

## SEPTEMBER QUARTERLY REPORT – TUCANO TURNAROUND CONTINUES TO DELIVER

Beadell Resources Limited (**Beadell** or **Company**) is pleased to advise that the foundation for the Tucano turnaround remains on track, with a marked improvement in quantity of material moved under the new mining contractor U&M Mineração e Construção S/A (U&M). U&M's lower cost structure and increased productivity, combined with a reduced human resources burden for Beadell, has considerably improved unit mining costs. The Tucano plant feed is now predominantly mined ore rather than the heap leach spent ore and/or low-grade stockpile that was previously required to supplement underperformance on actual versus planned material movement. This has led to a considerable increase in head grade to the plant. In addition, the Tucano Plant Upgrade is forecast for completion in November. This will expand the range of feed blends, thereby enabling the mine staff to develop ore delivery schedules driven more by gold grade than ore type.

### HIGHLIGHTS

#### OPERATIONS

- **Gold Sales and Production** – Gold sales and production for the September 2018 quarter were 27,637 ounces and 29,941 ounces respectively, an increase of 4% in gold recovered and a decrease of 2% in gold sold compared to the same quarter in 2017 and an increase of 27% in gold recovered and 14% of gold sold compared to the June 2018 quarter. For the nine months of 2018, gold sales totalled 84,050 ounces and gold recovered totalled 79,931 ounces.
- **Costs** – Cash costs for the September 2018 quarter were US\$899 per ounce. All-in Sustaining Costs (AISC)<sup>1</sup> for the September 2018 quarter were US\$962 per ounce representing a decrease of 24% compared to the same quarter in 2017 and a decrease of 26% compared to the June 2018 quarter.
- **Mobilisation of New Mining Contractor** – U&M mobilisation to site remains on schedule and the mining fleet and support equipment is 95% mobilised and commissioned. The entire fleet, with a run rate of 32 million tonnes per year, will be mobilised and commissioned in November. Material movement has continued to increase each month in line with the mobilisation schedule and average daily material mined has increased 76% from July 2018 to September 2018.
- Beadell maintains its revised CY2018 guidance of 125,000 to 135,000 ounces of gold with AISC between US\$1,000 to US\$1,100 per ounce (June Quarterly Report).

#### TUCANO PLANT UPGRADE PROJECT

- On 3 September, Beadell announced completion of the ball mill, approximately two weeks ahead of schedule as guided by new management in July 2018.
- Completion of the CIL tank and pre-leach thickener remain on track for early November. Completion of the oxygen plant has been deferred from early to mid-November due to compressor manufacturing and delivery delays.

#### CORPORATE

- **Great Panther Silver to Acquire Beadell Resources** – On 24 September 2018, Great Panther Silver Limited (TSX: GPR; NYSE American: GPL) (Great Panther) and Beadell announced they entered into a Scheme Implementation Deed whereby Great Panther will acquire all of the issued ordinary shares of Beadell by means of a Beadell scheme of arrangement (Scheme) under the Australian Corporations Act 2001. Under the terms of the Scheme, Beadell shareholders will receive 0.0619 common shares of Great Panther, representing a 69% premium to Beadell's volume-weighted average share price for the 20 trading days preceding the announcement. This transaction will create an emerging, growth-oriented precious metals producer with a strong balance sheet, robust growth profile, geographic diversity and attractive re-rating potential. The Scheme is expected to close in early 2019.

<sup>1</sup> AISC has been calculated in accordance with the World Gold Council's Guidance Note on Non-GAAP metrics released 27 June 2013.

- **Gold Sales** – Gold sales for the September 2018 quarter totalled 27,637 ounces at an average cash price received of US\$1,205 per ounce.
- **Cash and Bullion** – Cash and bullion as at 30 September 2018 was A\$13.8 million (as at 30 June 2018 was A\$25.6 million) (bullion valued at AUD/USD = 0.72 and US\$1,192 per ounce).
- **Capital Raising** – On 14 August 2018, the Company raised A\$11.8 million before costs, through a placement of 218,293,000 fully paid ordinary shares at an issue price of A\$0.054 per share, to international institutional and sophisticated investors for the following purposes: completion of the Tucano plant upgrade, working capital, general corporate purposes. In accordance with the MACA Termination Agreement 30% of net proceeds were paid towards the principal outstanding on the MACA Loan.
- **Debt Repayments**
  - MACA Limited: A\$3 million scheduled loan repayment and 30% of net proceeds of the Capital Raising of approximately A\$3.3 million (in accordance with the MACA Termination Agreement);
  - Santander – Itaú: US\$2.5 million scheduled loan repayment; and
  - Working Capital Facilities: US\$1.3 million repaid.

## EXPLORATION

- **Exploration Strategy Update** – On 18 September, Beadell announced its refocused exploration strategy led by the recently appointed Head of Exploration & Geology Aoife McGrath, which will be driven by systematic and disciplined capital allocation decisions aimed at reserve replacement, extending the life of mine (LOM), expanding near-term cash flow, and increasing the net present value (NPV) of Tucano.

## OPERATIONS

### TUCANO GOLD MINE (100%)

Production Summary	Unit	Sep 2018 Quarter	Jun 2018 Quarter	%	Sep 2017 Quarter	%	9M2018	9M2017	%
Total Waste Moved	t	3,996,079	4,229,751	-6%	5,609,819	-29%	14,092,049	11,836,363	19%
Marginal Ore Mined	t	1,392	13,908	-90%	3,489	-60%	25,503	18,161	40%
Gold Ore Mined	t	621,869	415,462	50%	596,743	4%	1,671,546	1,833,554	-9%
Gold Ore Mined Grade	g/t	1.51	1.23	23%	1.11	36%	1.35	1.03	30%
Total Material Mined	t	4,619,339	4,659,121	-1%	6,210,051	-26%	15,789,097	13,688,078	15%
Total Gold Ore Milled	t	864,455	887,630	-3%	964,609	-10%	2,631,992	2,723,095	-3%
Spent Gold Ore Milled	t	36,674	282,238	-87%	370,424	-90%	404,486	670,084	-40%
Spent Gold Ore Milled	%	4%	32%	-87%	38%	-89%	15%	25%	-38%
Plant Head Grade	g/t	1.26	0.95	33%	1.05	20%	1.08	1.05	3%
Plant Recovery	%	85.60%	87.00%	-2%	88.30%	-3%	87.50%	88.50%	-1%
<b>Total Gold Recovered</b>	<b>oz</b>	<b>29,941</b>	<b>23,604</b>	<b>27%</b>	<b>28,764</b>	<b>4%</b>	<b>79,931</b>	<b>81,025</b>	<b>-1%</b>
<b>Total Gold Sold</b>	<b>oz</b>	<b>27,637</b>	<b>24,248</b>	<b>14%</b>	<b>28,298</b>	<b>-2%</b>	<b>84,050</b>	<b>82,991</b>	<b>1%</b>

Cash Costs and All-In Sustaining Costs	Unit	Sep 2018 Quarter	Jun 2018 Quarter	%	Sep 2017 Quarter	%	9M2018	9M2017	%
On-Site Production Costs	US\$/oz	842	899	-6%	1,107	-24%	838	1,168	-28%
On-Site G&A Costs	US\$/oz	57	70	-19%	69	-17%	64	67	-4%
<b>Cash Costs</b>	<b>US\$/oz</b>	<b>899</b>	<b>969</b>	<b>-7%</b>	<b>1,176</b>	<b>-24%</b>	<b>902</b>	<b>1,235</b>	<b>-27%</b>
Royalties	US\$/oz	30	33	-9%	26	15%	32	25	28%
On-Site Corporate Costs	US\$/oz	24	43	-44%	25	-4%	36	31	16%
Exploration Costs (Sustaining)	US\$/oz	1	-		2	-50%	3	1	200%
Capitalised Stripping Costs (Sustaining)	US\$/oz	7	258	-97%	27	-74%	176	9	1856%
Capital Expenditure (Sustaining)	US\$/oz	1	3	-67%	8	-88%	4	12	-67%
<b>All-In Sustaining Costs*</b>	<b>US\$/oz</b>	<b>962</b>	<b>1,306</b>	<b>-26%</b>	<b>1,264</b>	<b>-24%</b>	<b>1,153</b>	<b>1,313</b>	<b>-12%</b>

\* AISC has been calculated in accordance with the World Gold Council's Guidance Note on Non-GAAP metrics released 27 June 2013 and in accordance with this Guidance Note, gold ounces sold are used as the denominator in the cost per ounce calculations. Production costs are inclusive of the effects of ore stockpile and GIC inventory movements.

### Production

Gold production in the September 2018 quarter totalled 29,941 ounces, an increase of 4% over September 2017 quarter. This was due to 20% increase in gold grade through the plant, offset by 10% decline in gold ore milled and 3% decline in recovery. Gold production for the nine months of 2018 totalled 79,931 ounces, a reduction of 1% over the same period in 2017, predominantly due to a 3% reduction in gold ore milled offset by a 3% increase in gold grade through the plant. Comparing the September 2018 quarter to the June 2018 quarter, production was up 27%. This was due to a 50% increase in gold ore mined contributing to a 33% increase in head grade offset by a reduction of 3% in processed ore and 2% in the recovery rate.

### Costs

Reported AISC per ounce for the September 2018 quarter decreased 24% from the September 2017 quarter due to increased gold production resulting from a 20% increase in grade, improved operating costs from the change in mining contractor to U&M and a decline in waste mined, reducing capitalised stripping costs. The weakening in the Brazilian Real also positively impacted AISC.

The Company has implemented a number of cost reduction initiatives and has established a near term cost reduction strategy. For further details, refer to the ASX announcement named "Management and Board Restructuring, Mining Contract Executed", dated 16 July 2018.

Additional improvements in AISC per ounce are forecast in the December 2018 quarter due to planned higher gold grades, completion of the mobilisation and commissioning of U&M's mining fleet with a run rate of 32 million tonnes per year and completion of the pre-leach thickener, CIL tank and oxygen plant allowing for increased higher grade sulphide feed to the plant.

## **Mining**

In the September 2018 quarter, 621,869 tonnes of gold ore was mined, an increase of 4% over the September 2017 quarter and 50% increase over the June 2018 quarter. Total material mined was 4,619,339 tonnes, a decrease of 26% over the June 2017 quarter and 1% decrease over the June 2018 quarter. The year over year decrease was due to the termination of the previous mining contractor in the third week of June resulting in a reduced mining fleet as U&M mobilisation to Tucano ramps up. Despite the reduced mining fleet unit mining costs have improved due to the step-change in cost structure of U&M compared to the previous mining contractor. Costs have also been positively impacted by superior productivity, as measured by tonnes per man hour, and average daily total material mined has increased 76% from July 2018 to September 2018. In addition, Beadell's direct labour related on-costs have decreased significantly as the previous mining contractor seconded Beadell employees versus U&M and all other Brazilian mining contractors on site managing their own labour and associated on-costs. Mobilisation and commissioning of the U&M fleet is now 95% complete. The entire fleet, with a run rate of 32 million tonnes per year, will be mobilised and commissioned by mid-November.

Throughout the September 2018 quarter the predominantly sulphide Urucum pit was mined using Beadell's 100% owned fleet of a Liebherr 9250 excavator (with 15m<sup>3</sup> bucket capacity), three 100t Caterpillar 777s and three Volvo A35 30t trucks purchased under the loan agreement with the previous mining contractor. U&M mining efforts continued to focus on the high-grade predominantly oxide TAP AB pit, increasing material movement in line with the mobilisation schedule, onset of the dry season and to offset the impact of the delay in the Tucano Plant Upgrade Project as highlighted in the June Quarterly Report. Urucum is transitioning to U&M control over the December 2018 quarter. Beadell's fleet will be put on care and maintenance upon the transition to U&M due to its higher cost structure but will provide increased material movement flexibility, at a run rate of 4 million tonnes per year, if the need arises in the future.

## **Processing**

During the quarter, CIL plant throughput was 864,455 tonnes, a decrease of 10% over the September 2017 quarter and the process plant recovery for the period was 85.6%, down 3%. The mill feed grade was 1.26 g/t gold, 20% higher than the same period last year. The mill feed grade improved due to increased contribution of high-grade ore from both Tap AB and Urucum combined with an 89% decline in low grade spent ore feed. Spent ore and low-grade stockpiles were previously required to supplement mined ore feed to the plant due to under-delivery of mined ore. The recovery rates were negatively impacted 3% from the September 2017 quarter and 2% from the June quarter due to the contribution of localised very high-grade sulphide ore, which requires the extra retention time and oxygen sparging that will occur upon completion of the Tucano Plant Upgrade Project. October recovery rates have improved to +87% largely due to the addition of hydrogen peroxide to the flowsheet.

## **Tucano Plant Upgrade Project**

On 3 September, Beadell announced completion of the ball mill, approximately two weeks ahead schedule as guided by new management in July 2018. As outlined in the 31 July 2018 ASX Release, the Tucano Plant Upgrade Project encompasses four key areas including installation of a ball mill (now complete), pre-leach thickener, CIL tank and oxygen plant that will increase sulphide ore processing capacity from ~30% to 80% and recoveries from ~88% to ~93%. Completion of the CIL tank and pre-leach thickener remain on track for early November. Completion of the oxygen plant has been deferred from early to mid-November due to compressor production and delivery delays.

Capital expenditure related to the Tucano Plant Upgrade Project to date is approximately BRL\$75 million (US\$22) with approximately BRL\$35 million remaining (US\$10 million) for a total capital expenditure of BRL\$110 million (US\$32), using the feasibility study US/BRL exchange rate of 3.40 (ASX Release 11 May 2017). This is in line with the update provided in the June Quarter Report 2018 which highlighted an additional US\$2 million to US\$4 million increase from the original budget of US\$28 million (ASX Release 11 May 2017).

Beadell has increased power usage from the grid to 8MW and is forecast to draw a total of 12MW from the grid in 2019.

## **CORPORATE & FINANCE**

### **Great Panther Silver to Acquire Beadell**

On 24 September, Great Panther and Beadell announced they had entered into a Scheme Implementation Deed whereby Great Panther will acquire all of the issued ordinary shares of Beadell by means of a Beadell scheme of arrangement (Scheme) under the Australian Corporations Act 2001. Under the terms of the Scheme Beadell shareholders will receive 0.0619 common shares of Great Panther, representing a 69% premium to Beadell's volume-weighted average share price for the 20 trading days preceding the announcement. Upon completion of the transaction Beadell shareholders are expected to own approximately 38% of the combined company.

Key highlights of the transaction include:

- The creation of a new emerging and growth-oriented precious metals producer with numerous high-value, low risk organic growth opportunities with potential to drive further production increases;
- Strong balance sheet;
- Robust growth profile;
- Geographic diversity;
- Diverse asset portfolio including three producing mines, an advanced stage project, and significant exploration potential;
- Reduction in corporate G&A per gold-equivalent ounces; and
- Attractive re-rating potential.

The directors of Beadell unanimously recommend that shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to the independent expert opining that the Scheme is in the best interests of shareholders and have provided support agreements confirming that they will vote the shares they own or control in favour of the Scheme, subject to the same conditions. Shareholders holding in aggregate 18.06% of Beadell agreed to vote in favour of the Scheme, in the absence of a superior proposal and not to dispose of their Beadell shares, except in respect of a superior proposal. Those shareholders include funds associated with Equinox Partners holding 9.84%, Donald Smith & Co. holding 7.15%, other smaller shareholders, directors and management.

### **Gold Sales**

Gold sales for the September 2018 quarter totalled 27,637 ounces at an average cash price received of US\$1,205 per ounce.

### **Cash & Bullion**

Cash and bullion as at 30 September 2018 was A\$13.8 million (as at 30 June 2018 was A\$25.6 million) (bullion valued at AUD/USD = 0.72 and US\$1,192 per ounce).

### **Non-Sustaining Expenditure**

Non-sustaining capital expenditure for the quarter was A\$10.9 million, which was largely associated with the Tucano Plant Upgrade and mine infrastructure. Non-sustaining exploration expenditure for the quarter was A\$1.0 million.

### **Capital Raising**

On 14 August 2018, the Company announced that it had raised approximately A\$11.8 million (before costs) through the placement of 218,293,000 fully paid ordinary shares to international institutional and sophisticated investors (Placement) at A\$0.054 per share.

The funds raised pursuant to the Placement will be used for the completion of the Tucano plant upgrade; working capital; and general corporate purposes, and 30% of net proceeds of approximately A\$3.3 million were applied to the outstanding loan to MACA Limited as per the terms and conditions of the loan agreement announced on 22 June 2018.

### **Debt**

In addition to the payment of 30% of net Placement proceeds described above, the Company made a scheduled loan repayment of A\$3 million to MACA Limited.

A scheduled Santander – Itaú repayment of US\$2.5 million was made and US\$1.3 million in Brazilian working capital facilities were also repaid during the quarter.

## **EXPLORATION**

### **Exploration strategy update**

On 18 September 2018, Beadell announced its refocused exploration strategy led by the recently appointed Head of Exploration & Geology Aoife McGrath, which will be driven by systematic and disciplined capital allocation decisions aimed at reserve replacement, extending the LOM, expanding near-term cash flow, and increasing the NPV of Tucano. As reported at the end of the June quarter 2018, data consolidation and organisation was planned for the second half of 2018. This was scheduled to enable a thorough period of data mining and target ranking before building a systematic exploration plan for the next 3-5 years.

- The geology department is almost half way through this exercise. Historical data from regional exploration has been compiled, cleaned and organised and ranking of these data is currently underway. Implementation of integrated 2D and 3D geological data management systems has commenced and this work is expected to be completed by early 2019. This will lead to short-, medium- and long -term exploration plans being drawn up.
- Short term in- and near-mine exploration planning is underway with immediate targets being defined. These include: (a) the Neo lodes that are in the Tap AB reserve pit but are currently classed as waste due to lack of drilling, (b) Urucum Saddle, (c) gaps in drill data along strike, such as the Urso Prospect that sits between the Tap AB and Tap C deposits and (d) down plunge continuations of known shoots. Medium to longer term planning has also started, and will involve systematic review, ranking and exploration planning for the in- and near-mine targets.

Exploration drilling along the 7 km-long Tucano mine trend demonstrates that the deposit remains open along strike and at depth, with exceptional gold grades intersected down-plunge from shoots that contribute to the ore reserve. There has been ongoing exploration success since November 2015, based on refinement of the geological model and controls on gold mineralisation. This has resulted in the discovery of eight new lodes of gold mineralisation within 3 km of the Tucano Plant, including the discovery of high-grade gold mineralisation in the schist package, previously thought to be barren and which is the dominant rock type in the mine sequence.

Completion of the Tucano Plant Upgrade Project in November 2018 will provide greater ore type processing flexibility at Tucano, enabling the Company to make risk-adjusted capital allocation decisions with respect to mining and processing based on grade rather than ore type.

In summary, the multiple in-mine and near-mine drill discoveries and untested prospects provide the Beadell exploration team with a compelling opportunity to grow the gold resource at Tucano through low cost and relatively low risk work programs. Delineation and step-out drilling at the highest ranked targets is expected to commence before the end of 2018, with resource estimate determinations to occur once sufficient holes have been assayed and incorporated into the Tucano database.

<b>ASX Code: BDR</b>			
<b>Board of Directors</b>		<b>Senior Management</b>	
Brant E. Hinze	Non-Exec. Chairman	Nicole Adshead-Bell	CEO & Managing Director
Nicole Adshead-Bell	CEO & Managing Director	Greg Barrett	CFO / Company Secretary
Craig Readhead	Non-Exec. Director	Graham Donahue	Head of Corp. Develop.
Timo Jauristo	Non-Exec. Director	Aoife McGrath	Head of Exploration & Geology
		Luis Pablo Diaz	Country Manager - Brazil
		Julio Cesar Carneiro	Finance Director - Brazil
<b>Corporate Details</b>		<b>Head Office</b>	
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### COMPETENT PERSON STATEMENT

The information is extracted from the reports entitled “Continued Exploration Success at Tucano Mine” created on 18 December 2015, “High Grade Tap AB1 Trough Lode Drill Results” created on 30 March 2016, “Ore Reserve and Mineral Resource Update” created on 14 April 2016, “Tap AB1 High Grade Trough Lode Results” created on 9 May 2016, “High Grade Tap AB1 Trough Lode Continues to Grow” created on 20 June 2016, “High Grade Results from AB1, AB2 and D Sul” created on 6 July 2016, “More High Grade Results from AB1, AB2, AB SUL and Duckhead” created on 1 August 2016, “Continuing Positive Exploration Results” created on 26 October 2017, “Interim Ore Reserve and Mineral Resource Update as at 30 June 2017” created on 19 December 2017 “Tap AB Continues to Demonstrate High Grade Shoots” created on 21 May 2018 and “Two New Gold Discoveries at Tucano” created on 23 May 2018 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.