

BCD RESOURCES (OPERATIONS) NL

**BCD RESOURCES (OPERATIONS) NL AND CONTROLLED
ENTITIES**

**ASX APPENDIX 4D AND FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2010**

ABN 27 000 679 023

ASX CODE: BCO

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ASX APPENDIX 4D

HALF-YEAR FINANCIAL REPORT TO 31 DECEMBER 2010

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | 31 December 2010 \$'000 | 31 December 2009 \$'000 | Percentage increase/ (decrease) |
|--|----------------------------|----------------------------|---------------------------------------|
| Revenue from ordinary activities | 17,160 | 21,450 | (20%) |
| EBITDA | (2,575) | 3,230 | (180%) |
| Net loss after tax attributable to members | (6,453) | (569) | (>500%) |

Dividends

No dividends were declared or paid during the half-years ended 31 December 2009 and 31 December 2010

Explanation of Result

In summary for the half-year ended 31 December 2010:

The net loss after tax attributable to members for the half-year was \$6.453 million. (31 December 2009 half-year: loss of \$0.569 million).

The downturn in performance compared to the December 2009 half year reflects: -

- lower gold production from the Tasmania Mine of 24,053 ounces (BCO share 12,390 ounces) compared to 33,995 ounces (BCO share 17,511 ounces) in the December 2009 half year;
- 5% increase in cost of production at the Tasmania Mine; and
- cost of December 2010 redundancy program as the Tasmania Mine changed to full contract mining.

These adverse factors were partly offset by higher gold price realised in the December 2010 half year of A\$1,371 per ounce (December 2009 A\$1,186 per ounce).

Refer to the commentary in the Directors' Report for more information.

CORPORATE INFORMATION

ABN 27 000 679 023 ASX CODE BCO

Directors

| | |
|-------------------|------------------------|
| Neville K Bergin | Chairman |
| Kevin J Perrin | Non-Executive Director |
| Andrew J Drummond | Non-Executive Director |

Chief Executive Officer

Peter R Thompson

Company Secretary

Brian D Coulter

Registered Office and Principal Place of Business

Level 7, Exchange Tower
530 Little Collins Street
Melbourne VIC 3000

Telephone: (03) 9909 7401
Facsimile: (03) 9909 7402
E-mail: enquiries@bcdresources.com.au

Mine Site Office

5 West Street
Beaconsfield TAS 7270

Telephone: (03) 6383 6500
Facsimile: (03) 6383 6590

Share Registry

Registries Limited
PO Box R67
Royal Exchange
Sydney NSW 1223

Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664

Auditor

RSM Bird Cameron Partners
Level 8, Rialto South Tower
525 Collins Street
Melbourne, VIC 3000

Banker

National Australia Bank Limited
46 St John Street
Launceston TAS 7250

BCD RESOURCES (OPERATIONS) NL
HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2010

Your directors submit their report for the half-year ended 31 December 2010.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

N K Bergin (Appointed 28 February 2011)

K J Perrin

A J Drummond (Appointed 28 February 2011)

D E Clarke (Resigned 25 February 2011)

M W Trumbull (Resigned 25 February 2011)

W Tsingos (Resigned 17 November 2010)

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the half-year were to manage the Tasmania Mine in north-east Tasmania and to produce gold from the Tasmania Mine.

There have been no significant changes in the nature of those activities during the period.

The participants in the Tasmania Mine are the BCD Resources (Operations) group with a 51.51% interest and the BCD Resources NL group. BCD Resources NL is the parent entity of the Company, with a 90.06% interest based on voting rights (88.82% based on total shares on issue).

CONSOLIDATED RESULT

The consolidated loss for the half-year after income tax was \$6.453 million (31 December 2009 half-year: loss of \$0.569 million). This was after providing \$1.638 million for depreciation and amortisation and \$2.266 million for finance costs.

The downturn in performance compared to the December 2009 half year reflects lower gold production from the Tasmania Mine of 24,053 ounces (BCO share 12,390 ounces) compared to 33,995 ounces (BCO share 17,511 ounces) in the December 2009 half year, 5% increase in cost of production at the Tasmania Mine, and the cost of the December 2010 redundancy program as the Tasmania Mine changed to full contract mining. These adverse factors were partly offset by higher gold price realised in the December 2010 half year of A\$1,371 per ounce (December 2009 A\$1,186 per ounce).

Deficiency in net assets at 31 December 2010 was \$77.541 million (30 June 2010: \$68.153 million deficiency).

REVIEW OF FINANCIAL RESULTS

The financial results for the 31 December 2010 half-year for BCD Resources (Operations) NL are summarised in the following table:

| | 31 Dec 2010 \$'000 | 31 Dec 2009 \$'000 |
|------------------------------------|-------------------------------|-----------------------|
| Gold and silver sales revenue | 16,846 | 20,925 |
| Other revenue (excluding interest) | 288 | 486 |
| Total revenue (excluding interest) | 17,134 | 21,411 |
| EBITDA | (2,575) | 3,230 |
| Net loss after tax | (6,453) | (569) |
| Basic loss per share (cents) | (8.8) | (0.8) |
| Net tangible assets (\$ per share) | (1.05) | (0.93) |

REVIEW OF OPERATIONS

1. Tasmania Mine

The Tasmania Mine operated at full production throughout the half-year with 165,788 tonnes of ore mined (equivalent to 329,000 tonnes per annum) which was 24% higher than for the June 2010 half-year and 2% higher than for the December 2009 half-year.

Gold production for the period of 24,053 ounces was 29% (9,942 ounces) lower than for the December 2009 half-year due mainly to a 25% fall in the average gold grade of ore treated to 5.70 g/t gold (December 2009 half-year 7.64 g/t), which in part highlights the grade variability inherent in a high grade underground mine with relatively few discrete working areas. In addition, the decision to accelerate access towards the newly discovered Western Zone restricted mining to generally lower grade areas of the orebody, predominantly in the Eastern parts of the mine.

Good progress was made towards accessing the Western Zone and establishing stoping production, which is planned to commence in the June 2011 quarter. A trial block of four stopes was successfully mined using the new enhanced mining method. This method will provide significant cost and productivity benefits and become the predominant mining method over the next year.

In December underground mining operations were re-structured and all activities transferred to the incumbent contractor. Annual savings of between \$3.5 and \$5.0 million are expected to result.

The ore treatment plant processed 160,639 tonnes of ore during the December half-year (December 2009 half-year 161,791 tonnes), equivalent to 321,000 tonnes per annum. The plant continues to demonstrate its ability to process in excess of 1,000 tonnes per day. Overall gold recovery of 81.7% (December 2009 half-year 85.6%) was lower as a result of the reduced feed grade.

2. Tasmania Mine Expenditure

The increased quantity of ore mined saw the cost of production for the half-year for the mine as a whole increase to \$33.910 million (BCO share: \$17.644 million) compared to \$32.226 million (BCO share: \$16.599 million) in the December 2009 half year.

Cash costs of production were \$1,442 per ounce, \$71 per ounce (5%) higher than the average selling price for the half-year of A\$1,371 per ounce. Cash cost per tonne milled increased by 6% to \$216 per tonne as a result of higher expenditure and marginally lower mill throughput.

The restructure of underground operations resulted in the retrenchment of 85 people who were paid their full entitlements of \$4.1 million. Cash held specifically for this purpose by the former administrator of BCD Resources (Operations) NL was used to fund \$2.2 million of the restructure costs. These abnormal costs are not included in unit costs of production.

3. BCD Resources (Operations) Revenue

Total revenue from gold and by-product silver sales for the December 2010 half-year was \$16.846 million (December 2009 half-year \$20.925 million). The reduction from the previous corresponding half-year reflects the net impact of lower gold production and higher realised gold price of A\$1,371 per ounce (2009: A\$1,186 per ounce).

BCD RESOURCES (OPERATIONS) NL
HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2010

4. Tasmania Mine Ore Reserves/Resources (as at 30 June 2010)

An updated Resource and Reserve Statement, as at 30 June 2010, was released in September 2010.

The reported Identified Gold Resource for the Tasmania Mine was:

| Category | Tonnes | Gold Grade (g/t) | Contained ounces |
|------------------------|------------------|------------------|------------------|
| Measured Resource | 384,000 | 12.3 | 151,000 |
| Indicated Resource | 786,000 | 11.3 | 285,000 |
| Inferred Resource | 277,000 | 9.5 | 85,000 |
| Total Resources | 1,447,000 | 11.2 | 521,000 |

The Ore Reserve (included within the Total Resource) for the Tasmania Mine was estimated as:

| Category | Tonnes | Gold Grade (g/t) | Contained ounces |
|----------------------|----------------|------------------|------------------|
| Proved Reserve | 234,000 | 9.4 | 70,000 |
| Probable Reserve | 715,000 | 9.7 | 224,000 |
| Total Reserve | 949,000 | 9.7 | 294,000 |

5. Exploration

Exploration activities in the half-year were restricted by parent company merger activities and a lack of strong cash flow from the Tasmania Mine

Tasmania Mine Resource Extension Drilling

Western Stockworks extensional diamond drilling was completed, extending this zone from 700mbs (metres below surface) to 1030 mbs. An updated resource estimate was calculated and published, of 234,000t @ 4.22g/t for 31,800oz. Diamond drilling to extend remnant gold resources above the crown pillar in the East of the mine commenced, with some encouraging intersections between 350mbs and 475mbs, but no resource estimated.

6. Gold Hedging for BCD Resources (Operations)

The BCD Resources (Operations) Group remains completely unhedged and all production from the Tasmania Mine is available for delivery at the spot price. The average gold price received during the half-year was A\$1,371 per ounce.

7. Claim Against Blake Dawson

The BCD Resources group has withdrawn its notice of appeal against the decision handed down by the WA Supreme Court in May 2010. The case has now been settled with each party essentially bearing their own costs of the action.

ROUNDING

The amounts contained in this report and in the half-year financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under Australian Securities and Investments Commission (ASIC) Class Order 98/0100, dated 10 July 1998 (amended by ASIC 05/641) and issued pursuant to section 341(1) of the Corporations Act 2001. The Company is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE DECLARATION

A declaration of independence has been provided by our auditors, RSM Bird Cameron Partners, and is attached at page 7.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, consisting of a stylized 'K' followed by a series of loops and a horizontal line extending to the right.

K J Perrin
Director

28 February 2011

RSM Bird Cameron Partners
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525 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007
T +61 3 9286 1800 F +61 3 9286 1999
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of BCD Resources (Operations) NL for the half year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants

J S Croall
J S CROALL
Partner

28 February 2011
Melbourne, VIC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

| | | CONSOLIDATED | |
|---|--------------|-------------------------------|-------------------------------|
| | Notes | 31 Dec 2010 \$'000 | 31 Dec 2009 \$'000 |
| Revenue from gold and silver sales | | 16,846 | 20,925 |
| Production costs | 2(a) | (19,202) | (16,895) |
| GROSS PROFIT/(LOSS) FROM MINING OPERATIONS | | (2,356) | 4,030 |
| Corporate expenses | 2(b) | (658) | (680) |
| Depreciation and amortisation | 2(c) | (1,638) | (1,985) |
| OPERATING PROFIT/(LOSS) BEFORE OTHER INCOME/(EXPENSES) | | (4,652) | 1,365 |
| Other income | 2(d) | 439 | 569 |
| Other expenses | 2(e) | - | (689) |
| OPERATING PROFIT/(LOSS) BEFORE FINANCE COSTS | | (4,213) | 1,245 |
| Financial income | 2(f) | 26 | 39 |
| Financial expenses | 2(f) | (2,266) | (1,853) |
| LOSS BEFORE TAX | | (6,453) | (569) |
| Income tax | | - | - |
| LOSS AFTER TAX | | (6,453) | (569) |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | (6,453) | (569) |
| Earnings/(loss) per share | | | |
| Basic earnings/(loss) per share (cents per share) | | (8.8) | (0.8) |
| Diluted earnings/(loss) per share (cents per share) | | (8.8) | (0.8) |
| Dividends per share | | - | - |

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

| | | CONSOLIDATED | |
|---------------------------------------|-------|--------------------------------|---------------------------------|
| | Notes | As at 31 Dec 2010 \$'000 | As at 30 June 2010 \$'000 |
| ASSETS | | | |
| Current Assets | | | |
| Cash | 9 | 485 | 959 |
| Trade & other receivables | | 1,145 | 1,389 |
| Prepayments | | 179 | 48 |
| Inventories | | 2,481 | 1,846 |
| Total Current Assets | | 4,290 | 4,242 |
| Non-Current Assets | | | |
| Cash | 9 | 1,153 | 1,737 |
| Property, plant & equipment | | 12,070 | 12,210 |
| Exploration, evaluation & development | | 5,619 | 5,289 |
| Deferred tax assets | | 4,038 | 4,038 |
| Other | | 103 | 112 |
| Total Non-Current Assets | | 22,983 | 23,386 |
| TOTAL ASSETS | | 27,273 | 27,628 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade & other payables | 3 | 53,601 | 55,084 |
| Interest-bearing loans & borrowings | 4 | 43,245 | 34,219 |
| Provisions | | 561 | 1,120 |
| Other | | 191 | 170 |
| Total Current Liabilities | | 97,598 | 90,593 |
| Non-Current Liabilities | | | |
| Payables | 3 | 1,640 | 2,029 |
| Interest-bearing loans & borrowings | 4 | 233 | 624 |
| Provisions | | 4,939 | 4,994 |
| Other | | 404 | 478 |
| Total Non-Current Liabilities | | 7,216 | 8,125 |
| TOTAL LIABILITIES | | 104,814 | 98,718 |
| DEFICIENCY IN NET ASSETS | | (77,541) | (71,090) |
| EQUITY | | | |
| Share capital | 5 | 49,688 | 49,688 |
| Accumulated losses | | (127,229) | (120,778) |
| TOTAL EQUITY DEFICIENCY | | (77,541) | (71,090) |

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

HALF-YEAR ENDED 31 DECEMBER 2010

| | Notes | CONSOLIDATED | |
|--|-------|-----------------------|-----------------------|
| | | 31 Dec 2010 \$'000 | 31 Dec 2009 \$'000 |
| Cash Flows from Operating Activities | | | |
| Receipts from customers | | 17,962 | 21,704 |
| Payments to suppliers & employees | | (23,497) | (17,369) |
| Net Cash Flows/(used in) from Operating Activities | | (5,535) | 4,335 |
| Cash Flows from Investing Activities | | | |
| Interest received | | 26 | 36 |
| Proceeds from sale of fixed assets | | 7 | 72 |
| Purchase of plant & equipment | | (618) | - |
| Mine development expenditure | | (1,210) | (586) |
| Net Cash Flows used in Investing Activities | | (1,795) | (478) |
| Cash Flows from Financing Activities | | | |
| Loan from/(repayments to controlling entity) | | 6,847 | (3,053) |
| Repayment of indemnity | | (138) | (513) |
| Repayment of lease principal | | (244) | (155) |
| Interest paid | | (193) | - |
| Net Cash Flows used in Financing Activities | | 6,272 | (3,721) |
| Net Increase/ (Decrease) in Cash | | (1,058) | 136 |
| Cash at Beginning of the Financial Period | | 2,696 | 2,539 |
| Cash at End of the Financial Period | 9 | 1,638 | 2,675 |

The above statement of cash flows should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

HALF-YEAR ENDED 31 DECEMBER 2010

| | Issued Capital \$'000 | Accumulated Losses \$'000 | Total Deficiency \$'000 |
|----------------------------|-----------------------------|---------------------------------|-------------------------------|
| At 1 July 2009 | 49,688 | (117,272) | (67,584) |
| Loss for the period | - | (569) | (569) |
| At 31 December 2009 | 49,688 | (117,841) | (68,153) |
| At 1 July 2010 | 49,688 | (120,776) | (71,088) |
| Loss for the period | - | (6,453) | (6,453) |
| At 31 December 2010 | 49,688 | (127,229) | (77,541) |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose financial report for the half-year ended 31 December 2010 has been prepared in accordance with applicable accounting standards including AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by BCD Resources (Operations) NL during the half-year ended 31 December 2010 and up to the date of signing these accounts in accordance with the continuous disclosure obligations of the *Corporations Act 2001* and the *ASX Listing Rules*.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

(b) Going Concern

The Consolidated Entity incurred a loss after tax for the period of \$6.5 million and had net cash outflows from operating activities for the period of \$5.5 million. As at 31 December 2010 the Consolidated Entity had a deficiency of current assets to current liabilities of \$93.3 million and a deficiency of net assets of \$77.5 million. Despite this the half-year consolidated financial report has been prepared on a going concern basis after taking into account the following factors: -

- (i) at the date of this report BCD Resources NL ("BCD") continued to fund the operations and financing activities of the Consolidated Entity;
- (ii) BCD has advised the Company it will not require repayment of loans owed to BCD by the Consolidated Entity until such time as the Consolidated Entity is capable of repaying these loans without any adverse consequences in relation to solvency;
- (iii) the Company is the Manager of the Tasmania Mine;
- (iv) the Tasmania Mine is operating at full production level and is cash positive, with all gold delivered into the spot market;
- (v) the December 2010 restructure of underground mining operations at the Tasmania Mine is expected to result in annual savings of between \$3.5 and \$5.0 million;
- (vi) stope production from the high grade Western Zone of the Tasmania Mine is planned to commence in the June 2011 quarter, significantly increasing mined gold grade and gold production;
- (vii) prior to stope production from the Western Zone gold production will be boosted by modest amounts of high grade Western Zone ore recovered from reef development and floor benching; and
- (viii) continued strength of the A\$ gold price (the gold price at the date of this report was A\$1,390 per ounce) with all gold being delivered into the spot market;

Should the Consolidated Entity not return to profitability, and in turn positive cash flows, and/or the current funding support provided by BCD be withdrawn there would be significant uncertainty as to whether the Consolidated Entity could continue as a going concern and therefore whether it could realise its assets and extinguish its liabilities in the normal course of business. No adjustments have been made relating to the recoverability and classification of recorded asset amounts, and classification of liabilities, that might be necessary should the Consolidated Entity not continue as a going concern.

This is consistent with the accounting policy adopted at 30 June 2010.

BCD RESOURCES (OPERATIONS) NL
HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2010

| | | CONSOLIDATED | |
|---|--|---------------------|--------------------|
| | | 31 Dec 2010 | 31 Dec 2009 |
| | | \$'000 | \$'000 |
| 2. REVENUES AND EXPENSES | | | |
| Results before income tax include the following revenues, income and expenses whose disclosure is relevant in explaining the performance of the Consolidated Entity | | | |
| (a) PRODUCTION COSTS | | | |
| Operating expenses | | 18,278 | 16,522 |
| Redundancy expenses | | 1,311 | - |
| Government royalties | | 247 | 296 |
| Changes in inventories | | (634) | 77 |
| | | 19,202 | 16,895 |
| (b) CORPORATE EXPENSES | | | |
| Corporate expenditure | | 516 | 385 |
| Legal expenses | | 142 | 295 |
| | | 658 | 680 |
| (c) DEPRECIATION AND AMORTISATION | | | |
| Depreciation | | | |
| Buildings | | 12 | 18 |
| Mining plant and equipment | | 667 | 745 |
| Plant and equipment under lease | | 79 | 91 |
| | | 758 | 854 |
| Amortisation | | | |
| Exploration, evaluation and development costs | | 880 | 1,131 |
| | | 880 | 1,131 |
| | | 1,638 | 1,985 |
| (d) OTHER INCOME | | | |
| Management fees | | 281 | 398 |
| Release of deferred income – government grant | | 54 | 83 |
| Adjustment to pre-acquisition indemnities | | 97 | - |
| Profit on sale of fixed assets | | 5 | 72 |
| Other | | 2 | 16 |
| | | 439 | 569 |
| (e) OTHER EXPENSES | | | |
| Adjustment to pre-acquisition indemnities | | - | 689 |
| | | - | 689 |

BCD RESOURCES (OPERATIONS) NL
HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2010

| | | CONSOLIDATED | |
|---|--|---------------------|---------------|
| | | 31 Dec 2010 | 31 Dec 2009 |
| | | \$'000 | \$'000 |
| <hr/> | | | |
| (f) FINANCIAL INCOME AND EXPENSES | | | |
| Financial income | | | |
| Interest income | | 26 | 39 |
| | | <hr/> | <hr/> |
| | | 26 | 39 |
| Financial expenses | | | |
| Interest expenses | | 1,998 | 1,641 |
| Finance lease charges | | 45 | 53 |
| Unwind of discount on restoration provisions | | 75 | 105 |
| Unwind of discount on pre-acquisition indemnities | | 148 | 54 |
| | | <hr/> | <hr/> |
| | | 2,266 | 1,853 |
| | | <hr/> | <hr/> |

BCD RESOURCES (OPERATIONS) NL
HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2010

| | | CONSOLIDATED | |
|---|--|---------------------|---------------------|
| | | 31 Dec 2010 | 30 June 2010 |
| | | \$'000 | \$'000 |
| 3. TRADE & OTHER PAYABLES | | | |
| Current | | | |
| Trade and sundry creditors | | 4,736 | 6,411 |
| Owing to BCD Resources NL | | 48,000 | 48,000 |
| Amounts paid under indemnity by the Consolidated entity's former banker | | 865 | 673 |
| | | 53,601 | 55,084 |
| Non-Current | | | |
| Amounts paid under indemnity by the Consolidated entity's former banker | | 1,640 | 2,029 |
| 4. INTEREST BEARING LOANS & BORROWINGS | | | |
| Current | | | |
| Owing to BCD Resources NL | | 42,646 | 33,811 |
| Lease liabilities | | 599 | 408 |
| | | 43,245 | 34,219 |
| Non-Current | | | |
| Lease liabilities | | 233 | 624 |
| 5. ISSUED CAPITAL | | | |
| Issued and paid up capital | | | |
| 62,818,175 (30 June 2009: 62,818,175) ordinary shares fully paid | | 44,801 | 44,801 |
| 10,859,452 (30 June 2009: 10,859,452) partly paid ordinary shares issued at \$0.75 and partly paid to \$0.45 | | 4,887 | 4,887 |
| | | 49,688 | 49,688 |
| 6. CONTINGENT ASSETS AND LIABILITIES | | | |
| Since the last annual reporting date, there has been no material change in any contingent liability or contingent asset other than: - | | | |
| Former Banker (Contingent Liability) | | | |
| The contingent amount repayable to the Company's former banker increased to \$0.927 million at 31 December 2010 (\$0.790 million at 30 June 2010) due to a marginal reduction in recoverable reserves at the Tasmania Mine. | | | |
| Claim Against Blake Dawson | | | |
| The BCD Resources group has withdrawn its notice of appeal against the decision handed down by the WA Supreme Court in May 2010. The case has now been settled with each party essentially bearing their own costs of the action. | | | |

7. EVENTS AFTER THE BALANCE SHEET DATE

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.

8. SEGMENT INFORMATION

The group operates within the gold mining industry in Australia. Its principal activities are the production of gold at the Tasmania Mine and management of the Tasmania Mine.

Seasonality

The Consolidated Entity's operations are not affected by cyclical or seasonal changes

9. CASH AND CASH EQUIVALENTS

Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprised the following at 31 December:

| | CONSOLIDATED | |
|---------------------------------|---------------------|--------------------|
| | 31 Dec 2010 | 31 Dec 2009 |
| | \$'000 | \$'000 |
| Cash at bank and in hand | | |
| Current asset | 485 | 1,365 |
| Non-current asset | 1,153 | 1,310 |
| | 1,638 | 2,675 |

At 31 December 2010 \$1.365 million (2009: \$2.371 million) of cash was held on deposit as security for Tasmania Mine employee entitlements.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of BCD Resources (Operations) NL, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001* including:
 - (i) Giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the Consolidated Entity; and
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) as indicated in Note 1(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.

On behalf of the Board



K J Perrin
Director

28 February 2011

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

BCD RESOURCES (OPERATIONS) NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BCD Resources (Operations) NL ("the company"), which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BCD Resources (Operations) NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of BCD Resources (Operations) NL, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BCD Resources (Operations) NL is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, we draw attention to Note 1(b) in the financial report which alludes to the significant net liability position of BCD Resources (Operations) NL and the reliance of the consolidated entity on the continued support of BCD Resources NL to enable BCD Resources (Operations) NL to meet its debts as and when the fall due. These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.


RSM BIRD CAMERON PARTNERS
Chartered Accountants


J S CROALL
Partner

28 February 2011
Melbourne, VIC