used. The unit of account is ore milled.

Depreciation of non-mine specific plant and equipment is charged to the statement of profit and loss and other comprehensive income on a straight line basis over the estimated useful lives of each asset.

In the current and comparative periods useful lives are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

**j) Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

**k) Leases****Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

**Determining whether an arrangement contains a lease**

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. This will be the case if the following criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset(s); and
- the arrangement contains the right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### l) Impairment

#### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that 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 future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit or loss and any subsequent reversals of impairment losses are also recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

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.

#### Non-financial assets

The carrying amounts of the Group's non-financial assets (excluding deferred tax assets and inventories) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, known as CGU's.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGU's are allocated to reduce the carrying amount of assets in the unit (group of units) on a pro rata basis.

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 loss had been recognised.

### m) Employee benefits

#### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### Short-term benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### Long-term benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and, where applicable, prior periods plus related on costs; that benefit is discounted to determine its present value and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations.

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### Share-based payment transactions

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to share based payments reserve. The fair value of options and performance rights is ascertained using a recognised pricing model which incorporates all market vesting conditions.

The fair value of options is measured using the Black-Scholes formula and the fair value of the Performance Rights is measured using a combination of the Monte Carlo and/or Trinomial Lattice pricing models.

Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

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 Company, 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.

### n) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### o) Finance income and expense

Finance income comprises interest income, ineffective portion of changes in fair value of cash flow hedges and changes in fair value of derivatives not designated as cash flow hedges.

Finance expense comprises impairment losses recognised on financial assets and borrowing costs recognised using the effective interest method that are not directly attributable to the acquisition, construction or production of a qualifying asset and transaction costs not eligible for capitalisation.

Foreign currency gains and losses are reported on a net basis.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset, all other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

### p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### Site restoration

Mine closure and restoration costs include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the site. Provisions are recognised at the time that the environmental disturbance occurs.

The provision is the best estimate of the present value of the future cash flows required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the financial year.

The amount of the provision for future restoration costs is capitalised as an asset and recognised in Mineral Properties and is depreciated over the useful life of the mineral resource. The unwinding of the effect of discounting on the provision is recognised as a finance cost. Restoration expenditure is capitalised to the extent that it is probable that the future economic benefits associated with restoration expenditure will flow to the Group.

### q) Value Added Taxes ("VAT")

Revenue, expenses and assets are recognised net of the amount of goods and services tax and equivalent indirect taxes, except where the amount of tax incurred is not recoverable from the taxation authority. In these circumstances, the tax 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 tax included. The net amount of tax recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The tax components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

### r) Earnings per share

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

### s) Operating segments

The Group determines and presents operating segments based on the information that is provided to the Managing Director, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board to make decisions about the allocation of resources to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise predominantly of administrative expenses. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

### t) Inventories

Gold bullion that has not been dispatched to the Group's refiner, gold in circuit and ore stockpiles are physically measured or estimated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and costs of selling the final product.

Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation incurred in converting gold ore to bullion.

Consumable stores are valued at the lower of cost and net realisable value.

### u) New accounting standards and interpretations

The Group has adopted the following new standards and amendments, which are effective for annual periods beginning on or after 1 January 2015.

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
- Annual Improvements 2010-2012 Cycle
- Annual Improvements 2011-2013 Cycle

The adoption of new amendments to standards and interpretations has not had a material impact on the Group's financial statements.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group has not yet determined the impact of this standard.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has not yet determined the impact of this standard.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4. FINANCIAL RISK MANAGEMENT

#### Overview

This note presents information about the Group's exposure to credit, liquidity and market risks, objectives, policies and processes for measuring and managing risk and the management of capital.

The Group has established a Risk Management Policy and Risk Management Strategy. The Group's Risk Management Policy and Strategy address the Group's exposure to and management of credit, market and liquidity risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Risk Management Strategy. The design, implementation and day to day responsibilities of the risk management strategy and internal control system rest with management. The Audit and Risk Management Committee is responsible for reviewing the Group's risk management systems and internal financial control systems.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's gold bullion awaiting settlement, cash and cash equivalents and restricted cash.

#### Cash, cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. The Group limits its credit risk by holding cash balances and demand deposits with reputable counterparties with acceptable credit ratings.

#### Restricted cash

Restricted cash comprises cash balances used as security for Group borrowings. Cash balances used as security are held with reputable counterparties with acceptable credit ratings.

#### Bullion awaiting settlement

The Group's gold bullion awaiting settlement comprises gold bullion on hand at, or in transit to, the Group's refiner. Gold bullion awaiting settlement is generally settled within 2 days of delivery into a sales contract.

#### Trade and other receivables

The Group's trade and other receivables at balance date principally comprise amounts due from second hand machinery sales. At 31 December 2015, the ageing of trade and other receivables that were not impaired was as follows:

	Dec 2015 \$'000	Dec 2014 \$'000
Neither past due nor impaired	1,186	27,446
361 and over days	-	271
91 - 360 days	-	4,052
31 - 90 days	-	972
1 - 30 days	-	915
<b>Total</b>	<b>1,186</b>	<b>33,656</b>

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Dec 2015 \$'000	Dec 2014 \$'000
Opening balance	-	-
Impairment loss recognised	5,314	-
Effect of movements in exchange rates	(734)	-
<b>Balance at the end of the period</b>	<b>4,580</b>	<b>-</b>

The Group has established an allowance for impairment that represents the iron ore by-product receivables. Refer to Note 9 for further information. All remaining trade and other receivables have not been impaired on the basis that management believe the balances remain collectible in full.

#### Exposure to credit risk

The carrying amounts of the Group's financial assets represent maximum exposure to credit risk, by region and in total as set out below;

	Notes	Dec 2015 \$'000	Dec 2014 \$'000
<b>Australia</b>			
Cash and cash equivalents		190	3,497
Restricted cash		4,888	19,895
Trade and other receivables		36	81
		<b>5,114</b>	<b>23,473</b>
<b>Brazil</b>			
Cash and cash equivalents		9,531	9,901
Restricted cash		171	18,684
Gold bullion awaiting settlement		5,058	19,729
Trade and other receivables		1,150	33,575
		<b>15,910</b>	<b>81,889</b>
<b>Total</b>			
Cash and cash equivalents	16	9,721	13,398
Restricted cash	17	5,059	38,579
Gold bullion awaiting settlement	15	5,058	19,729
Trade and other receivables	14	1,186	33,656
<b>Exposure to credit risk</b>		<b>21,024</b>	<b>105,362</b>

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

At least annually the Group prepares detailed cash flow models as part of its system of budget planning, against which monthly actual cash flows are reported, additionally, actual cash flows are reported daily and a rolling 3 month cash flow forecast is prepared each month. Production activities are monitored and reported daily and monthly against budget and forecast amounts. These systems are used in conjunction to predict cash flow requirements and manage liquidity risk.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at balance date, the following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000
<b>31 December 2015</b>						
Trade and other payables	(38,189)	(38,189)	(38,189)	-	-	-
Borrowings	(83,558)	(86,231)	(25,442)	(24,461)	(29,232)	(7,096)
<b>Balance as at 31 December</b>	<b>(121,747)</b>	<b>(124,420)</b>	<b>(63,631)</b>	<b>(24,461)</b>	<b>(29,232)</b>	<b>(7,096)</b>
<b>31 December 2014</b>						
Trade and other payables	(31,628)	(31,628)	(31,628)	-	-	-
Borrowings	(118,238)	(120,637)	(86,885)	(12,050)	(21,340)	(363)
<b>Balance as at 31 December</b>	<b>(149,866)</b>	<b>(152,265)</b>	<b>(118,513)</b>	<b>(12,050)</b>	<b>(21,340)</b>	<b>(363)</b>

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to fluctuations in foreign currency rates, interest rates and metals prices. In each case, future operational cash flows and ability to service current and future borrowings are affected by these fluctuations. At 31 December 2015, the Group has no hedging instruments with respect to gold prices, interest rates or foreign currency.

### Currency risk

Currency risk arises from investments and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

### Exposure

The Group is exposed to foreign currency risk in the form of financial instruments denominated in currencies other than the respective functional currencies of the Group. The Group's functional currencies are the Brazilian Real and the Australian Dollar.

The table following demonstrates the Group's exposure to foreign currency risk at the end of the year:

	Dec 2015 US\$'000	Dec 2014 US\$'000
Cash and cash equivalents	3,604	7,625
Gold bullion awaiting settlement	3,642	16,003
Trade and other payables	(1,486)	(1,547)
Borrowings	(51,416)	(77,417)
<b>Statement of financial position exposure</b>	<b>(45,656)</b>	<b>(55,336)</b>

### Sensitivity analysis

Assuming all other variables remain constant, a 10% strengthening of the Brazilian Real at 31 December 2015 against the United States Dollar would have resulted in an increased profit of \$7,266,000 (2014: \$7,033,000 increased profit). A 10% weakening of the Brazilian Real would have had the equal but opposite effect, assuming all other variables remain constant. This analysis is based on exchange rate variances the Group considered to be reasonably possible at the end of the period.

The following significant exchange rates applied to the Group's financial instruments during the year:

	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
BRL 1 : USD	0.3049	0.4257	0.2523	0.3722

### Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group is exposed to interest rate risk on cash and cash equivalents, restricted cash and its borrowings. The Group does not use derivatives to mitigate these exposures.

Cash and cash equivalents and restricted cash are held at variable and fixed interest rates. Cash in term deposits are held for fixed terms at fixed interest rates maturing in periods less than twelve months. The Group's other cash balances are held in deposit accounts at variable rates with no fixed term.

Interest rates on the Group's borrowings are fixed for terms of 3 to 12 months.

### Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Dec 2015 \$'000	Dec 2014 \$'000
<b>Fixed rate instruments</b>		
Financial assets	214	18,984
Financial liabilities	(69,518)	(93,737)
<b>Net fixed rate instruments</b>	<b>(69,304)</b>	<b>(74,753)</b>
<b>Variable rate instruments</b>		
Financial assets	14,566	32,993
Financial liabilities	-	-
<b>Net variable rate instruments</b>	<b>14,566</b>	<b>32,993</b>

### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

### Cash flow sensitivity analysis – interest rates

A change in interest rates of 100 basis points at the reporting date would have decreased (increased) the Group's profit by the amounts shown below. This analysis assumes that all other variables remain constant.

Sensitivity	100bp increase Dec 2015 \$'000	100bp decrease Dec 2015 \$'000	100bp increase Dec 2014 \$'000	100bp decrease Dec 2014 \$'000
	Interest bearing instruments	488	(488)	673
Cash flow sensitivity (net)	488	(488)	673	(673)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Fair values versus carrying amounts

Carrying amounts of financial assets and liabilities equate to their corresponding fair values.

### Other market price risk

The Group's financial assets and liabilities are not exposed to any other market price risk.

### Commodity price risk

The Group is exposed to fluctuations in the gold price as a result of its holdings of gold bullion awaiting settlement.

### Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a capital base (comprising equity plus borrowings) sufficient to allow future operation and development of the Group's projects.

The Group has raised capital through the issue of equity and borrowings to fund its activities. In determining the funding mix of debt and equity, consideration is given to the ability of the Group to service loan interest and repayment schedules, lending facility compliance ratios and amount of free cash flow desired.

The Group manages its capital requirements by monitoring budget to actual performance and lending compliance ratios. The Group is subject to externally imposed capital requirements in relation to its Santander – Itaú Facility, whereby it is required that:

- a minimum net debt to EBITDA ratio be maintained;
- a minimum net gearing ratio be maintained;
- a minimum forward debt service cover ratio be maintained; and
- a minimum ore reserve to expected ore reserve after final repayment of the borrowing ratio be maintained.

## 5. OPERATING SEGMENTS

The Group has two reportable segments; 'Australian exploration' and 'Brazilian exploration and operations', 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.

<b>Information about reportable segment profit/(loss)</b>	<b>Brazil \$'000</b>	<b>Australia \$'000</b>	<b>Total \$'000</b>
<b>12 months ended 31 December 2015</b>			
External revenues	190,554	-	190,554
Project finance interest expenses	(3,486)	-	(3,486)
Unrealised foreign exchange loss	(26,308)	-	(26,308)
(Impairment of) segment assets	(16,500)	(308)	(16,808)
Depreciation and amortisation	(29,521)	-	(29,521)
<b>Reportable segment (loss)/profit before income tax</b>	<b>(31,248)</b>	<b>(513)</b>	<b>(31,760)</b>
<b>12 months ended 31 December 2014</b>			
External revenues	260,180	-	260,180
Project finance interest expenses	(6,439)	-	(6,439)
Unrealised foreign exchange loss	(13,376)	-	(13,376)
(Impairment of) segment assets	(1,583)	-	(1,583)
Depreciation and amortisation	(36,612)	-	(36,612)
<b>Reportable segment profit/(loss) before income tax</b>	<b>43,365</b>	<b>(712)</b>	<b>42,653</b>



Revenue from one major customer of the Group was approximately \$190 million during the year ended 31 December 2015 (2014: \$260 million).

	Dec 2015 \$'000	Dec 2014 \$'000
<b>Reconciliation of reportable segment profit/(loss)</b>		
Total (loss)/profit for reportable segments	(31,760)	42,653
Unallocated amounts		
- Corporate income	60	494
- Corporate expenses	(19,543)	(21,174)
<b>Consolidated (loss)/profit before tax</b>	<b>(51,244)</b>	<b>21,973</b>

Information about reportable segment assets, liabilities and capital expenditure	Brazil \$'000	Australia \$'000	Total \$'000
<b>2015</b>			
Reportable segment assets	245,815	384	246,199
Reportable segment liabilities	118,571	12	118,583
Reportable segment capital expenditure	42,135	-	42,135
<b>2014</b>			
Reportable segment assets	352,264	658	352,922
Reportable segment liabilities	138,822	45	138,867
Reportable segment capital expenditure	20,094	-	20,094

	Dec 2015 \$'000	Dec 2014 \$'000
<b>Reconciliation of reportable segment assets and liabilities</b>		
Total assets for reportable segments	246,199	352,922
Unallocated amounts		
- Corporate assets	10,065	33,500
<b>Consolidated assets</b>	<b>256,264</b>	<b>386,422</b>
Total liabilities for reportable segments	118,583	138,867
Unallocated amounts		
- Corporate liabilities	14,999	25,716
<b>Consolidated liabilities</b>	<b>133,582</b>	<b>164,583</b>

### Geographical segments

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

	Revenues Dec 2015 \$'000	Non-current assets Dec 2015 \$'000	Revenues Dec 2014 \$'000	Non-current assets Dec 2014 \$'000
<b>Sensitivity</b>				
Australia	-	384	-	581
Brazil	190,554	140,662	260,180	198,953
Unallocated amounts	-	20,108	-	30,658
<b>Balance at the end of the period</b>	<b>190,554</b>	<b>161,154</b>	<b>260,180</b>	<b>230,192</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. COST OF SALES

	Dec 2015 \$'000	Dec 2014 \$'000
Costs of production	139,352	145,150
Royalties	4,025	4,549
Depreciation, amortisation and depletion	29,521	36,612
<b>Cost of Sales</b>	<b>172,898</b>	<b>186,311</b>

### 7. PERSONNEL EXPENSES

	Notes	Dec 2015 \$'000	Dec 2014 \$'000
Wages, salaries and benefits		24,573	26,786
Contributions to defined contribution plans		6,309	6,708
Increase in liability for annual leave		1,578	1,900
Other personnel expenses		3,253	3,477
Share-based payment transactions	21	1,087	1,002
<b>Personnel expenses</b>		<b>36,800</b>	<b>39,873</b>

### 8. FINANCE INCOME AND EXPENSE

	Dec 2015 \$'000	Dec 2014 \$'000
<b>Recognised in profit and loss</b>		
Interest income	774	189
Interest expense	(3,486)	(6,439)
Net foreign exchange loss	(26,308)	(13,376)
Unwind of discount of site restoration provision	(258)	-
Changes in fair value of derivatives	-	(6,886)
Transaction costs	(1,271)	(1,057)
<b>Net finance expense</b>	<b>(30,548)</b>	<b>(27,569)</b>
<b>Recognised directly in equity</b>		
Cash flow hedges transferred to profit or loss	-	(27,966)
Foreign currency translation differences for foreign operations	(46,558)	(9,153)
<b>Finance income recognised directly in equity, net of tax</b>	<b>(46,558)</b>	<b>(37,119)</b>

### 9. IMPAIRMENT LOSSES

#### VAT taxes

The Group incurred impairment losses of \$715,000 (2014: \$1,156,000) in respect of Brazilian state VAT ("ICMS") levied on the Group's purchases that, at balance date, are not considered recoverable.

Recoverability of ICMS is dependent on the Group generating domestic Brazilian sales which would accrue an ICMS liability which the Group can offset against ICMS assets. At balance date, significant Brazilian domestic sales are not considered probable.

#### Inventories

During the year, the Group has recognised an obsolescence charge of \$3,992,000 related to slow moving consumables.

#### Trade and other receivables

The Group recognised a \$5,314,000 million provision for impairment loss related to sales of iron ore by-products to Zamin Amapá Mineração Ltda ("Zamin"). The impairment loss in full has been recognised due to increased uncertainty of Zamin resuming production activities at their Amapá Iron Ore Mine following the destruction of the port facility at Santana.

#### Property, plant and equipment

The Group has placed its Magnetic Separation Plant ("MSP") on care and maintenance due to Zamin's inability to take or pay for iron ore concentrate previously produced by the MSP following the destruction of the port facility at Santana and the suspension of production activities at Zamin at their Amapá Iron Ore Mine.

As a result of the uncertainty of generating future cash inflows from the MSP's operation, the Group considers the carrying value of the MSP impaired in full and accordingly has recognised an impairment charge of \$6,479,000.

#### Exploration and evaluation assets

The Group recognised an impairment charge of \$308,000 in respect of exploration and evaluation assets for Australian tenements which were surrendered in 2015, in full.

## 10. INCOME TAX

### Current income tax

	Dec 2015 \$'000	Dec 2014 \$'000
<b>Income tax (expense)/benefit</b>		
Current tax expense	-	(4,870)
Adjustment for prior period	1,420	(1,543)
Deferred tax (expense)/benefit	5,479	(2,027)
<b>Income tax (expense)/benefit</b>	<b>6,899</b>	<b>(8,440)</b>
<b>Numerical reconciliation between tax (expense)/benefit and pre-tax accounting profit</b>		
Pre-tax accounting profit for the period	(51,244)	21,973
Income tax expense at the Group's tax rates (Australia: 30%, Brazil: 34%)	16,972	(7,442)
Expenditure not allowable for tax purposes	(1,868)	(1,488)
Temporary differences not recognised	(84)	(119)
Current year losses for which no deferred tax asset was recognised	(2,074)	(2,580)
Application of tax incentives	(7,467)	2,588
Utilisation of carry forward losses	-	2,144
Adjustment for prior period	1,420	(1,543)
<b>Income tax (expense)/benefit</b>	<b>6,899</b>	<b>(8,440)</b>

#### SUDAM

While current tax expense is calculated at the Brazilian corporate tax rate of 34%, any tax liabilities are determined after the application of the Group's tax incentive program ("SUDAM"), which reduces the Group's effective tax rate to 15.25%.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Deferred income tax

#### Recognised deferred tax balances

	Dec 2015 \$'000	Dec 2014 \$'000
<b>Recognised tax assets/(liabilities)</b>		
Property, plant and equipment	(1,797)	(580)
Mineral properties	(214)	117
Trade and other receivables	3,431	3,483
Trade, other payables and employee benefits	1,420	1,764
Inventories	754	754
Borrowings	86	2,790
Provisions	1,354	952
Tax effect losses	15,074	11,040
<b>Net deferred tax assets</b>	<b>20,108</b>	<b>20,320</b>

	Dec 2015 \$'000	Dec 2014 \$'000
<b>Recognised deferred tax assets</b>		
Opening balance	20,320	18,373
Recognised in profit or loss	5,479	(2,027)
Recognised in other comprehensive income	-	5,016
Effect of movement in exchange rates	(5,691)	(1,042)
<b>Balance at the end of the period</b>	<b>20,108</b>	<b>20,320</b>

The Group's recognised net deferred tax assets relate wholly to its Brazilian operations.

#### Unrecognised deferred tax balances

	Dec 2015 \$'000	Dec 2014 \$'000
<b>Unrecognised deferred tax assets</b>		
Deductible/(assessable) temporary differences	(230)	(1,153)
Tax effect carry forward losses (Australia)	18,437	20,292
Tax effect carry forward losses (Brazil)	983	937
<b>Balance at the end of the period</b>	<b>19,190</b>	<b>20,076</b>

## 11. INVENTORIES

	Dec 2015 \$'000	Dec 2014 \$'000
Spare parts, raw materials and consumables - at cost	22,209	29,283
Ore stockpiles - at cost	30,160	28,002
Gold in circuit - at cost	3,091	3,212
Gold bullion - at cost	2,074	833
<b>Balance at the end of the period</b>	<b>57,534</b>	<b>61,330</b>

### Impairment losses

The Group has recognised impairment losses in respect of its consumable inventories. Please refer to Note 9 for further details.

## 12. PROPERTY, PLANT AND EQUIPMENT

31 December 2015	Buildings and infrastructure \$'000	Plant & equipment \$'000	Fixtures & fittings \$'000	Total \$'000
<b>Cost</b>				
Opening balance	13,465	173,061	588	187,114
Additions	6,884	27,435	357	34,676
Disposals	-	(4,478)	-	(4,478)
Effect of movements in exchange rates	(4,889)	(47,099)	(227)	(52,215)
<b>Balance at 31 December 2015</b>	<b>15,460</b>	<b>148,919</b>	<b>718</b>	<b>165,097</b>
<b>Depreciation and impairment</b>				
Opening balance	67	(23,729)	(50)	(23,712)
Depreciation expensed	(1,814)	(31,436)	(139)	(33,389)
Impairment loss	-	(5,587)	-	(5,587)
Disposals	-	3,897	-	3,897
Effect of movements in exchange rates	483	15,732	52	16,267
<b>Balance at 31 December 2015</b>	<b>(1,264)</b>	<b>(41,123)</b>	<b>(137)</b>	<b>(42,524)</b>
<b>Carrying amount</b>				
Opening balance	13,532	149,332	538	163,402
<b>Balance at 31 December 2015</b>	<b>14,196</b>	<b>107,796</b>	<b>581</b>	<b>122,573</b>

### Impairment losses

The Group has recognised impairment losses in respect of its property, plant and equipment. Please refer to Note 9 for further details.

31 December 2014	Buildings and infrastructure \$'000	Plant & equipment \$'000	Fixtures & fittings \$'000	Total \$'000
<b>Cost</b>				
Opening balance	348	222,212	248	222,808
Additions	13,558	14,306	415	28,279
Disposals	-	(52,470)	-	(52,470)
Effect of movements in exchange rates	(441)	(10,987)	(75)	(11,503)
<b>Balance at 31 December 2014</b>	<b>13,465</b>	<b>173,061</b>	<b>588</b>	<b>187,114</b>
<b>Depreciation and impairment</b>				
Opening balance	(58)	(15,653)	(31)	(15,742)
Depreciation expensed	(302)	(24,371)	(76)	(24,749)
Impairment loss	-	-	-	-
Disposals	-	14,218	-	14,218
Effect of movements in exchange rates	427	2,077	57	2,561
<b>Balance at 31 December 2014</b>	<b>67</b>	<b>(23,729)</b>	<b>(50)</b>	<b>(23,712)</b>
<b>Carrying amount</b>				
Opening balance	290	206,559	217	207,066
<b>Balance at 31 December 2014</b>	<b>13,532</b>	<b>149,332</b>	<b>538</b>	<b>163,402</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. MINERAL PROPERTIES

	Dec 2015 \$'000	Dec 2014 \$'000
<b>Cost</b>		
Opening balance	17,995	19,135
Additions	7,463	1,409
Amortisation of mineral properties	(2,486)	(1,882)
Reduction in rehabilitation provision	(672)	-
Effect of movements in exchange rates	(4,566)	(667)
<b>Balance at the end of the period</b>	<b>17,734</b>	<b>17,995</b>

### 14. TRADE AND OTHER RECEIVABLES

	Dec 2015 \$'000	Dec 2014 \$'000
Other receivables	1,186	33,656
VAT taxes	15,671	12,764
<b>Balance at the end of the period</b>	<b>16,857</b>	<b>46,420</b>
Current	16,791	29,394
Non current	66	17,026
<b>Balance at the end of the period</b>	<b>16,857</b>	<b>46,420</b>

#### VAT taxes

The Group's recoverable VAT taxes are represented by Pis-Cofins, which are a Brazilian federal VAT levied on some of the Groups purchases. Recoverability of Pis-Cofins assets is dependent upon the Group generating a federal company tax liability, which may be offset against the Group's Pis-Cofins assets if the Group elects to do so.

#### Impairment losses

The Group has recognised impairment losses in respect of its other and VAT receivables. Please refer to Note 9 for further details.

### 15. GOLD BULLION AWAITING SETTLEMENT

At balance date, gold bullion awaiting settlement was \$5,058,000 (2014: \$19,729,000) and comprised 3,360 ounces at a weighted average realisable value of \$1,505.23 per ounce.

### 16. CASH AND CASH EQUIVALENTS

	Dec 2015 \$'000	Dec 2014 \$'000
Bank balances	9,721	13,398
Cash and cash equivalents in the statement of cash flows	9,721	13,398

### 17. RESTRICTED CASH

	Dec 2015 \$'000	Dec 2014 \$'000
Restricted cash and deposits held as security	5,059	38,579
Current	5,059	28,241
Non current	-	10,338
Balance at the end of the period	5,059	38,579

At balance date, \$4.8 million (2014: \$19.9 million) is deposited in an account under joint control of MACA and the Group as required under the terms of the MACA Facility. Refer to Note 18 for further information.

## 18. BORROWINGS

	Dec 2015 \$'000	Dec 2014 \$'000
Unsecured loans	17,918	75,164
Secured loans	65,640	43,074
<b>Balance at the end of the period</b>	<b>83,558</b>	<b>118,238</b>
Current	49,497	97,278
Non current	34,061	20,960
<b>Balance at the end of the period</b>	<b>83,558</b>	<b>118,238</b>

### Santander – Itaú Facility

In January 2015, the Group's US\$60 million twelve month Facility with Banco Santander S.A. ("Santander") was syndicated with Itaú BBA International PLC ("Itaú") and restructured into a three year secured finance facility, repayable in 12 equal quarterly instalments. Repayments commenced on 15 April 2015. Interest payments are also payable quarterly and are calculated by applying USD LIBOR plus a 3% per annum margin to the outstanding balance. The facility is secured by a charge over the Tucano mining concession.

The balance of the Santander – Itaú Facility as at 31 December 2015 is \$61.3 million (US\$45 million).

During the period, the Group breached its Adjusted Net Debt to EBITDA ratio, a ratio that applies to the Group's intercompany loan repayments. The Group has obtained a waiver in respect of this breach as at 31 December 2015.

### MACA Facility

The MACA Facility balance as at 31 December 2015 is \$12.4 million and is repayable in instalments ending in June 2017. The MACA Facility is non-interest bearing and is secured by \$4.8 million in cash that the Group has disclosed as restricted cash in this Financial Report.

#### Set-Off

The Group has established a Deed of Set-Off (the "Deed") with MACA Limited and its subsidiaries ("MACA"). The Deed gives each party a right to set-off amounts payable to other parties with receivables from other parties to the Deed.

Through operation of the Deed, the Group has a right to set-off an amount receivable of \$8.0 million from MACA with an amount payable to MACA under the terms of the MACA Facility. For the purposes of this Financial Report, the Group has set-off the amount receivable from MACA with an amount payable to MACA under the terms of the MACA Facility and accordingly, a net balance payable to MACA in relation to the MACA Facility of \$4.4 million has been disclosed as at 31 December 2015.

### Unsecured facilities

The Group's unsecured facilities comprise a non-interest bearing \$9.7 million loan payable to MACA and a US\$6 million facility with Banco do Brasil. The Banco do Brasil facility is interest bearing at a rate of 3.6% per annum and is repayable in June 2016.

### Macquarie Master Lease Agreement

In January 2015, the Group entered into a Mater Lease Transfer Deed, transferring all future rights and releasing all future obligations and liabilities applicable to the Group under the Master Lease Agreement. As the Lease Facility has been novated to MACA, it no longer forms part of the Group's borrowings and the Group has derecognised all borrowings related to the Master Lease Agreement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19. EARNINGS PER SHARE

#### Basic earnings per share

The basic loss per share for the period is \$0.06 (2014 earnings per share: \$0.02). The calculation of earnings per share at 31 December 2015 was based on the consolidated loss attributable to ordinary shareholders of \$44,345,000 (2014 earnings: \$13,533,000) and a weighted average number of ordinary shares outstanding of 798,657,280 (2014: 794,904,951) calculated as follows:

#### Earnings attributable to ordinary shareholders (basic)

	Dec 2015 \$'000	Dec 2014 \$'000
(Loss)/Profit for the period	(44,345)	13,533
(Loss)/Profit attributable to ordinary shareholders	(44,345)	13,533

#### Weighted average number of ordinary shares (basic)

	Dec 2015 shares	Dec 2014 shares
<b>Weighted average effects</b>		
Opening balance	798,657,280	790,727,280
Effect of shares issued	-	4,177,671
Weighted average number of ordinary shares at the end of the period	798,657,280	794,904,951

#### Diluted earnings per share

The diluted loss per share for the period is \$0.06 (2014 earnings per share: \$0.02). The calculation of diluted earnings per share at 31 December 2015 was based on diluted consolidated loss attributable to ordinary shareholders of \$44,345,000 (2014 earnings: \$13,562,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of dilutive potential ordinary shares of 798,657,280 (2014: 801,820,166) calculated as follows:

#### Earnings attributable to ordinary shareholders (diluted)

	Dec 2015 \$'000	Dec 2014 \$'000
(Loss)/Profit for the period	(44,345)	13,533
Interest income	-	29
(Loss)/Profit attributable to ordinary shareholders (diluted)	(44,345)	13,562

#### Weighted average number of ordinary shares (diluted)

	Dec 2015 shares	Dec 2014 shares
<b>Weighted average effects</b>		
Weighted average number of ordinary shares (basic)	798,657,280	794,904,951
Effect of share options on issue	-	6,915,215
Weighted average number of ordinary shares at the end of the period (diluted)	798,657,280	801,820,166

As at 31 December 2015, 2,200,228 performance rights (2014: 1,379,518) and 12,175,000 share options (2014: nil) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the dilutive potential shares were outstanding.

## 20. EMPLOYEE BENEFITS

	Dec 2015 \$'000	Dec 2014 \$'000
Salaries, wages and benefits accrued	1,419	3,897
Leave liabilities	1,535	1,841
<b>Total employee benefits</b>	<b>2,954</b>	<b>5,738</b>
Current	2,774	5,542
Non current	180	196
<b>Total employee benefits</b>	<b>2,954</b>	<b>5,738</b>

## 21. SHARE-BASED PAYMENTS

### Employee Share Option Plan

In 2007, the Group established a share option plan that entitles employees to purchase shares in the Company. The objective of the plan is to assist in the recruitment, reward, retention and motivation of eligible persons in the Group. Under the plan, the Board and Remuneration, Nomination and Diversity Committee may issue eligible employees with options to acquire shares in the future at an exercise price fixed by the Board or Remuneration, Nomination and Diversity Committee on grant of options.

The vesting of all options is subject to service conditions being met whereby the recipient must meet the eligible employee criteria as defined in the plan.

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share based payment options during the period:

	Dec 2015		Dec 2014	
	options	WAEP	options	WAEP
Opening balance	4,400,000	\$0.82	15,130,000	\$0.49
Options granted during the period	20,250,000	\$0.23	-	\$0.00
Options exercised during the period	-	\$0.00	(7,930,000)	\$0.19
Options forfeited during the period	(2,600,000)	\$0.94	(2,800,000)	\$0.80
<b>Options outstanding at the end of the period</b>	<b>22,050,000</b>	<b>\$0.26</b>	<b>4,400,000</b>	<b>\$0.82</b>
<b>Options exercisable at the end of the period</b>	<b>11,925,000</b>	<b>\$0.27</b>	<b>4,150,000</b>	<b>\$0.82</b>

The following table illustrates the exercise of Employee Share Option Plan options granted as share based payment options during the period:

Number of options exercised	Date exercised	Exercise price per option	Closing share price on date of exercise
<b>Period ending 31 December 2015</b>	Nil	Nil	Nil
<b>Period ending 31 December 2014</b>			
50,000	12-Feb-14	0.6500	0.81
300,000	28-May-14	0.1875	0.64
480,000	30-May-14	0.1875	0.66
100,000	3-Jun-14	0.1875	0.63
400,000	6-Jun-14	0.1875	0.64
150,000	16-Jun-14	0.1875	0.61
500,000	20-Jun-14	0.1875	0.64
5,950,000	27-Jun-14	0.1875	0.61

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The outstanding balance of Employee Share Option Plan options as at 31 December 2015 is represented by:

Number of options	Grant date	Vesting	Expiring	Strike price per option	Contractual life (years)	Fair value per option
<b>Key Management Personnel</b>						
1,500,000	12-Jun-12	Vested	30-Jun-17	\$0.65	5.05	\$0.34
6,000,000	18-Nov-15	Vested	31-Dec-18	\$0.20	3.12	\$0.06
6,000,000	18-Nov-15	Vesting 31 December 2016	31-Dec-19	\$0.25	4.12	\$0.06
<b>Other employees</b>						
300,000	10-Jul-12	Vested	30-Jun-17	\$0.65	4.98	\$0.32
3,750,000	18-Nov-15	Vested	31-Dec-18	\$0.20	3.12	\$0.06
3,750,000	18-Nov-15	Vesting 31 December 2016	31-Dec-19	\$0.25	4.12	\$0.06
375,000	3-Dec-15	Vested	31-Dec-18	\$0.20	3.08	\$0.05
375,000	3-Dec-15	Vesting 31 December 2016	31-Dec-19	\$0.25	4.08	\$0.05

Vesting conditions for unvested Employee Share Option Plan options as at 31 December 2015 is represented below:

Number of options	Grant date	Vesting conditions of unvested options
6,000,000	18-Nov-15	Key Management Person must be in the Group's employment as at 31 December 2016
3,750,000	18-Nov-15	Employees must be in the Group's employment as at 31 December 2016
375,000	3-Dec-15	Employees must be in the Group's employment as at 31 December 2016

The grant date fair value of Employee Share Option Plan options was measured using the Black-Scholes formula. The inputs used to determine the fair value of options granted during the year were:

Period ended	Employee grant 18-Nov-15	Employee KMP grant 18-Nov-15	Employee grant 18-Nov-15	Employee KMP grant 18-Nov-15	Employee grant 3-Dec-15	Employee grant 3-Dec-15
<b>31 December 2015</b>						
Fair value at grant date	\$0.06	\$0.06	\$0.06	\$0.06	\$0.05	\$0.05
Expected dividends	0%	0%	0%	0%	0%	0%
Contractual life (years)	4.12	4.12	3.12	3.12	3.08	4.08
Market value of underlying shares	\$0.15	\$0.15	\$0.15	\$0.15	\$0.13	\$0.13
Option exercise price	\$0.25	\$0.25	\$0.20	\$0.20	\$0.20	\$0.25
Expected volatility of the underlying shares	68.81%	68.81%	73.79%	73.79%	74.55%	69.32%
Risk free rate applied	2.20%	2.20%	2.11%	2.11%	2.12%	2.19%

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

### Employee share options forfeited during the period ended 31 December 2015

600,000 options were forfeited at an exercise price of \$0.85 as a result of failure to meet vesting conditions.

500,000 options exercisable at \$0.80, expiring 1 January 2015; 550,000 options exercisable at \$0.85, expiring 1 January 2015; 100,000 options exercisable at \$0.85, expiring 29 April 2015 and 850,000 options exercisable at \$1.15, expiring 14 June 2015 were not exercised and expired in accordance with their terms.

**Recognised as employee costs – Employee Share Option Plan**

	<b>Dec 2015</b>	<b>Dec 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	11,110	10,700
Share options granted – equity settled	1,269	410
Share options forfeited – equity settled	(246)	-
<b>Share based payments reserve</b>	<b>12,133</b>	<b>11,110</b>

The table above includes a provisional expense in accordance with accounting standards for the issue of options to Key Management Personnel (“KMP”) from the date of issue (being the earlier of the Board resolution or Notice of Extraordinary General Meeting). These options were all subsequently granted at the General Meeting on 21 January 2016.

**Performance Rights Plan**

The Group has an established Performance Rights Plan (“PRP”) under which Performance Rights may be offered to KMP and employees. Under the PRP, the Board may grant eligible employees with Performance Rights to acquire shares for nil consideration, subject to meeting performance hurdles specified by the Board.

Upon vesting conditions being met, the Performance Rights converted to shares issued under the PRP will rank equally with all other issued shares.

The following table illustrates the number and movements in Performance Rights during the period:

	<b>Dec 2015</b>	<b>Dec 2014</b>
	<b>rights</b>	<b>rights</b>
Opening balance	1,379,518	-
Performance Rights granted during the period	3,664,238	1,379,518
Performance Rights forfeited during the period	(2,843,528)	-
<b>Performance Rights outstanding at the end of the period</b>	<b>2,200,228</b>	<b>1,379,518</b>

**Performance Rights granted during the period**

3,664,238 Performance Rights were granted to KMP on 20 May 2015 in accordance with the Group’s PRP approved by shareholders at the 2015 AGM. The plan allows each Performance Right vesting to be converted to one fully paid ordinary share in the Company for nil cash consideration. In order for any of the Performance Rights to vest, the Group’s Total Shareholder Return (“TSR”) must be positive and at or above the 50th percentile of a comparator group of companies TSR’s over a performance period from 1 January 2015 to 31 December 2017. Following assessment of the Group’s TSR against the comparator group on 31 December 2017 (“Test Date”), the awarded Performance Rights, if any, will vest on the Test Date. TSR measures the growth for a financial year in the price of shares plus cash distributions notionally reinvested in shares.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The grant date fair value of the 2015 PRP was measured using the Monte Carlo pricing model. The following tables list the weighted average inputs to the models used for the two Performance Rights Plans to determine the fair value for rights granted for the years ended 31 December 2015 and 2014, respectively:

	<b>Performance Rights Plan</b>
<b>2015</b>	
Contractual life (years)	2.62
Market value of underlying shares on date of issue	\$0.24
Performance period (years)	3.00
Expected volatility of the underlying shares	76.40%
Risk free rate applied	2.10%
Fair value per right at grant date	\$0.17
<b>2014</b>	
Contractual life (years)	2.61
Market value of underlying shares on date of issue	\$0.67
Performance period (years)	3.00
Expected volatility of the underlying shares	56.70%
Risk free rate applied	2.69%
Fair value per right at grant date	\$0.44

### Performance Rights forfeited during the period ended 31 December 2015

777,734 Performance Rights, vesting 31 December 2016 and 2,065,794 Performance Rights, vesting 31 December 2017 were forfeited as a result of failure to meet vesting conditions.

### Recognised as employee costs – Performance Rights Plan

	<b>Dec 2015</b>	<b>Dec 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	707	147
Performance rights granted	382	560
Performance rights forfeited	(318)	-
<b>Performance rights reserve</b>	<b>771</b>	<b>707</b>

### Other share based payments

The Company may issue options to other parties that are not employees of the Group. These options are not issued under the Employee Share Option Plan and are either approved for issue by shareholders or issued without shareholder approval under ASX listing rule 7.1.

On 20 September 2013, 250,000 Incentive Options were granted to a key contractor under ASX listing rule 7.1. The options vest on 20 September 2014 and expire 20 September 2018. The grant date fair value of the Incentive Options was measured using the Black-Scholes option pricing model. The inputs to the model used to determine the fair value of options granted during the period were:

Fair value at grant date	0.19
Expected dividends	0%
Contractual life (years)	5.00
Market value of underlying shares	\$0.85
Option exercise price	\$0.93
Expected volatility of the underlying shares	62.29%
Risk free rate applied	2.47%

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

The following table illustrates the number and movements in other share based payment options during the period:

	Dec 2015 options	Dec 2014 options
Opening balance	250,000	250,000
Options granted during the period	-	-
Options exercised during the period	-	-
<b>Share based payments recognised</b>	<b>250,000</b>	<b>250,000</b>

The following table illustrates the value of other share based payments recognised:

	Dec 2015 \$'000	Dec 2014 \$'000
Opening balance	1,123	1,089
Share options granted - equity settled	-	34
<b>Share based payments recognised</b>	<b>1,123</b>	<b>1,123</b>

## 22. TRADE AND OTHER PAYABLES

	Dec 2015 \$'000	Dec 2014 \$'000
Trade and other payables	38,189	31,628
<b>Balance at the end of the period</b>	<b>38,189</b>	<b>31,628</b>
Current	38,189	31,628
Non current	-	-
<b>Balance at the end of the period</b>	<b>38,189</b>	<b>31,628</b>

## 23. OPERATING LEASES

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Dec 2015 \$'000	Dec 2014 \$'000
Less than a year	1,905	2,311
Between one and five years	135	20
<b>Operating lease rentals payable</b>	<b>2,040</b>	<b>2,331</b>

The Group leases property and equipment in Australia and Brazil under operating leases. Leases run for a period of up to three years.

The Group has established a one year extension on a drilling services agreement whereby the Group is required to drill a minimum of 50,000 meters per year (expiry 29 October 2016). Drilling service rates vary dependent on the drilling activity performed. The expected drilling commitment is approximately \$1,590,000 (2014: \$2,500,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24. CAPITAL AND RESERVES

<b>Ordinary share capital</b>	<b>Dec 2015 '000 shares</b>	<b>Dec 2014 '000 shares</b>	<b>Dec 2015 \$'000</b>	<b>Dec 2014 \$'000</b>
On issue at the beginning of the period	798,657	790,727	206,585	205,087
Exercise of share options	-	7,930	-	1,498
On issue at the end of the period	798,657	798,657	206,585	206,585

#### Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares are fully paid and rank equally with regard to the Company's residual assets.

#### Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of foreign operations.

#### Share based payments reserve

The share based payments reserve includes the cumulative expense recognised in respect of share options and performance rights granted. Please refer to Note 21 for further information regarding share based payments.

#### Taxation reserve

The Group has established a taxation reserve. The reserve is used to accumulate taxation savings received by the Group as a result of a lower taxation rate being applied in Brazil through its eligibility for a tax incentive program ("SUDAM"). SUDAM reduces the Group's effective tax rate from approximately 34% to approximately 15%. The rules of the incentive program require the Group to accumulate incentives received through tax savings in a taxation reserve.

### 25. PROVISIONS

	<b>Dec 2015 \$'000</b>	<b>Dec 2014 \$'000</b>
Balance at beginning of the period	8,979	7,807
Unwind of discount on site restoration costs	223	-
Provisions made during the period	2,152	3,800
Provisions reversed during the period	(290)	(2,261)
Effect of movements in exchange rates	(2,183)	(367)
<b>Balance at end of the period</b>	<b>8,881</b>	<b>8,979</b>
Current	2,751	2,738
Non Current	6,130	6,241
<b>Balance at the end of the period</b>	<b>8,881</b>	<b>8,979</b>

The Group's provisions principally comprise provisions for site restoration of \$6,130,000 (2014: \$6,168,000) and community fund contributions of \$1,795,000 (2014: \$2,258,000).

#### Site restoration

The provision includes estimates of costs associated with reclamation, rehabilitation and other costs associated with the restoration of the present mine site. Estimates of restoration costs are based on current legal requirements and future costs that have been discounted to their present value at a discount rate of 16.47% (2014: 11.65%).

#### Community Fund

The provision for the Community Fund relates to amounts payable under an Agreement with the Municipality of Pedra Branca and the Municipality of Serra do Navio in whose region the Group's Brazilian Tucano Gold Project resides. The agreement requires the Group make annual payments to the municipalities calculated as one percent of the Gross Revenue (as defined by the Agreement) of the Tucano Gold Mine.

## 26. CAPITAL AND OTHER COMMITMENTS

These obligations at balance date have not been provided for and are as set out in the table below.

<b>Not yet provided for</b>	<b>Dec 2015</b>	<b>Dec 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Minimum exploration expenditure commitments</b>		
Within one year	240	791
<b>Balance at end of the period</b>	<b>240</b>	<b>791</b>

### Minimum exploration expenditure requirements

In order to maintain current rights of tenure to exploration tenements, the Group is required to meet minimum expenditure requirements specified by various State governments. These commitments are subject to renewal of exploration permits, renegotiation upon expiry of the exploration permit or when an application for a mining permit is made.

## 27. CONTINGENCIES

As at 31 December 2015, the Group did not have any material contingent assets or liabilities.

## 28. RELATED PARTIES

### Key management personnel compensation

The key management personnel compensation is as set out below.

	<b>Dec 2015</b>	<b>Dec 2014</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	2,989,282	2,748,365
Post-employment benefits	221,297	234,477
Termination benefits	258,823	-
Share based payments	1,166,296	794,553
Key management personnel compensation	4,635,698	3,777,395

### Individual directors and executives compensation disclosures

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report in Section 16.

### Key management personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial and/or operating policies of those entities.

The value of transactions and balances outstanding relating to key management personnel and entities over which they control or have significant influence are as follows:

<b>Key management person</b>	<b>Transaction with related party</b>	<b>Transactions value 2015</b>	<b>Balance outstanding 31 December 2015</b>	<b>Transactions value 2014</b>	<b>Balance outstanding 31 December 2014</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Mr Readhead	Legal services	5,984	-	42,645	7,208
Total and current liabilities		5,984	-	42,645	7,208

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29. GROUP ENTITIES

Ultimate parent and subsidiaries	Country of incorporation	Interest 2015	Interest 2014
<b>Parent entity</b>			
Beadell Resources Ltd	Australia		
<b>Subsidiaries</b>			
Beadell Resources (Holdings) Ltd	British Virgin Islands	100%	100%
Beadell Resources Mineracao (Holdings) Ltd	British Virgin Islands	100%	100%
Beadell Resources Mineração Ltd	Brazil	100%	100%
Beadell (Brazil) Pty Ltd	Australia	100%	100%
Beadell (Brazil 2) Pty Ltd	Australia	100%	100%
Beadell Brasil Ltda	Brazil	100%	100%

### 30. SUBSEQUENT EVENTS

#### Capital raising

On 22 February 2016, the Company announced it has received commitments to raise \$50 million through the placement of 256.4 million fully paid ordinary shares ("Shares") to domestic and international institutional and sophisticated investors ("Placement").

The Placement is being completed in two tranches:

- Tranche 1 – the Placement of up to 119.8 million Shares, at an issue price of \$0.195 per Share, which is not subject to shareholder approval and will fall within the Company's placement capacity under ASX Listing Rule 7.1. Settlement is expected to take place 1 March 2016; and
- Tranche 2 – the Placement of up to 136.6 million Shares, at an issue price of \$0.195 per Share, which will be issued subject to shareholder approval at a meeting of shareholders scheduled to take place on or around 24 March 2016. Settlement is currently scheduled to take place on 1 April 2016 (conditional upon shareholder approval).

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

### 31. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418, the wholly owned Beadell (Brazil) Pty Ltd and Beadell (Brazil 2) Pty Ltd are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports and Directors' reports. It is a condition of the class order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company Guarantees to each creditor payment in full in the event of a winding up. The subsidiaries have also given similar guarantees in the event the Company is wound up.

A consolidated statement of comprehensive income and a consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between the parties are as set out below.

	Dec 2015 \$'000	Dec 2014 \$'000
<b>Statement of comprehensive income</b>		
Other income	61	514
Administrative expenses	(7,843)	(9,245)
Project exploration and evaluation expenses	(204)	(731)
Impairment losses	(21,927)	-
Depreciation, amortisation and depletion	(3,195)	(1,418)
<b>Results from operating activities</b>	<b>(33,108)</b>	<b>(10,880)</b>
Finance income	3,828	11,768
Finance expense	(5)	(9)
<b>Net finance income/(expense)</b>	<b>3,823</b>	<b>11,759</b>
<b>(Loss)/Profit for the period before income tax</b>	<b>(29,285)</b>	<b>879</b>
Income tax recovery	-	-
<b>(Loss)/Profit for the period after income tax</b>	<b>(29,285)</b>	<b>879</b>
<b>Other comprehensive (loss)/profit</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive (loss)/profit for the period net of tax</b>	<b>(29,285)</b>	<b>879</b>
<b>Total comprehensive (loss)/profit for the period</b>	<b>(29,285)</b>	<b>879</b>
<b>Statement of financial position</b>		
<b>Assets</b>		
Cash and cash equivalents	190	3,497
Restricted cash	4,888	9,557
Prepayments	380	346
Trade and other receivables	36	138
<b>Total current assets</b>	<b>5,494</b>	<b>13,538</b>
Restricted cash	-	10,338
Exploration and evaluation assets	269	577
Property, plant and equipment	116	62
Investments	138,535	159,042
<b>Total non-current assets</b>	<b>138,920</b>	<b>170,019</b>
<b>Total assets</b>	<b>144,414</b>	<b>183,557</b>
<b>Liabilities</b>		
Trade and other payables	798	1,179
Employee benefits	371	498
Borrowings	21,807	14,162
<b>Total current liabilities</b>	<b>22,976</b>	<b>15,839</b>
Employee benefits	180	196
Borrowings	259	10,338
<b>Total non-current liabilities</b>	<b>439</b>	<b>10,534</b>
<b>Total liabilities</b>	<b>23,415</b>	<b>26,373</b>
<b>Net assets</b>	<b>120,999</b>	<b>157,184</b>
<b>Equity</b>		
Share capital	206,585	206,585
Reserves	14,029	12,942
Accumulated losses	(99,615)	(62,343)
<b>Total equity</b>	<b>120,999</b>	<b>157,184</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. AUDITORS' REMUNERATION

	Dec 2015 \$	Dec 2014 \$
<b>Audit services</b>		
KPMG Australia		
Audit and review of financial reports	195,000	165,000
Overseas KPMG firms		
Audit and review of financial reports	83,102	100,631
<b>Audit services</b>	<b>278,102</b>	<b>265,631</b>

### 33. PARENT ENTITY

As at and during the period ending 31 December 2015 the parent company of the Group was Beadell Resources Ltd.

	Dec 2015 \$'000	Dec 2014 \$'000
<b>Result</b>		
(Loss)/Profit for the period	(24,001)	(10,526)
Other comprehensive income	-	-
<b>Total comprehensive (loss)/income</b>	<b>(24,001)</b>	<b>(10,526)</b>
<b>Financial position</b>		
Current assets	5,494	13,538
Total assets	144,413	178,215
Current liabilities	22,975	15,782
Total liabilities	23,414	26,316
<b>Net assets</b>	<b>120,999</b>	<b>151,899</b>
<b>Equity</b>		
Share capital	206,585	206,585
Reserves	14,029	12,942
Accumulated losses	(99,615)	(67,628)
<b>Total equity</b>	<b>120,999</b>	<b>151,899</b>

#### Parent entity contingencies

The parent entity has entered into a Deed of Cross Guarantee with two of its wholly owned subsidiaries. The effect of the Deed of Cross Guarantee is that the Company guarantees debts in respect of these subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Note 31.

## DIRECTORS' DECLARATION

1. In the opinion of the directors of Beadell Resources Limited (the Company):
  - a. the consolidated financial statements and notes 1 to 33 that are contained within and the Remuneration report in the Directors' report, set out in Section 16, are in accordance with the *Corporations Act 2001*, including:
    - i. giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the financial 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.
2. There are reasonable grounds to believe that the Company and the group entities identified in Note 29 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the period ended 31 December 2015.
4. The Directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



**SIMON JACKSON**  
CEO & Managing Director

Dated at Perth, this 29th day of February 2016

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## INDEPENDENT AUDITOR'S REPORT



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

#### Report on the financial report

We have audited the accompanying financial report of Beadell Resources Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2015, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 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 year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

## INDEPENDENT AUDITOR'S REPORT



### *Auditor's opinion*

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

### **Report on the remuneration report**

We have audited the Remuneration Report included in section 16 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Beadell Resources Limited for the year ended 31 December 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Rt SM

Brent Steedman  
*Partner*

Perth  
29 February 2016

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## 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 audit for the financial year ended 31 December 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Rt SM

Brent Steedman  
*Partner*

Perth

29 February 2016

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## ADDITIONAL SHAREHOLDER INFORMATION

AS AT 31 MARCH 2016

## a. Substantial Shareholders lodged with the Company:

<b>Name of Ordinary Shareholder</b>	<b>Number of Shares Held</b>	<b>% of Shares Held</b>
Van Eck Global	72,137,809	7.85%
Paradice Investment Management Pty Ltd	46,355,608	5.05%

## b. Listing of 20 Largest Shareholders

<b>Rank</b>	<b>Name of Ordinary Shareholder</b>	<b>Number of Shares Held</b>	<b>% of Shares Held</b>
1	J P Morgan Nominees Australia Limited	132,152,326	14.39
2	HSBC Custody Nominees (Australia) Limited	127,377,844	13.87
3	National Nominees Limited	111,977,438	12.19
4	Citicorp Nominees Pty Limited	57,137,932	6.22
5	Lujeta Pty Ltd <Margaret A/C>	21,774,155	2.37
6	Denman Income Limited	16,600,000	1.81
7	HSBC Custody Nominees (Australia) Limited-GSCO ECA	12,727,973	1.39
8	Hookipa Pty Ltd <G Barrett Family A/C>	12,191,651	1.33
9	ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	10,165,370	1.11
10	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	9,989,957	1.09
11	BNP Paribas Noms Pty Ltd <DRP>	7,394,519	0.81
12	Sandhurst Trustees Ltd <Endeavor Asset Mgmt Mda A/C>	6,450,378	0.70
13	National Nominees Limited <DB A/C>	6,343,181	0.69
14	UBS Nominees Pty Limited	6,297,959	0.69
15	MR Robert Holmes Watkins	6,150,001	0.67
16	HSBC Custody Nominees (Australia) Limited - A/C 3	5,836,847	0.64
17	MR Timothy Bryce Kleemann	4,295,720	0.47
18	CS Fourth Nominees Pty Limited <Hsbc Cust Nom AU Ltd 11 A/C>	4,188,035	0.46
19	Silverjack Pty Ltd	4,000,000	0.44
20	Farjoy Pty Ltd	3,656,311	0.40

## c. Distribution of Shareholders

<b>Range</b>	<b>Total holders</b>	<b>Units</b>	<b>% Issued Capital</b>
1 - 1,000	631	260,218	0.03
1,001 - 5,000	1,420	4,406,303	0.48
5,001 - 10,000	1,147	9,420,569	1.03
10,001 - 100,000	3,063	114,988,800	12.52
100,001 - 9,999,999,999	666	789,379,982	85.95
<b>Total</b>	<b>6,927</b>	<b>918,455,872</b>	<b>100.00</b>

## d. Number of Shareholders Holding Less than a Marketable Parcel is 866.

## e. Voting Rights



## ADDITIONAL SHAREHOLDER INFORMATION

AS AT 31 MARCH 2016

i. Ordinary Shares

On a show of hands every shareholder present in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

ii. Options

The Company's options have no voting rights.

f. Stock Exchange Listing

Beadell Resources Limited shares are listed on the Australian Stock Exchange. The Company's ASX code is BDR.

g. Unlisted Share Options

Number of Options	Exercise Price	Expiry Date	Number of Holders
1,800,000	\$0.65	30 June 2017	3
250,000	\$0.93	20 September 2018	1
21,250,000	\$0.20	31 December 2018	19
21,250,000	\$0.25	31 December 2019	19

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**Registered and Corporate Office**

2nd Floor, 16 Ord Street  
West Perth WA 6005

Telephone: +61 8 9429 0800  
Facsimile: +61 8 9481 3176

[beadellresources.com.au](http://beadellresources.com.au)