

# **BCD RESOURCES (OPERATIONS) NL**

ABN 27 000 679 023

## ***ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011***

# BCD RESOURCES (OPERATIONS) NL

## Corporate Information

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ABN 27 000 679 023

### *Directors*

Michael D Botting	Non-Executive Chairman
Kevin J Perrin	Non-Executive Director
Nigel B Webb	Non-Executive Director

### *Chief Executive Officer*

Peter R Thompson

### *Company Secretary*

Brian D Coulter

### *Registered Office and Principal Place of Business*

5 West Street  
Beaconsfield Tas 7270

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

### *Mine Site Office*

5 West Street  
Beaconsfield Tas 7270

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

### *Share Registry*

Boardroom Pty Limited  
(formerly Registries Limited)  
GPO Box 3993  
Sydney NSW 2001

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

### *Auditor*

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

### *Banker*

National Australia Bank Limited  
Level 1  
46 St John Street  
Launceston Tas 7250

### *ANNUAL GENERAL MEETING*

The Annual General Meeting of the Company will be held at the Beaconsfield Mine & Heritage Centre, West Street, Beaconsfield, Tasmania at 4pm on 30 November 2011.

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## BCD RESOURCES (OPERATIONS) NL

### Chairman's Letter

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Dear Shareholder,

The past year has again been a challenging one for the Company, and for shareholders. The operational performance of the Tasmania Mine has been dominated by the availability of only lower grade ore whilst developing the deeper, higher grade Western Ore Zone. Significant cost reductions, a rising gold price and our unhedged position enabled us to survive this period of lower gold production.

The Company continues to rely on the financial support of its parent, BCD Resources NL ("BCD"), and accordingly it is impacted by some of the corporate activities of its parent. In February 2011 BCD was required to issue 1,763 million convertible notes, at a face value of 1 cent, in response to the collapse of BCD's planned merger with Bendigo Mining in October 2010 and the requirement to immediately repay an \$8 million debt. Those notes mature in February 2012, and their conversion to shares is at the discretion of the holders. Without the \$17m raised by convertible notes, BCD and the Company would not have survived.

The changes during 2011, both at an operational and BCD corporate level, as outlined in the CEO's report, have been difficult but necessary. Although only recently appointed as Chairman, I have been closely involved with the Tasmania Mine for several years, and believe that the current cost structures and operational practices are hard to improve upon.

The immediate future of the Tasmania Mine is looking brighter, with higher grade production now flowing from the Western Ore Zone, generating revenue to reduce the Company's debt owed to BCD.

During the year the Board took the decision, for both financial and administrative reasons, to remove the Company from the official list of the Australian Securities Exchange ("ASX").

Shareholders will continue to have access to up to date information in regard to the Tasmania Mine through ASX releases by BCD (ASX: BCD) and via the BCD website [www.bcdresources.com.au](http://www.bcdresources.com.au). The Company's annual and half year reports will be posted on the BCD website.

The Company's share register, which is maintained by Boardroom Pty Limited, will remain open for any shareholder wishing to lodge an off market transfer form.

I wish to thank our management, employees and contractors for their hard work in the Tasmania Mine this year.



**Mike Botting**  
Chairman

## BCD RESOURCES (OPERATIONS) NL

### Chief Executive Officer's Report

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<b>Achievements</b> <ul style="list-style-type: none"><li>✓ Improved safety performance</li><li>✓ Introduced contract mining and lowered costs</li><li>✓ Accessed high grade Western Zone ore</li></ul>	<b>Objectives</b> <ul style="list-style-type: none"><li>➤ Continued reduction in safety incidents</li><li>➤ Efficient and complete extraction of Western Zone ore</li></ul>
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## CEO's Report

### Tasmania Mine

Ore production from the mine remained steady from 2010 levels at 297,845 tonnes. Similarly, plant throughput increased marginally to a record 297,578 tonnes. The depletion of high grade ore sources and reliance on low-grade sources in the Eastern portion of the mine, with increased ore dilution due to poorer ground conditions in the east, resulted in lower mill feed grades. Milled grade fell from 7.2 grams per tonne in 2010 to 6.0 grams per tonne in 2011. The lower grade affected mill recovery (81.5% compared to 84% in 2010) since recovery decreases as grade decreases. Gold production was below the previous year's production at 46,460 ounces (57,758 ounces in 2010). Mine development was focused on accessing the higher grade western ore zones at depth to be mined using the radial in reef method.

Safety performance declined during the first half of the financial year and the 12 month rolling medically referred injury frequency rate rose to 44.7 at the end of June 2011. An increased focus on hazard identification, reporting and follow-up has resulted in fewer incidents and increased awareness in the 2011 calendar year.

The lower grade saw costs per ounce produced rise during the year. In response to this, determined action was taken to reduce costs, including a change to contract mining (previously only development work was by contract), suspension of non-essential exploration activity, closure of the Melbourne corporate office, reduction in staffing, termination of some on-site services, review of insurance costs and sale of excess equipment. Costs have been significantly reduced, grades are now improving as higher grade zones are accessed, and the coming year will see lower unit costs per ounce and positive cash flows justifying the outlays made over the past 12 months.

### Radial-in-Reef Mining Method

The Radial-in-Reef ("RIR") mining method, which was trialled in 2010 to replace the footwall driving method in the Western Zone of the mine, has been successfully deployed to commence extraction of Western Zone ore. This method required considerable time and effort to establish, but does ensure safe, consistent and complete ore extraction once stoping commences. Time and expense was required to install the steel ground support required to ensure stope integrity as well as supporting access drives. Some modifications to the original design have allowed for conventional downhole drilling of the upper portion of some RIR stopes, and radial drilling of the lower portions. Key to the successful extraction of RIR stopes will be the rapid filling of mined-out stopes with waste, and this has been facilitated by development of a waste pass from 1090 level to 1160 level. Extraction of RIR stopes must occur in a sequence from west to east, and the first Western Zone stope was mined on 3<sup>rd</sup> September 2011, representing a turning point for the operation, and the return to average mill grades of over 8 grams per tonne. To date, stoping extraction of the Western Zone has been a success, with safe and complete ore extraction and no dilution with waste material. This high grade, high-sulphur material has been blended with other ore sources and processed without any difficulties.

## BCD RESOURCES (OPERATIONS) NL

### Chief Executive Officer's Report

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#### Reserves and Resources

Tasmania Mine Reserves and Resources have been updated as at 30<sup>th</sup> June 2011 and show considerable depletion from the corresponding 2010 estimates. Resources now total 334,000 oz and Reserves 85,000 oz. Major reductions in the Probable Reserve came from mining depletion of 57,000 oz, removal from Reserve of material below the current bottom of the mine (1210m level) of 50,000 oz and 32,000 oz from the Eastern Hangingwall Lode which was regarded as too thin to mine profitably.

Remaining reserves are, unlike in previous reserve reports, almost all fully engineered stope shapes. Detailed analysis of material below the 1210m level is underway to determine how it may be extracted economically, and some of that Reserve material has been reclassified as Resource.

#### Finance

Financial results for the year reflect lower gold production partly offset by lower total production costs and higher gold prices. The Company is unhedged and received an average gold price of A\$1,387 per ounce, which was 12% higher than for the 2010 financial year. Sales revenue for the 2011 year was \$33.2 million. The consolidated net loss after tax for the year was \$11.7 million (2010: loss of \$3.5 million).

Operating cash flow for 2011 was negative \$4.2 million, with capital, mine development and exploration expenditure of \$2.6 million. BCD Resources NL continued to advance funds to the Company to enable it to meet its share of mine costs and corporate obligations. By 30 June 2011 these interest-bearing advances had increased to \$44.8 million (2010: \$33.8 million).

### Resource and Reserves Statement

#### Gold Resources (including Reserves)

Category	Tonnes	Gold Grade (g/t)	Contained ounces
Measured Resource	262,000	11.5	96,000
Indicated Resource	430,000	11.1	153,000
Inferred Resource	319,000	8.4	85,000
<b>Total Resources</b>	<b>1,011,000</b>	<b>10.3</b>	<b>334,000</b>

#### Gold Reserves

Category	Tonnes	Gold Grade (g/t)	Contained ounces
Proved Reserve	137,000	8.6	38,000
Probable Reserve	139,000	10.6	47,154
<b>Total Reserves</b>	<b>276,000</b>	<b>9.6</b>	<b>85,000</b>

*The Resource/Reserve Statements accurately reflect information compiled by Peter Hills in relation to Ore Reserves and Troy Lowien for Mineral Resources. Mr Hills is a full time employee of BCD Resources (Operations) NL, and at the time of estimation Mr Lowien was a full time employee of Coffey Mining Pty Ltd, and each has sufficient relevant experience in relation to the mineralisation being reported on to qualify as Competent Persons as defined in the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves (The JORC Code, 2004).*

## BCD RESOURCES (OPERATIONS) NL

### Directors' Report

Year ended 30 June 2011

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The Directors present their report together with the financial report of the Company for the year ended 30 June 2011.

#### **DIRECTORS**

The following persons were Directors of the Company throughout the financial year and until the date of this report. Directors were in office for the entire year and up until the date of this report unless otherwise stated.

- Michael D Botting (appointed 21 June 2011) Non-executive Chairman
- Kevin J Perrin Non-executive Director
- Nigel B Webb (appointed 21 June 2011) Non-executive Director
- Denis E Clarke (resigned 25 February 2011) Non-executive Chairman
- Michael W Trumbull (resigned 25 February 2011) Non-executive Director
- William Tsingos (resigned 17 November 2010) Non-executive Director
- Neville K Bergin (appointed 28 February 2011) Non-executive Chairman  
(resigned 24 August 2011)
- Andrew J Drummond (appointed 28 February 2011) Non-executive Director  
(resigned 20 June 2011)

#### **PRINCIPAL ACTIVITIES**

The principal activities of the Company and Consolidated Entity during the financial year were:

- production of gold through its 51.51% participation in the Tasmania Mine in north-east Tasmania;
- manage the Tasmania Mine; and
- mineral exploration in Tasmania.

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

#### **DIVIDENDS**

There were no dividends paid or declared during the financial year.

#### **CONSOLIDATED RESULTS**

The financial results for the 2010/11 year for BCD Resources (Operations) NL and controlled entities are summarised in the following table:

	2011 (\$'000)	2010 (\$'000)
Gold and silver sales revenue	33,209	37,074
Other	763	797
Total revenue excluding interest revenue	33,972	37,871
EBITDA	323	2,162
Net loss after tax	(11,673)	(3,506)

## **BCD RESOURCES (OPERATIONS) NL**

### **Directors' Report**

**Year ended 30 June 2011**

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#### **REVIEW OF OPERATIONS**

##### *Tasmania Mine Performance (Whole of Mine)*

Ore tonnage production improved marginally to 297,845 tonnes (2010: 295,403 tonnes).

Ore treated of 297,578 tonnes (2010: 297,229 tonnes) at an average head grade of 6.0 g/t gold (2010: 7.2 g/t) produced 46,460 ounces of gold (2010: 57,758 ounces).

The mine treated a record 297,578 tonnes of ore during the year, however gold production was restricted due to the lower average head grade reflecting limited high grade areas available with relatively few discrete working areas. While the higher grade Western Zone was being developed, mining was restricted to generally lower grade areas of the orebody, predominantly in the eastern parts of the mine.

Progress in developing the Western Zone was good and stoping production in this zone commenced in early September 2011.

In December 2010 underground mining operations were re-structured and all mining and maintenance functions transferred to the incumbent mining contractor, Webb Mining Services. Annual savings of \$3.5 to \$5.0 million are expected.

The ore treatment plant continues to demonstrate its ability to process in excess of 1,000 tonnes per day. Overall gold recovery of 81.5% (2010: 84.0%) was lower as a result of the reduced feed grade.

##### *Financial Performance*

The Group's financial results for the year reflect lower gold production and the cost of developing the higher grade Western Zone at depth, partly offset by higher gold prices. The average gold price realised for the year of A\$1,387 per ounce was 12.2% higher than for the 2010 financial year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year ended 30 June 2011 were \$0.323 million (2010: \$2.162 million). The consolidated net loss after tax for the year was \$11.673 million (2010: loss of \$3.506 million).

Gold and silver sales revenue for the 2011 year was \$33.209 million (2010: \$37.074 million). The reduction reflects the 19.6% reduction in gold production partly offset by the increase in average realised gold price compared to 2010.

##### *Financial Position*

The balance sheet of the Consolidated Entity shows an equity deficiency of \$82.763 million (2010: \$71.090 million).

BCD Resources NL (the ultimate parent entity of the Group) continued to advance funds to the Consolidated Entity to enable it to meet its share of mine costs and corporate obligations. By 30 June 2011 these advances (interest bearing) were \$44.764 million, an increase of \$10.953 million over the 30 June 2010 balance of \$33.811 million.

Further information on the financial condition of the Consolidated Entity is included in the Financial Statements section of the Annual Report.

#### **STATE OF AFFAIRS**

In the opinion of the Directors, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under audit not otherwise disclosed in this report or in the consolidated financial statements.

#### **CORPORATE STRUCTURE**

BCD Resources (Operations) NL is a no liability company that is incorporated and domiciled in Australia. BCD Resources (Operations) NL has prepared a consolidated financial report incorporating the entities that it

## **BCD RESOURCES (OPERATIONS) NL**

### **Directors' Report**

#### **Year ended 30 June 2011**

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controlled during the financial year, which comprise 100% ownership of APPL Pty Ltd, ACN 070 164 653 Pty Ltd and Mojix Pty Ltd (refer Note 10 to the Financial Statements).

#### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

With the commencement of mining from the higher grade Western Zone the Company will focus on returning the Tasmania Mine to profitability, with a strong emphasis on lower unit costs by production, productivity and operating cost improvements.

Exploration effort will concentrate on extending gold resources at the Tasmania Mine.

#### **INFORMATION ON DIRECTORS**

##### **Current Directors**

*Mr. Michael David Botting, BE Mining, M.Aus. IMM*

**Non-Executive Chairman (aged 48)**

**Mr Botting** is a mining engineer with a strong understanding of the Tasmania Mine, and is currently CEO of Morningstar Gold NL. He has over 26 years of underground and open pit mining experience and has worked at senior mine management levels in Western Australia, Victoria and Queensland with both mining companies and mining contractors. He was previously a non-executive Director of Greater Bendigo Gold Mines Ltd.

Mr. Botting joined the board in June 2011, and was elected Chairman of the Company in August 2011. He is a member of the Company's Audit and Risk Management Committee.

*Mr. Kevin John Perrin, CPA*

**Non-Executive Director (aged 62)**

**Mr. Perrin** was appointed to the board in February 2007 and is Chair of the Company's Audit and Risk Management Committee. Mr. Perrin is a Certified Practising Accountant (CPA) and since 1975 has been a partner in the Ballarat firm of CPA's, Prowse Perrin & Twomey, conducting an accounting, taxation, audit and financial advisory practice.

He has been a director and shareholder of PPT Financial Pty. Ltd., an independent investment advisory firm holding an Australian Financial Services Licence, since 1990. Prior to that time he held a personal Securities Dealers Licence and was a member of the Stock Exchange of Ballarat Limited.

*Mr. Nigel Barry Webb*

**Non-Executive Director (aged 45)**

**Mr. Webb** was appointed to the board in June 2011.

Mr Webb has over 28 years of operational experience in the underground mining industry. He is the Managing Director of Webb Mining Services Pty Ltd, a substantial private company providing mining and civil contracting services.

##### **Directors who resigned during the year**

*Dr. Denis Edmund Clarke, Ph.D.(Geology), B.Sc.(Geology), B.A.(Economics & Statistics), F.Aus.IMM*

**Non-Executive Chairman**

Dr. Clarke is a director of a number of Australian mining and exploration companies. He joined the board in February 2007, and served as Company Chairman until his resignation on 25 February 2011.

*Mr. Michael Ward Trumbull, BE (Hons) Mining, M.B.A., F.Aus. IMM*

**Non-Executive Director**

Mr. Trumbull is a mining engineer and is Chairman of Nagambie Mining Limited. He joined the board in August 2007 and resigned on 25 February 2011.



## **BCD RESOURCES (OPERATIONS) NL**

### **Directors' Report**

**Year ended 30 June 2011**

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*Mr. William Tsingos*

**Non-Executive Director**

Mr. Tsingos runs his own international trading business. He was appointed to the Board in August 2007 and resigned on 17 November 2010.

*Neville Keith Bergin, B.Sc.(Mining)*

**Non-Executive Chairman**

Mr. Bergin is General Manager – Projects Development for Minemakers Limited. He joined the board in February 2011, and served as Company Chairman until his resignation on 24 August 2011.

*Andrew James Drummond*

**Non-Executive Director**

Mr. Drummond is Managing Director of Minemakers Limited. He joined the board in February 2011 and resigned on 20 June 2011.

### **QUALIFICATIONS AND EXPERIENCE OF THE COMPANY SECRETARY**

*Mr. Brian David Coulter, B.Com, FCPA, ACIS*

**Mr. Coulter** has a Bachelor of Commerce degree from Melbourne University, is a Fellow of CPA Australia and is an Associate of the Institute of Chartered Secretaries and Administrators.

He has worked in the mining industry, both in Australia and overseas, for more than 40 years, including MIM Holdings Limited/Xstrata, Newcrest Mining Limited, Denehurst Limited and CRA Limited and its London based parent at the time, Rio Tinto Zinc Corporation.

Mr. Coulter has extensive experience in all corporate financial and administration areas, including statutory reporting, company secretarial, financial analysis and the evaluation of investment opportunities.

### **EVENTS SUBSEQUENT TO BALANCE DATE**

There has not arisen in the interval between the end of the financial 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 except for those matters referred to below:

- Tasmania Mine Reserves have been depleted since June 2010 by mining extraction, sterilisation of pillars, and the re-classification of some material below the 1210 level. The calculation of updated Reserves is incomplete but is expected to be reported during October 2011.

### **SHARE OPTIONS**

The Company has not granted any options to take up ordinary shares in the capital of the Company during the financial year

## BCD RESOURCES (OPERATIONS) NL

### Directors' Report

Year Ended 30 June 2011

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#### *DIRECTORS' SHAREHOLDINGS*

As at the date of this report, the interests of the Directors in the shares of BCD Resources (Operations) NL were:

	Ordinary shares
M D Botting	-
K J Perrin	-
N B Webb	-

#### *DIRECTORS' MEETINGS*

The number of meetings of Directors (including meetings of committees of Directors) held during the year, the number of meetings attended by each Director, and the number of meetings held while they were a Director (or Committee member) was as follows:

	Directors' Meetings		Audit and Risk Management Committee Meetings	
	Held	Attended	Held	Attended
<b>Total number of meetings held:</b>	2		2	
<b>Number of meetings attended:</b>				
M D Botting	-	-	1	1
K J Perrin	2	2	2	2
N B Webb	-	-		
D E Clarke	1	1	1	1
M W Trumbull	1	1	1	1
W Tsingos	1	1		
N K Bergin	-	-	1	1
A J Drummond	-	-		

#### *COMMITTEE MEMBERSHIP*

As at the date of this report, the Company had an Audit and Risk Management Committee.

Members acting on the Audit and Risk Management Committee of the board during the year were:

K J Perrin (Chairman)  
M D Botting  
D E Clarke  
M W Trumbull  
N K Bergin

#### *INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS*

The parent entity of the Company, BCD Resources NL, has entered into a Deed of Access, Insurance and Indemnity with each Director of the Company that indemnifies the Director, to the extent permitted by law, against liabilities and legal costs incurred by the Director as an officer of the Company.

The parent entity of the Company maintains a Directors' and Officers' insurance policy that, subject to some exceptions, provides insurance cover to past, present and future Directors, Secretaries and Executive Officers of the Company and its controlled entities. The parent entity of the Company has paid an insurance premium for the policy. The contract of insurance prohibits disclosure of the amount of the premium and the nature of the liabilities insured.

## **BCD RESOURCES (OPERATIONS) NL**

### **Directors' Report**

**Year Ended 30 June 2011**

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#### **REMUNERATION REPORT - AUDITED**

The Company has adopted the remuneration objectives and philosophy of its parent entity, BCD Resources. The Company and the Parent have common directors, a common senior executive team, and the Company manages the Tasmania Mine. Whilst the Company pays remuneration for directors, the senior executives, other than the present Tasmania Mine General Manager, are employed and remunerated by the parent entity and no part of their remuneration is paid by the Company or Consolidated Entity.

This report outlines the remuneration arrangements in place for Directors and executives of BCD Resources (Operations) NL ("the Company") and the group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, Key Management Personnel ("KMP") of the Group are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term "executive" encompasses the Chief Executive Officer, Chief Financial Officer and Tasmania Mine General Manager.

#### **Remuneration Philosophy**

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Alignment of shareholders' interests with interests of Directors and executives.
- Engage and retain appropriately qualified and high-calibre executives.
- Maintain the integrity of the Company's reward program.
- Portion of executive remuneration may be "at risk", dependent upon meeting pre-determined performance benchmarks.
- Non-Executive Directors may receive part of their remuneration in the form of shares, whether fully or partly-paid.

#### **Remuneration and Appointments Committee**

The Remuneration and Appointments Committee of the parent's (BCD Resources NL) Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer ("CEO") and the senior executive team.

The Remuneration and Appointments Committee of the parent assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to performance levels and relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

#### **Remuneration Structure**

In accordance with best practice corporate governance, the structure of Non-Executive Director and senior executive remuneration is separate and distinct.

#### **Non-Executive Director Remuneration**

##### *Objective*

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of high calibre, at a cost which is acceptable to stakeholders.

## BCD RESOURCES (OPERATIONS) NL

### Directors' Report

Year Ended 30 June 2011

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#### *Structure*

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was at the Annual General Meeting held on 20 December 1999 when shareholders approved an aggregate remuneration of \$100,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. As and when appropriate, the Board considers advice from external consultants as well as fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Director is eligible to receive a fee for being a Director of the Company, however it was resolved that no fees would be paid or payable to directors after February 2011.

The remuneration of Non-Executive Directors is detailed in the table on page 13.

#### **Senior Executive Remuneration**

As noted previously, apart from the present Tasmania Mine General Manager no part of executive remuneration is paid by the Company or Consolidated Entity – it is paid by BCD Resources NL, the ultimate parent entity.

#### *Objective*

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company in order to:

- reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

#### *Structure*

In determining and assessing the appropriateness of the level and make-up of executive remuneration, the Remuneration and Appointments Committee of the Parent considers market levels of remuneration for comparable executive roles.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration
  - ~ Short Term Incentive ("STI"); and
  - ~ Long Term Incentive ("LTI").

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for senior executives by the Remuneration and Appointments Committee of the Parent.

## **BCD RESOURCES (OPERATIONS) NL**

### **Directors' Report**

**Year Ended 30 June 2011**

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#### **Fixed Remuneration**

##### *Objective*

The level of fixed remuneration is set so as to provide a base level of remuneration which is appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration and Appointments Committee of the Parent and the process consists of a review of individual performance, relative comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices. The Committee has access to external advice independent of management.

##### *Structure*

Senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and additional employer superannuation contributions. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

#### **Variable Remuneration – Short Term Incentive (“STI”)**

##### *Objective*

The objective of the STI program is to provide an incentive for senior executives to work together towards achievement of the Company's strategic objectives. The total potential STI available will be set at a level so as to provide sufficient incentive to senior executives to achieve operational targets, and such that the cost to the Company is reasonable in the circumstances.

##### *Structure*

STI payments granted to senior executives are based on the achievement of personal performance measures which are determined, reviewed, agreed and assessed annually by the Remuneration and Appointments Committee of the parent entity in conjunction with each senior executive. The individual performance of each executive will be assessed against their personal performance plan to determine the level of entitlement to a performance bonus. Such payments will normally be in the form of cash bonuses. Due to the small number of staff, the setting of personal performance plans and the assessment against such plans is on an individual basis and depends upon the particular circumstances of the Company and the individual.

#### **Variable Remuneration – Long Term Incentive (“LTI”)**

##### *Objective*

The objective of the LTI plan is to reward senior executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

##### *Structure*

LTI's are provided to executives in the form of performance rights, which may be converted to fully paid shares immediately upon vesting, at no cost. Vesting is subject to achievement of key performance indicators specified in the service agreement of the relevant executive. Due to the small number of staff the setting of relevant performance criteria and the assessment against such criteria is on an individual basis and depends on the particular circumstances of the Company and the individual.

#### **Service Agreements**

Remuneration arrangements for key management personnel are formalised in employment agreements. Details of these contracts are provided below.

*P. Richardson – General Manager, Tasmania Mine*

The Tasmania Mine General Manager is an employee of Minemakers Limited, and is seconded to the Company on a fee for service basis. All payments for services are made to Minemakers Limited on the basis of a monthly invoice at cost.

As a contractor there is no notice requirement on either side in the case of termination.

# BCD RESOURCES (OPERATIONS) NL

## Directors' Report

Year Ended 30 June 2011

### Remuneration of Directors and Executives (3)

	Salary & Fees \$	Superannuation \$	Total \$
<b>Directors</b>			
<b>M D Botting (4)</b>			
2011	-	-	-
<b>K J Perrin (1)</b>			
2011	8,000	-	8,000
2010	12,000	-	12,000
<b>N B Webb (4)</b>			
2011	-	-	-
<b>D E Clarke (5)</b>			
2011	10,000	-	10,000
2010	1,250	13,750	15,000
<b>M W Trumbull (5)</b>			
2011	7,339	661	8,000
2010	11,009	991	12,000
<b>W Tsingos (2)(6)</b>			
2011	4,567	-	4,567
2010	12,000	-	12,000
<b>N K Bergin (7)</b>			
2011	-	-	-
<b>A J Drummond (8)</b>			
2011	-	-	-
<b>Sub-total 2011</b>	<b>29,906</b>	<b>661</b>	<b>30,567</b>
<b>Sub-total 2010</b>	<b>36,259</b>	<b>14,741</b>	<b>51,000</b>
<b>Executives (9)</b>			
<b>P Richardson (10)</b>			
2011	212,963	-	212,963
<b>Sub-total 2011</b>	<b>212,963</b>	<b>-</b>	<b>212,963</b>
<b>Total 2011</b>	<b>242,869</b>	<b>661</b>	<b>243,530</b>
<b>Total 2010</b>	<b>36,259</b>	<b>14,741</b>	<b>51,000</b>

Notes:

- (1) K J Perrin's fees were paid to Vinda Pty Ltd.
- (2) W Tsingos' fees were paid to Ramon Cove Pty Ltd.
- (3) The amounts disclosed as "superannuation" represent payments made directly to superannuation funds as required by law and/or as directed by the director.
- (4) M D Botting and N B Webb were appointed as directors on 21 June 2011.
- (5) D E Clarke and MW Trumbull resigned as directors on 25 February 2011.
- (6) W Tsingos resigned as a director on 17 November 2010.
- (7) N K Bergin was appointed as a director on 28 February 2011 and resigned on 24 August 2011.
- (8) A J Drummond was appointed as a director on 28 February 2011 and resigned on 20 June 2011.
- (9) P R Thompson (Chief Executive Officer), B D Coulter (Chief Financial Officer and Company Secretary), W T Colvin (former Chief Executive Officer) and R K Holder (former Tasmania Mine General Manager) are/were employed by BCD Resources NL and no part of their remuneration (whether that be by way of salary, superannuation and/or options) is/was paid by the Company or Consolidated Entity.
- (10) P Richardson was appointed Tasmania Mine General Manager on 8 November 2010.

## **BCD RESOURCES (OPERATIONS) NL**

### **Directors' Report**

**Year Ended 30 June 2011**

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#### ***CORPORATE GOVERNANCE***

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of BCD Resources (Operations) NL support and, except as disclosed, have adhered to the principles of corporate governance.

#### ***ENVIRONMENTAL REGULATION***

The Consolidated Entity's mining operations and exploration activities are subject to particular and significant environmental regulation. Mining licences and exploration permits are in place at all mining operations and for all exploration activities. These licences and permits set out the environmental requirements for the Tasmania Mine and for exploration.

The Manager of the Tasmania Mine and senior management of the Tasmania Mine have operational responsibility for the management and reporting systems that are in place for all of the entity's mining operations and review compliance with State and Federal regulatory requirements for the entity's mining and exploration activities adjacent to the Tasmania Mine.

The principal environmental requirements affecting the entity are contained in the Development Proposal and Environmental Management Plan ("DP&EMP") governing the Tasmania Mine operations. Important obligations imposed by the DP&EMP regulate the effects of mine dewatering and water disposal, noise emissions from mining, construction and transport operations, tailings disposal, dangerous goods management, reconciliation of development with surrounding land uses, and the impact on areas of vegetation and regional conservation significance.

The Group is registered under the *National Greenhouse and Energy Reporting Act 2007* under which it is required to report energy consumption and greenhouse gas emissions for the twelve months ended 30 June and future periods.

Annual environmental reporting also includes submission of a National Pollutant Inventory report to the Federal Department of Sustainability, Environment, Water, Population and Communities, as a requirement of the *National Environment Protection (National Pollutant Inventory) Measure*. This report details air, land and water based emissions from the sites.

Appropriate environmental management systems, with reporting to the BCD Resources (Operations) Chief Executive Officer and Board of Directors, are in place to comply with the requirements of these environmental regulations. There were no significant incidents of non-compliance during the financial year.

#### ***AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES***

A copy of the Auditor's Independence declaration as required under section 370C of the *Corporations Act 2001* is attached to this report. During the year other assurance related services and tax compliance services were provided by RSM Bird Cameron Partners (auditor of the Company) – refer note 28 to the consolidated financial statements. The Directors are satisfied that the provision of these services did not impair the auditor's independence as none of these services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

## BCD RESOURCES (OPERATIONS) NL

### Directors' Report

Year ended 30 June 2011

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#### ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under 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.

This report is 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 trailing line.

K J Perrin

Director

30 September 2011

Melbourne



# BCD RESOURCES (OPERATIONS) NL

## Auditors' Independence Declaration

**RSM Bird Cameron Partners**  
Chartered Accountants

**RSM Bird Cameron Partners**  
Level 8 Rialto South Tower  
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 audit of the financial report of BCD Resources (Operations) NL for the year ended 30 June 2011, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

*RSM Bird Cameron Partners*

**RSM BIRD CAMERON PARTNERS**  
Chartered Accountants

*J S Croall*

**J S CROALL**  
Partner

Dated: 30 September 2011  
Melbourne, Victoria

Liability limited by a  
scheme approved  
under Professional  
Standards Legislation

Major Offices in:  
Perth, Sydney, Melbourne,  
Adelaide and Canberra  
ABN 36 965 185 036

RSM Bird Cameron Partners is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms. RSM International is the name given to a network of independent accounting and consulting firms each of which practices in its own right. RSM International does not exist in any jurisdiction as a separate legal entity.



# BCD RESOURCES (OPERATIONS) NL

## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2011

	Notes	CONSOLIDATED	
		2011 \$'000	2010 \$'000
Revenue from gold and silver sales		33,209	37,074
Production costs	5(a)	(34,604)	(33,312)
<b>GROSS PROFIT/(LOSS) FROM MINING OPERATIONS</b>		<b>(1,395)</b>	3,762
Corporate expenses	5(b)	(877)	(1,565)
Depreciation and amortisation	5(c)	(3,141)	(3,472)
<b>OPERATING LOSS BEFORE OTHER INCOME/(EXPENSES)</b>		<b>(5,413)</b>	(1,275)
Other income	5(d)	2,595	931
Other expenses	5(e)	-	(966)
<b>OPERATING LOSS BEFORE FINANCIAL INCOME AND EXPENSES</b>		<b>(2,818)</b>	(1,310)
Financial income	5(f)	101	123
Financial expenses	5(f)	(4,918)	(3,793)
<b>LOSS BEFORE TAX</b>		<b>(7,635)</b>	(4,980)
Income tax benefit/(expense)	6	(4,038)	1,474
<b>NET LOSS AFTER TAX</b>		<b>(11,673)</b>	(3,506)
Other comprehensive		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(11,673)</b>	(3,506)
<b>Earnings per share (EPS)(cents)</b>			
Basic EPS	25	(15.84)	(4.8)
Diluted EPS	25	(15.84)	(4.8)
Dividend per share		Nil	Nil

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

# BCD RESOURCES (OPERATIONS) NL

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	CONSOLIDATED	
		2011 \$'000	2010 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	29(b)	692	959
Trade & other receivables	7	250	1,389
Prepayments		94	48
Inventories	8	2,079	1,846
<b>Total Current Assets</b>		<b>3,115</b>	<b>4,242</b>
<b>Non-Current Assets</b>			
Cash	29(b)	744	1,737
Property, plant & equipment	12	11,526	12,210
Exploration, evaluation & development	13	5,326	5,289
Deferred tax asset	6	-	4,038
Other	14	186	112
<b>Total Non-Current Assets</b>		<b>17,782</b>	<b>23,386</b>
<b>TOTAL ASSETS</b>		<b>20,897</b>	<b>27,628</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & other payables	15	51,985	55,084
Interest bearing loans & borrowings	16	45,335	34,219
Provisions	17	406	1,120
Other	18	184	170
<b>Total Current Liabilities</b>		<b>97,910</b>	<b>90,593</b>
<b>Non-Current Liabilities</b>			
Payables	15	96	2,029
Interest bearing loans & borrowings	19	53	624
Provisions	20	5,237	4,994
Other	18	364	478
<b>Total Non-Current Liabilities</b>		<b>5,750</b>	<b>8,125</b>
<b>TOTAL LIABILITIES</b>		<b>103,660</b>	<b>98,718</b>
<b>DEFICIENCY IN NET ASSETS</b>		<b>(82,763)</b>	<b>(71,090)</b>
<b>EQUITY</b>			
Share capital	21	49,688	49,688
Accumulated losses		(132,451)	(120,778)
<b>TOTAL EQUITY DEFICIENCY</b>		<b>(82,763)</b>	<b>(71,090)</b>

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

# BCD RESOURCES (OPERATIONS) NL

## STATEMENT OF CASH FLOWS

Year ended 30 June 2011

	Notes	CONSOLIDATED	
		2011	2010
		\$'000	\$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from gold and silver sales and other operating revenue		34,686	38,137
BBR Settlement		-	14
Payments to suppliers and employees		(38,896)	(32,470)
Net Cash Flows from/(used in) Operating Activities	29(a)	(4,210)	5,681
<b>Cash Flows from Investing Activities</b>			
Interest received		101	123
Proceeds from sale of fixed assets		278	106
Purchase of plant & equipment		(900)	(261)
Mine development expenditure		(1,667)	(2,049)
Net Cash Flows used in Investing Activities		(2,188)	(2,081)
<b>Cash Flows from Financing Activities</b>			
Loan from/(repayment) of controlling entity loan		6,315	(2,218)
Interest paid		(274)	-
Repayment of lease principal		(524)	(436)
Repayment of indemnity		(379)	(789)
Net Cash Flows from/(used in) Financing Activities		5,138	(3,443)
Net Increase/(Decrease) in Cash		(1,260)	157
Cash at Beginning of the Financial Period		2,696	2,539
<b>Cash at End of the Financial Period</b>	29(b)	<b>1,436</b>	<b>2,696</b>

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

**BCD RESOURCES (OPERATIONS) NL****STATEMENT OF CHANGES IN EQUITY****Year ended 30 June 2011**

	<b>Issued Capital \$'000</b>	<b>Accumulated Losses \$'000</b>	<b>Total Equity Deficiency \$'000</b>
<b>CONSOLIDATED</b>			
<b>As at 1 July 2009</b>	49,688	(117,272)	(67,584)
Loss for the year	-	(3,506)	(3,506)
<b>As at 30 June 2010</b>	49,688	(120,778)	(71,090)
Loss for the year	-	(11,673)	(11,673)
<b>As at 30 June 2011</b>	49,688	(132,451)	(82,763)

The above statement of recognised income and expenditure should be read in conjunction with the accompanying notes.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**1. CORPORATE INFORMATION**

The financial report of BCD Resources (Operations) NL (“the Company”) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 30 September 2011.

BCD Resources (Operations) NL is a no liability company incorporated in Australia. The registered office of BCD Resources (Operations) NL is 5 West Street, Beaconsfield, Tasmania, 7270, Australia.

The nature of the operations and principal activities of the Group are described in the Directors’ Report.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian interpretations) as issued by the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*.

The financial report has been prepared on a historical cost basis.

Comparative information, where necessary, has been reclassified in order to achieve consistency in presentation with amounts disclosed in the current year.

All amounts presented in the financial report have been rounded to the nearest thousand Australian dollars (\$’000) unless otherwise stated,

**(b) Compliance with IFRS**

The financial report also complies with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) New accounting standards and interpretations**

*New Accounting Standards and Interpretations issued but not yet effective and not adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. Management assesses the impact of these new standards, their applicability to the company and whether to adopt early.

As at 30 June 2011, the following applicable standards and interpretations had been issued but are not yet effective for financial year ending 30 June 2011. The company has not adopted these standards early.

<b>Standard/ Interpretation</b>	<b>Summary</b>	<b>Standard applicable for annual reporting periods beginning on</b>	<b>Applicable date for the company</b>	<b>Impact on company financial statements</b>
AASB 9 – <i>Financial Instruments</i>	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013	1 July 2013	Impact is being evaluated.
AASB 124 – <i>Related Party Disclosures</i>	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition.	1 January 2011	1 July 2011	Disclosure only.
AASB 2009 11 – <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12 as a result of the issuance of AASB 9.	1 January 2013	1 July 2013	Impact is being evaluated.
AASB 2010 7 – <i>Amendment to Australian Accounting Standards</i>	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2013	1 July 2013	No impact expected.

**(d) Basis of consolidation**

The consolidated financial statements comprise the financial statements of BCD Resources (Operations) NL and its subsidiaries (as outlined in note 10) ("the Consolidated Entity") as at 30 June each year.

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Basis of consolidation (continued)**

Investments in subsidiaries are recorded in the financial statements of the parent at the lower of cost or recoverable amount.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

[THIS SECTION HAS BEEN LEFT BLANK INTENTIONALLY]



**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Gold & silver sales*

Significant risks and rewards of goods have passed to the buyer and transaction costs can be reliably measured. Risks and rewards of ownership are considered passed to the buyer when the goods are collected from the Tasmania Mine.

*Interest income*

Revenue is recognised as interest accrues using the effective interest method.

*Management fee revenue*

Management fee revenue earned by BCD Resources (Operations) NL as manager of the Tasmania Mine is recognised as it accrues.

**(f) Leases**

Finance leases, which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

**(g) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(h) Trade and other receivables**

Trade and other receivables are recognised and carried at amount due less an allowance for any uncollectible amount.

An allowance for uncollectible amounts is made where there is objective evidence that the Consolidated Entity will not be able to collect debts. Bad debts are written off when identified.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each item to its present location and condition are accounted for as follows:

- raw materials – purchase cost on a first-in first-out basis; and
- work in progress (including gold in circuit and stockpiles of unprocessed ore) – cost of direct material and labour and a proportion of overheads based on normal operating capacity.

No account is taken of any gold residue residing in plant and equipment (e.g. pumps).

**(j) Impairment of financial assets**

The Consolidated Entity assesses at each balance sheet date whether a financial asset or group of financial assets is impaired

*i) Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

*(ii) Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because fair value cannot be reliably measured) the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

*(iii) Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in the income statement.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) Joint ventures**

Where the Consolidated Entity's activities are conducted through unincorporated joint ventures that are jointly controlled assets, its proportionate share of the assets, liabilities, gold production and related operating costs are included in the financial statements. Details of the Consolidated Entity's interests in Jointly Controlled Assets are shown in note 11.

**(l) Income tax**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(m) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(n) Property, plant & equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Any gain or loss on the disposal of assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the result of the Company or the Consolidated Entity in the year of disposal.

Depreciation is provided for over the life of the area of interest on a production output basis.

Refer note 2(q) for the accounting policy relating to the impairment of assets.

**(o) Exploration, evaluation & development expenditure**

***Costs carried forward***

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

***Amortisation***

Costs on productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

***Rehabilitation, restoration and environmental costs***

Long-term environmental obligations are based on the Consolidated Entity's environmental management plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the balance sheet date. Increases due to additional environmental disturbances are capitalised and amortised over the remaining life of the

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(o) Exploration, evaluation & development expenditure (continued)**

mine. These increases are accounted for on a net present value basis.

Annual increases in the provision relating to the change in the net present value of the provision and inflationary increases are accounted for in earnings.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from the sale of assets on closure. Cost estimates have been reduced where it is reasonably expected that key pieces of equipment may be gifted to third parties and may therefore not need to be dismantled at the cost of the Company.

**(p) Investments and other financial assets**

Financial assets in the scope of AASB 139: *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Consolidated Entity determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Consolidated Entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

*(i) Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

*(ii) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Consolidated Entity has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(p) Investments and other financial assets (continued)**

*(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*(iv) Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

**(q) Impairment of non-financial assets**

The Consolidated Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the assets or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(q) Impairment of non-financial assets (continued)**

increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(r) Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services.

**(s) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs (which include any establishment fees). After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

**(t) Non-interest-bearing borrowings**

All borrowings are initially recognised at the fair value of consideration received.

A specified amount of advances made to Allstate by its former banker under the terms of an indemnity agreement has a repayment schedule based on a dollar amount per ounce of gold production from the Tasmania Mine. Production-based repayments are recognised at fair value, but only to the extent that they are supported by recoverable mine reserves. Repayments that will not be made based on current reserves are not recognised, but instead are disclosed as contingent liabilities.

**(u) Contributed equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity, net of tax, as a reduction of the share proceeds received.

**(v) Employee benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefits, expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and
- other types of employee benefits

are recognised in the income statement on a net basis in their respective categories.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(w) Earnings per share**

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element. Where the basic EPS is a loss per share, dilution will only occur where the potential dilutive shares would increase the loss per share.

**(x) Borrowing costs**

Borrowing costs are recognised as expenses in the period in which they are incurred.

**(y) Government grants**

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders equity.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the life of the related asset (being the decline development asset) on a unit-of-production basis.



**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(z) Going Concern**

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Company and the Consolidated Entity have net working capital deficits of \$46.585 million and \$94.795 million and net liabilities of \$46.681 million and \$82.763 million, respectively as at year-end (2010: \$37.636 million and \$71.090 million). The Company and Consolidated Entity recorded operating losses after income tax of \$9.045 million and \$11.673 million respectively for the year ended 30 June 2011 (2010: \$2.464 million loss and \$3.506 million loss). The ability of the Company and/or the Consolidated Entity to continue as going concerns, including the ability of the Company and/or the Consolidated Entity to pay their debts as and when they fall due, is dependent upon continued support from the ultimate parent company, BCD Resources NL.

The financial report has been prepared on a going concern basis after taking into account the following other factors: -

- (i) The Company is the Manager of the Tasmania Mine.
- (ii) Continued strength of the A\$ gold price (the gold price at the date of this report was A\$1,665 per ounce) with all gold being delivered into the spot market.
- (iii) At the date of this report BCD Resources NL ("BCD") continued to fund the operations and financing activities of the Company and its subsidiaries.
- (iv) BCD has advised the Company it will not require repayment of loans owed to BCD as at 30 September 2011 until such time as the Company is capable of repaying these loans without any adverse consequences in relation to solvency. BCD has undertaken not to withdraw this financial support for a period of at least 12 months from the date of signing this financial report.

Should the Company and/or 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 Company and/or the Consolidated Entity could continue as going concerns and therefore whether they could realise their assets and extinguish their 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 Company and/or the Consolidated Entity not continue as going concerns.

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

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**3. FINANCIAL RISK MANAGEMENT**

**(a) Financial risk management objectives and policies**

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- meet all its financial commitments as and when they fall due; and
- maintain the capacity to fund its forecast exploration strategy.

The Group continually monitors and tests its forecast financial position against these criteria.

Liquidity, credit and market risk (including foreign exchange, commodity price and interest rate risk) arise in the normal course of the Group's business. These risks are managed under Board approved policies and processes. The Group's principal financial instruments comprise interest-bearing and non interest-bearing debt, finance leases, cash and short term deposits. Other financial instruments include trade and other receivables and trade and other payables, which arise directly from operations.

From time to time, derivative financial instruments may be used to hedge exposure to fluctuations in commodity prices. The Board has, however, determined that for the immediate future the Group will remain unhedged, with all production from the Tasmania Mine available for delivery at spot price.

The Group's forecast financial risk position with respect to key financial objectives is considered regularly by the Board.

The following table discloses the carrying amounts of each class of financial asset and financial liability at year end.

	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>		
Cash	<b>1,436</b>	2,696
Trade & other receivables	<b>250</b>	1,389
Other	<b>186</b>	112
<b>Financial Liabilities</b>		
Trade & other payables	<b>52,081</b>	57,113
Interest-bearing loans and borrowings	<b>45,388</b>	34,843

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**3. FINANCIAL RISK MANAGEMENT (continued)**

**(b) Market risk**

*(i) Foreign exchange risk*

The Group has no direct exposure to foreign exchange risk as it does not operate internationally nor does it have any foreign currency denominated financial instruments.

Indirect exposure to foreign exchange risk arises from the impact of the US dollar exchange rate on the Australian dollar gold price. The Group's gold sales are denominated in Australian dollars.

*(ii) Commodity price risk*

The Group's revenues are exposed to fluctuations in the Australian dollar gold price, which is determined by the combination of the US dollar gold price and the US dollar exchange rate.

From time to time, as part of the process of managing its exposure to movements in commodity prices, the Group may enter into forward sales contracts that guarantee a minimum sale price for gold.

The Board has resolved that for the present time future production should remain unhedged.

*(iii) Interest rate risk*

The Group is exposed to interest rate risk as it borrows and/or invests funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings which is evaluated to align with interest rate views and defined risk appetite. Details of the Group's types and levels of debt are included in notes 16 and 19.

The Group's main interest rate risk at 30 June 2011 related to floating rate short term intercompany debt from BCD Resources NL.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

**3. FINANCIAL RISK MANAGEMENT (continued)**

**(b) Market risk (continued)**

**Interest rate exposure**

The Group's interest rate exposure at balance date is summarised as follows:

<b>Consolidated</b>	<b>2011</b>			<b>2010</b>		
	<b>Weighted average interest rate %</b>	<b>Floating interest \$'000</b>	<b>Fixed interest \$'000</b>	<b>Weighted average interest rate %</b>	<b>Floating interest \$'000</b>	<b>Fixed interest \$'000</b>
<b>Financial Assets</b>						
Cash	4.6	1,436	-	3.6	2,696	-
Security deposit	4.4	186	-		-	-
<b>Total Assets</b>		1,622	-		2,696	-
<b>Financial Liabilities</b>						
Lease commitments	9.3	-	624	9.4		1,032
Related party payable – ultimate parent	10.0	44,764	-	10.0	33,811	-
<b>Total liabilities</b>		44,764	624		33,811	1,032
<b>Net exposure</b>		(43,142)	(624)		(31,115)	(1,032)

The other financial instruments of the Group are not included in the above table as they are non-interest bearing and not subject to interest rate risk.

**Sensitivity analysis**

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 June 2011, if interest rates changed by +/- 1%, with all other variables held constant, the estimated impact on post-tax result and equity would have been:

	<b>CONSOLIDATED</b>	
	<b>2011 \$'000</b>	<b>2010 \$'000</b>
Impact on post-tax profit/(loss): (higher)/lower		
Interest rates + 1%	<b>(431)</b>	(311)
Interest rates – 1%	<b>431</b>	311
Impact on equity: higher/(lower)		
Interest rates + 1%	<b>(431)</b>	(311)
Interest rates – 1%	<b>431</b>	311

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

**3. FINANCIAL RISK MANAGEMENT (continued)**

**(c) Liquidity risk**

The liquidity position of the Group is managed through support of BCD Resources NL, to ensure sufficient liquid funds are available to meet financial commitments in a timely and cost-effective manner.

The management team continually reviews the Group's liquidity position, including cash flow projections based on the current life of mine plan, to determine the forecast liquidity position and maintain appropriate liquidity levels. Where necessary, adjustments to future cash flow requirements can be made to ensure sufficient liquidity is maintained.

The following table analyses the contractual fixed repayments and interest resulting from recognised financial liabilities, including derivative financial instruments, disclosed by financial maturity groupings based on the remaining period, at the reporting date, to the contractual maturity date. For derivative financial instruments, the market value is presented, whereas for other obligations the respective undiscounted cash flows for the respective upcoming financial years are presented.

<b>Consolidated</b>	<b>Payable at Call</b>	<b>Less than 3 months \$'000</b>	<b>3-6 months \$'000</b>	<b>6-12 months \$'000</b>	<b>1-2 years \$'000</b>	<b>More than 2 years \$'000</b>
<b>2011</b>						
Trade and sundry creditors	-	3,340	-	-	-	-
Other payables	-	224	111	310	106	-
Lease liabilities	-	122	292	185	55	-
Related party payable – ultimate parent (1)	48,000	-	-	-	-	-
Related part payable – ultimate parent (2)	44,764	-	-	-	-	-
	92,764	3,686	403	495	161	-
<b>2010</b>						
Trade and sundry creditors	-	6,411	-	-	-	-
Other payables	-	138	148	387	1,045	1,442
Lease liabilities	-	122	122	244	599	55
Related party payable – ultimate parent (1)	48,000	-	-	-	-	-
Related part payable – ultimate parent (2)	33,811	-	-	-	-	-
	81,811	6,671	270	631	1,644	1,497

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**3. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Liquidity risk (continued)**

- (1) This debt is payable to BCD Resources NL and is non-interest bearing and payable at call. However, BCD Resources NL has advised that it will not require payment of this loan until such time as the Company is capable of repaying without any adverse consequences in relation to solvency. Refer note 2(z) for more information.
- (2) This debt is payable to BCD Resources NL and is interest bearing and payable at call. However, BCD Resources NL has advised that it will not require payment of this loan until such time as the Company is capable of repaying without any adverse consequences in relation to solvency. Refer note 2(z) for more information.

**(d) Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as outstanding receivables, and represents the potential financial loss if counterparties fail to perform as contracted with a maximum exposure equal to the carrying amount of these financial assets as recorded in the financial statements.

It is the Group's policy that all customers who wish to trade on credit terms and providers of capital or financial counter parties are subject to a credit risk analysis including assessment of credit rating, short term liquidity and financial position.

The Group controls credit risk by:

- maintaining cash and deposits only with reputable major Australian banks; and
- delivering all gold produced at the Tasmania Mine to a major gold refinery.

Gold deliveries are made weekly and maximum credit exposure is eight days.

The majority of receivables, other than gold sale receivables, relate to GST refunds due from the Australian Taxation Office. These are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There were no impairments of receivables as at 30 June 2011 or 30 June 2010 for the Group.

At balance date there were no other significant concentrations of credit risk.

**(e) Fair value**

The methods for estimating fair value are outlined in each of the relevant notes to the financial statements and unless indicated, carrying value approximates fair value.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**(f) Capital management**

The Group's objectives when managing capital are to maintain a strong capital base capable of withstanding cash flow variability, whilst providing the flexibility to pursue its growth aspirations. The Group aims to maintain an optimal capital structure to reduce the cost of capital and maximise shareholder returns.

The capital structure of the Group consists of debt, which includes interest-bearing loans and borrowings as disclosed in notes 16 and 19, cash and cash equivalents and equity.

During the year, the Group undertook the following activities in relation to capital management:

***Debt***

Additional net advances of \$10.953 million were received from BCD Resources NL during the year.

The Group is not subject to any externally imposed capital requirements.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

**(a) Mine rehabilitation provision**

The Consolidated Entity assesses its mine rehabilitation yearly in accordance with the accounting policy note stated in note 2(o). Significant judgement is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine sites. Factors that will affect this liability include future development, changes in technology, price increases and changes in interest rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known.

**(b) Unit-of-production method of depreciation**

The Consolidated Entity uses the unit-of-production basis when depreciating life of mine specific assets which results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's economic life has due regard to both its physical life limitations and to present assessments of economically recoverable reserves and resources of the mine property at which it is located. These calculations require the use of estimates and assumptions.

**(c) Impairment of non-financial assets**

The Consolidated Entity reviews all assets half-yearly to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is the higher of the fair value less costs to sell and value in use calculated in accordance with accounting policy note 2(q). The value in use calculations require the use of estimates and assumptions such as discount rates, commodity prices, future operating development and sustaining capital requirements and operating performance (including the magnitude and timing of related cash flows). In assessing value in use, the estimated future cash flows are discounted to their present value using asset-specific pre-tax discount rates.



**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**(d) Capitalisation of exploration and evaluation costs**

The Consolidated Entity's accounting policy for exploration and evaluation is set out in note 2(o). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves will be found. Any such estimates and assumptions may change as new information becomes available.

**(e) Deferred tax assets**

Deferred tax assets are recognised for tax losses where management considers that it is probable that future taxable profits will be available to utilise those tax losses. When determining the quantum of tax losses eligible to be recognised as a deferred asset, the Consolidated Entity is cognisant of the Tasmania Mine ore reserve estimates. Refer note 2(l).

**(f) Ore Reserve Estimates**

The Consolidated Entity estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('JORC code 2004'). The estimated quantities of economically recoverable reserves are based on interpretations of geological models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserves estimates can impact the carrying value of property, plant and equipment, exploration, evaluation and development, provision for rehabilitation obligations, the recognition of deferred tax assets, other payables, as well as the amount of depreciation and amortisation charged to the Income Statement.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>5. REVENUES AND EXPENSES</b>		
Result before income tax includes the following revenues, income and expenses whose disclosure is relevant in explaining the performance of the Consolidated Entity		
<b>(a) PRODUCTION COSTS</b>		
Operating expenses		
Materials, wages and other	32,368	31,823
Superannuation	417	603
Government Royalties	472	537
Redundancy	1,655	118
Changes in inventories	(308)	231
	<b>34,604</b>	<b>33,312</b>
<b>(b) CORPORATE EXPENSES</b>		
Corporate expenditure	652	860
Superannuation	1	3
Legal expenses	224	702
	<b>877</b>	<b>1,565</b>
<b>(c) DEPRECIATION AND AMORTISATION</b>		
Depreciation		
Buildings	25	30
Mining plant and equipment	1,331	1,376
Plant and equipment under lease	154	163
	<b>1,510</b>	<b>1,569</b>
Amortisation		
Exploration, evaluation and development costs	1,631	1,903
	<b>1,631</b>	<b>1,903</b>
	<b>3,141</b>	<b>3,472</b>
<b>(d) OTHER INCOME</b>		
Management fees	586	704
BBR settlement	-	14
Release of deferred income – government grant	100	134
Profit on sale of fixed assets	168	71
Adjustment to pre-acquisition indemnities	1,732	-
Other	9	8
	<b>2,595</b>	<b>931</b>
<b>(e) OTHER EXPENSES</b>		
Adjustment to pre-acquisition indemnities	-	966
	<b>-</b>	<b>966</b>

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<hr/>		
<b>5. REVENUES AND EXPENSES (continued)</b>		
<b>(f) FINANCIAL INCOME AND EXPENSES</b>		
<b>Financial income</b>		
Interest income	<b>101</b>	123
	<hr/>	<hr/>
	<b>101</b>	123
<b>Financial expenses</b>		
Interest		
- Controlling entity	<b>4,125</b>	3,269
- Other	<b>178</b>	73
Finance lease charges	<b>80</b>	101
Unwind of discount on restoration provisions	<b>385</b>	203
Unwind of discount on pre-acquisition indemnities	<b>150</b>	147
	<hr/>	<hr/>
	<b>4,918</b>	3,793
	<hr/>	<hr/>

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
<hr/>		
6. INCOME TAX		
The major components of income tax expense/benefit are:		
Current income tax expense/(benefit)	4,038	(1,474)
Deferred income tax	-	-
<hr/>		
Income tax expense/(benefit) as reported in the statement of comprehensive income	4,038	(1,474)
<hr/>		
Income tax as reported in equity	-	-
<hr/>		
A reconciliation between tax benefit and the product of accounting loss before income tax multiplied by the Consolidated Entity's applicable income tax rate is as follows:		
Accounting loss before income tax	(7,635)	(4,980)
<hr/>		
Prima facie income tax expense/(benefit) calculated at 30% (2010 – 30%)	(2,291)	(1,494)
Pre-acquisition indemnities increase/(reduction)	(520)	334
Deferred tax assets recognised (not previously brought to account)	-	(314)
Deferred tax assets not recognised	2,811	-
Deferred tax assets reversed	4,038	-
<hr/>		
Income tax expense/(benefit)	4,038	(1,474)
<hr/>		

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>6. INCOME TAX (continued)</b>		
<b>Deferred Income Tax</b>		
Deferred income tax at 30 June relates to the following:		
<i>Deferred tax assets</i>		
Provisions	<b>1,693</b>	1,834
Other	<b>201</b>	317
Carry forward revenue losses	<b>2,146</b>	5,148
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>4,040</b>	7,299
<i>Deferred tax liabilities</i>		
Accelerated depreciation for tax purposes	<b>3,721</b>	2,919
Other	<b>319</b>	342
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>4,040</b>	3,261
<b>NET DEFERRED TAX ASSETS</b>	<b>-</b>	4,038
<b>Tax Losses</b>		
<i>Revenue Losses</i>		
Deferred tax assets for unused revenue losses not recognised	<b>22,751</b>	16,460
The deferred tax assets and carry forward revenue losses not recognised have not been brought to account as it is not currently considered probable that future taxable income will be available against which they can be utilised based on the current gold reserves and hence current reserve life of the Tasmania Mine.		
<i>Capital Losses</i>		
Deferred tax assets for unused capital losses not recognised	<b>22,132</b>	22,132

No deferred tax asset is recognised on the balance sheet for the above capital losses. The capital losses arose in Australia and are available indefinitely for offset against future capital gains of a similar nature subject to continuing to meet relevant statutory tests.

**Tax Consolidation**

The Consolidated Entity is consolidated for the purposes of income taxation.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>7. TRADE AND OTHER RECEIVABLES (i)</b>		
<b>Current (i)</b>		
Share of joint venture receivables (ii)	<b>218</b>	433
Gold Bullion awaiting settlement (iii)	<b>32</b>	914
Other	<b>-</b>	42
	<b>250</b>	1,389

(i) Fair value and credit risk

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral not held as security.

None of these trade and other receivables are past due or considered impaired.

(ii) Joint venture receivables and other debtors are generally collected on 30-90 day terms and are non-interest bearing.

(iii) Balance of proceeds from gold shipments in June 2011 were received in July 2011.

**8. INVENTORIES**

Supply inventories at cost	<b>1,065</b>	1,141
Stockpile of unprocessed ore at cost	<b>149</b>	103
Gold in circuit at cost	<b>865</b>	602
	<b>2,079</b>	1,846

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**9. PARENT ENTITY**

BCD Resources (Operations) NL is the Parent Entity of the Consolidated Entity.

BCD Resources (Operations) NL and APPL Pty Ltd are parties to a Deed of Cross guaranteed under which each company guarantees the debts of the other (see note 10). Details of contingent liabilities of the Parent Entity are contained in note 23. The Parent Entity's expenditure commitments are summarised in note 22.

Summarised financial information in respect of the Parent Entity is set out below.

	<b>Parent Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>Assets &amp; Liabilities</u></b>		
Current assets	<b>11</b>	54
Non-current assets	<b>-</b>	9
Total assets	<b>11</b>	63
Current liabilities	<b>46,596</b>	35,721
Non-current liabilities	<b>96</b>	1,978
Total liabilities	<b>46,692</b>	37,699
Deficiency in net assets	<b>(46,681)</b>	(37,636)
<b><u>Shareholders' equity</u></b>		
Issued capital	<b>49,688</b>	49,688
Accumulated losses	<b>(96,369)</b>	(87,324)
Total equity deficiency	<b>(46,681)</b>	(37,636)
	<b>Year ended</b>	<b>Year ended</b>
	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss for the year	<b>(9,045)</b>	(2,464)
Total comprehensive income	<b>(9,045)</b>	(2,464)

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**10. INTEREST IN SUBSIDIARIES**

	Country of Incorporation	Class of shares	% Held by BCD Resources (Operations) NL		Investment Carrying value	
			2011	2010	2011	2010
			%	%	\$	\$

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The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in note 2(d).

<b>APPL Pty Ltd</b>	Australia	Ordinary	<b>100.00<sup>(a)</sup></b>	100.00 <sup>(a)</sup>	-	-
<b>ACN 070 164 653 Pty Ltd</b>	Australia	Ordinary	<b>100.00<sup>(b)</sup></b>	100.00 <sup>(b)</sup>	-	-
<b>Mojixi Pty Ltd</b>	Australia	Ordinary	<b>100.00<sup>(b)</sup></b>	100.00 <sup>(b)</sup>	-	-

(a) APPL Pty Ltd has been granted relief from the necessity to prepare financial reports in accordance with class order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(b) These subsidiaries do not require audited accounts for the current year as they are small proprietary limited companies.



**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>11. INTEREST IN JOINTLY CONTROLLED ASSET</b>		
The Consolidated Entity has a 51.51% (2010: 51.51%) interest in the assets, liabilities and output of a jointly controlled asset, called the Tasmania Mine.		
The Tasmania Mine is not a separate legal entity. It is a contractual arrangement between the participants for the sharing of costs and output and does not generate revenue and profit. The Consolidated Entity received a fee for the management of the Tasmania Mine of \$0.586 (2010: \$0.704 million).		
The interest in the Tasmania Mine is included in the financial statements as follows:		
<b>CURRENT ASSETS</b>		
Cash	681	947
Trade & other receivables	312	481
Inventories	2,079	1,846
<b>TOTAL CURRENT ASSETS</b>	<b>3,072</b>	<b>3,274</b>
<b>NON-CURRENT ASSETS</b>		
Cash	744	1,737
Property, plant and equipment (owned & leased)	11,526	12,210
Exploration, evaluation and development	5,326	5,289
Security deposit	186	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>17,782</b>	<b>19,236</b>
<b>TOTAL ASSETS</b>	<b>20,854</b>	<b>22,510</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	3,075	5,970
Interest-bearing loans and borrowings	571	408
Provisions	406	1,120
Other	184	170
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,236</b>	<b>7,668</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing loans and borrowings	53	624
Provisions	5,237	4,994
Other	364	478
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>5,654</b>	<b>6,096</b>
<b>TOTAL LIABILITIES</b>	<b>9,890</b>	<b>13,764</b>
<b>NET ASSETS</b>	<b>10,964</b>	<b>8,746</b>

Commitments in relation to the Tasmania Mine are disclosed in note 22.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

**12. PROPERTY, PLANT & EQUIPMENT**

	<b>Land &amp; Buildings \$'000</b>	<b>Mining Plant &amp; Equipment \$'000</b>	<b>Plant &amp; Equipment under Lease \$'000</b>	<b>Total \$'000</b>
<b>CONSOLIDATED</b>				
<b>At 1 July 2009</b>				
Cost	652	41,471	1,445	43,568
Accumulated depreciation	(422)	(30,973)	(230)	(31,625)
Net carrying amount	230	10,498	1,215	11,943
<b>Year ended 30 June 2010</b>				
At 1 July 2009, net of accumulated depreciation	230	10,498	1,215	11,943
Additions - rehabilitation asset	-	1,404	-	1,404
- plant & equipment	-	261	207	468
Transfers	-	52	(52)	-
Disposals	-	(36)	-	(36)
Depreciation charge for the year	(30)	(1,376)	(163)	(1,569)
At 30 June 2010, net of accumulated depreciation	200	10,803	1,207	12,210
<b>At 30 June 2010</b>				
Cost	652	42,951	1,584	45,187
Accumulated depreciation	(452)	(32,148)	(377)	(32,977)
Net carrying amount	200	10,803	1,207	12,210
<b>Year ended 30 June 2011</b>				
At 1 July 2010, net of accumulated depreciation	200	10,803	1,207	12,210
Additions	-	900	36	936
Disposals	-	(110)	-	(110)
Depreciation charge for the year	(25)	(1,331)	(154)	(1,510)
At 30 June 2011, net of accumulated depreciation	175	10,262	1,089	11,526
<b>At 30 June 2011</b>				
Cost	652	43,352	1,620	45,624
Accumulated depreciation	(477)	(33,090)	(531)	(34,098)
Net carrying amount	175	10,262	1,089	11,526

**Leased Assets**

Assets under lease are pledged as security for the associated lease liabilities.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**13. EXPLORATION, EVALUATION & DEVELOPMENT COSTS**

	<b>CONSOLIDATED</b>
	<b>\$'000</b>
<hr/>	
<b>At 1 July 2009</b>	
Cost	
Accumulated amortisation	14,671
Net carrying amount	(9,528)
	<hr/>
	5,143
	<hr/>
<b>Year ended 30 June 2010</b>	
At 1 July 2009, net of accumulated amortisation	5,143
Additions	2,049
Amortisation charge for the year	(1,903)
At 30 June 2010, net of accumulated amortisation	<hr/>
	5,289
	<hr/>
<b>At 30 June 2010</b>	
Cost	16,720
Accumulated amortisation	(11,431)
Net carrying amount	<hr/>
	5,289
	<hr/>
<b>Year ended 30 June 2011</b>	
At 1 July 2010, net of accumulated amortisation	5,289
Additions	1,668
Amortisation charge for the year	(1,631)
At 30 June 2011, net of accumulated amortisation	<hr/>
	5,326
	<hr/>
<b>At 30 June 2011</b>	
Cost	18,388
Accumulated amortisation	(13,062)
Net carrying amount	<hr/>
	5,326
	<hr/>

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>14. OTHER NON-CURRENT ASSETS</b>		
Security deposits	<b>186</b>	<b>112</b>
	<b>186</b>	<b>112</b>
<b>15. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Trade and sundry creditors (i)	<b>3,341</b>	<b>6,411</b>
Borrowings (ii)	<b>48,000</b>	<b>48,000</b>
Amounts paid under indemnity by Consolidated Entity's former banker (iii)	<b>644</b>	<b>673</b>
	<b>51,985</b>	<b>55,084</b>
<b>Non-Current</b>		
Amounts paid under indemnity by Consolidated Entity's former banker (iii)	<b>96</b>	<b>2,029</b>
	<b>96</b>	<b>2,029</b>

- (i) Trade and sundry creditors includes joint venture and corporate expenses. They are non-interest-bearing and normally settled in 30-60 days.
- (ii) Unsecured loans owing to the Company by APPL Pty Ltd and ACN 070 164 653 Pty Ltd were assigned by the Company to its former banker during 2002. There is no contractual right to interest and there is no fixed term for repayment.

The former banker assigned the benefit of the above loans to BCD Resources NL in February 2007.

(iii) Former banker

Under the terms of an agreement with the Company's former banker, the agreement being a pre-requisite of terminating the Allstate Deeds of Company Arrangement and consolidating ownership of the Tasmania Mine, the Company agreed to repay advances paid to it in accordance with an indemnity agreement and guarantee.

An agreed amount is being repaid at the rate of \$10 per ounce of future gold production from the Tasmania Mine, with no recourse beyond that.

The current liability includes the amount payable to 30 June 2012 at the fixed amount per ounce based on forecast production.

The non-current portion is the fair value of amounts payable at the fixed amount per ounce after 30 June 2012, based on production projections and present recoverable reserves. The excess not supported by current reserves is treated as a contingent liability (refer note 23(a)).

Information regarding the interest rate and liquidity risk associated with trade and other payables is set out in note 3.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>16. INTEREST BEARING LOANS &amp; BORROWINGS</b>		
<b>Current</b>		
Lease liability (refer note 22)	<b>571</b>	408
Related party payable – ultimate parent (refer to note 24(d))	<b>44,764</b>	33,811
	<b>45,335</b>	34,219

Information regarding the interest rate and liquidity risk of interest bearing loans & borrowings is set out in note 3.

**17. PROVISIONS**

<b>Current</b>		
Employee benefits – annual leave	<b>236</b>	759
Employee benefits – long service leave	<b>170</b>	361
	<b>406</b>	1,120

**18. OTHER LIABILITIES**

<b>Current</b>		
Deferred income (i)	<b>184</b>	170
	<b>184</b>	170
<b>Non current</b>		
Deferred income (i)	<b>364</b>	478
	<b>364</b>	478

- (i) Deferred income relates to the proceeds from the Beaconsfield Community Fund grant specifically for decline expenditure. This will be recognised as income over the life of the mine on a unit-of-production basis.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>19. INTEREST BEARING LOANS &amp; BORROWINGS</b>		
<b>Non current</b>		
Lease liability (refer note 22)	53	624
	<b>53</b>	<b>624</b>

Information regarding the interest rate and liquidity risk of interest bearing loans & borrowings is set out in note 3.

**20. PROVISIONS**

**Non current**

Employee benefits – long service leave	104	246
Rehabilitation (refer below)	5,133	4,748
	<b>5,237</b>	<b>4,994</b>

**Rehabilitation**

- (a) A provision for rehabilitation is recognised in relation to the restoration of the Hart Shaft collar area, the mine dewatering system and other costs associated with this rehabilitation of the mine and processing plant sites. The provision represents the net present value of the estimated cost of restoring the mine site and processing plant sites.

The annual increase in the provision relating to the change in the net present value of the provision and inflationary increases are accounted for in finance costs.

- (b) Movements in rehabilitation provision.

Carrying amount at beginning	4,748	3,141
Additions during the year	-	1,404
Discount rate adjustment	385	203
Carrying amount at end	<b>5,133</b>	<b>4,748</b>

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

**21. MOVEMENTS IN SHARE CAPITAL**

<b>Number of shares</b>	<b>2011 \$'000</b>	<b>2010 \$'000</b>
73,677,627	49,688	49,688

Number of shares comprises 62,818,175 fully paid ordinary shares and 10,859,452 partly paid (subscription price \$0.75 paid to \$0.45) shares.

No movements in issued and paid up capital of the Company have occurred during the past two years. The Company does not have a limited authorised capital and issued shares have no par value.

**22. EXPENDITURE COMMITMENTS**

**CONSOLIDATED**

<b>2011 \$'000</b>	<b>2010 \$'000</b>
------------------------	------------------------

**Exploration**

In order to maintain rights of tenure to mining tenements, the Consolidated Entity is committed to tenement rentals and minimum exploration expenditure in terms of the requirements of the Tasmanian Department of Infrastructure, Energy and Resources. This requirement will continue for future years with the amount dependent upon tenement holdings.

<b>780</b>	<b>785</b>
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**Capital expenditure**

There were no capital expenditure commitments at 30 June 2011 and 30 June 2010

**Commitments in relation to finance leases are as follows:**

Payable not later than one year	<b>599</b>	<b>488</b>
Later than one year but not later than five years	<b>55</b>	<b>654</b>
Minimum lease payments	<b>654</b>	<b>1,142</b>
Less: future finance charges	<b>(30)</b>	<b>(110)</b>
	<b>624</b>	<b>1,032</b>
Current lease liability (note 16)	<b>571</b>	<b>408</b>
Non-current lease liability (note 19)	<b>53</b>	<b>624</b>
	<b>624</b>	<b>1,032</b>

Lease liabilities are secured by the leased items of plant and equipment.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**23. CONTINGENCIES**

**(a) Contingent Liabilities**

*Former Allstate Banker*

Under the terms of an agreement with the Company's former banker, the agreement being a pre-requisite of terminating the Allstate Deeds of Company Arrangement and consolidating ownership of the Tasmania Mine, the Company agreed to repay advances made to it by the former banker.

An agreed amount is being repaid at a fixed A\$ rate per ounce of gold produced from the Tasmania Mine after 27 February 2007, with no recourse beyond that.

Present recoverable reserves of the Tasmania Mine are insufficient to fully repay the advances. An amount of \$2.821 million (\$0.790 million at 30 June 2010), out of the total advances of \$3.572 million (as at 30 June 2011) will only be repaid if recoverable reserves are increased by approximately 282,000 ounces. Refer note 15 for details of amounts that have been recognised in relation to these advances.

*Claim Against Blake Dawson*

A summary of the claim is set out in note 23(b) Contingent Assets. The Company elected not to proceed with its appeal against the Court's decision, and all potential liability for costs was removed as a result of the settlement reached.

**(b) Contingent Assets**

*Claim Against Blake Dawson*

The BCD Resources group's action against Blake Dawson was heard in the WA Supreme Court in March 2010.

The decision of the court was handed down on 7 May 2010. Whilst the judge found in the Company's favour that Blake Dawson had breached its contract of retainer, he awarded nominal charges only and awarded costs to Blake Dawson. The Company initially filed a notice of appeal against the decision, however elected not to proceed with the appeal.

*Royalty payments to Mineral Resources Tasmania ('MRT')*

In June 2009, the Company submitted a claim to MRT alleging overpayment of profit-based royalty by the former Allstate deed administrator over the five year period ended 30 June 2005.

The alleged overpayment (approximately \$1.877 million) arose from an understatement of depreciation and amortisation expense in calculating profit for royalty, thereby overstating profit.

Due to the decline in the group's profitability since June 2005, no profit-based royalty has been payable since the June 2005 financial year. The group continues to pay ad valorem royalty to MRT when it becomes due.

MRT has rejected the overpayment claim. The Company has filed a statement of claim seeking to recover the alleged overpayment amount. This action is proceeding in the Supreme Court of Tasmania.



**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**24. RELATED PARTY DISCLOSURES**

**(a) Directors**

The following persons held the position of Director of the Company during the past financial year, and up to the date of signing the director's declaration:

Michael D Botting	Non-Executive Chairman	(Appointed 21 June 2011)
Kevin J Perrin	Non-Executive Director	
Nigel B Webb	Non-Executive Director	(Appointed 21 June 2011)
Denis E Clarke	Non-Executive Chairman	(Resigned 25 February 2011)
Michael W Trumbull	Non-Executive Director	(Resigned 25 February 2011)
William Tsingos	Non-Executive Director	(Resigned 17 November 2010)
Neville K Bergin	Non-Executive Chairman	(Appointed 28 February 2011)
		(Resigned 24 August 2011)
Andrew J Drummond	Non-Executive Director	(Appointed 28 February 2011)
		(Resigned 20 June 2011)

Transactions entered into during the year with the Directors of the Company and their Director related entities are within normal employee relationships, on terms and conditions no more favourable to those available to other employees.

**(b) Immediate controlling entity**

The controlling entity of the Consolidated Entity is BCD Resources (Operations) NL. The ultimate controlling entity is BCD Resources NL, a company incorporated in Australia and listed on the Australian Securities Exchange.

**(c) Ownership interests**

The ownership interests in related parties in the wholly owned group are set out in note 10.

**(d) Transactions with related parties in the group**

(i) The Company and its controlled entities provide credit to each other from time to time to fund administration and corporate activities. Repayments are made periodically as appropriate. No interest was payable up to 30 June 2011. During the year the parent entity advanced loans to (\$40,830 million) and received repayments from (\$34.092 million) entities within the wholly owned group on short term intercompany accounts.

(ii) The ultimate controlling entity advanced funds to the Consolidated Entity to enable it to meet its mine costs and corporate obligations. The Consolidated Entity offsets these advances from the proceeds of gold sales. The net effect of advances and gold sales during the year was to increase the unsecured loan by \$10.953 million. The unsecured loan was charged interest at a variable rate. There is no fixed term of repayment.

(iii) During the year the ultimate controlling entity charged management fees of \$0.849 million to the Consolidated Entity for administration of the Tasmania Mine and corporate activities.

**(e) Transactions with director related parties**

As disclosed in the Remuneration Report, \$212,963 was paid to Minemakers Limited for the services of the Tasmania Mine General Manager. A J Drummond is Managing Director of Minemakers Limited.

During the year \$19,011,213 (100% Tasmania Mine) was paid to Webb Mining Services Pty Ltd in relation to the underground mining contract at the Tasmania Mine. N B Webb is the sole director of Webb Mining Services Pty Ltd.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

	2011	2010
<b>25. EARNINGS PER SHARE (EPS)</b>		
Basic EPS (cents)	(15.84)	(4.8)
Diluted EPS (cents)	(15.84)	(4.8)
The following income and share data were used in the calculations of basic and diluted EPS:		
	\$'000	\$'000
Net loss used as the numerator:		
- Basic and diluted earnings/(loss) per share	(11,673)	(3,506)
	No. of Shares ( '000)	No. of Shares ( '000)
Weighted average number of ordinary shares outstanding during the year used as the denominator in calculating:		
- Basic and diluted EPS	73,678	73,678

**26. SEGMENT INFORMATION**

The Consolidated Entity operates within the minerals exploration and mining industry in Australia and has one customer from which it sources its revenue. All sales are made within Australia. All assets owned by the Consolidated Entity are held within Australia.

**27. EVENTS AFTER THE BALANCE SHEET DATE**

There has not arisen in the interval between the end of the financial 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 except for the matter referred to below:

- Tasmania Mine Reserves have been depleted since June 2010 by mining extraction, sterilisation of pillars, and the re-classification of some material below the 1210 level. The calculation of updated Reserves is incomplete but is expected to be reported during October 2011.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<hr/>		
<b>28. AUDITORS' REMUNERATION</b>		
<i>Amounts received or due and receivable by RSM Bird Cameron Partners for :</i>		
• an audit and/or review of the financial report of the entity and any other entity in the Consolidated Entity	<b>46,543</b>	64,366
• other services in relation to the entity and any other entity in the Consolidated Entity <sup>(1)</sup>		
– tax compliance	<b>8,500</b>	5,000
– other tax services and advice	<b>9,500</b>	-
	<hr/>	<hr/>
	<b>64,543</b>	<b>69,366</b>
	<hr/>	<hr/>

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>29. STATEMENT OF CASH FLOWS</b>		
<b>(a) Reconciliation of net loss after tax to net cash flows from operations:</b>		
Net loss after tax	<b>(11,673)</b>	<b>(3,506)</b>
<b>Adjustments for:</b>		
<b>Non-cash items:</b>		
Amortisation of non-current assets	<b>1,631</b>	<b>1,903</b>
Depreciation of non-current assets	<b>1,510</b>	<b>1,569</b>
Unwind of discount on restoration provision	<b>385</b>	<b>203</b>
Unwind of discount on pre-acquisition indemnities	<b>150</b>	<b>147</b>
Adjustment to pre-acquisition indemnities	<b>(1,732)</b>	<b>966</b>
Profit on sale of fixed assets	<b>(168)</b>	<b>(71)</b>
Tax expense/(benefit)	<b>4,038</b>	<b>(1,474)</b>
<b>Transfers:</b>		
Interest received – transfer to investing activities	<b>(101)</b>	<b>(123)</b>
Financing costs - transfer to financing activities	<b>274</b>	<b>-</b>
<b>Changes in assets and liabilities</b>		
Receivables & prepayments	<b>1,093</b>	<b>507</b>
Inventories	<b>(232)</b>	<b>180</b>
Trade & other creditors & borrowings	<b>1,545</b>	<b>5,244</b>
Provisions	<b>(856)</b>	<b>(61)</b>
Other assets	<b>(74)</b>	<b>197</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>(4,210)</b>	<b>5,681</b>

**(b) Reconciliation of cash**

For the purposes of the Statement of Cash Flows, cash includes cash at bank and on hand. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash balance comprises:

Current asset	<b>692</b>	<b>959</b>
Non-current asset	<b>744</b>	<b>1,737</b>
	<b>1,436</b>	<b>2,696</b>

Cash deposits at banks are earning interest at current bank deposit rates. The year average rate was 4.6% (2010: 2.7%).

At 30 June 2011 \$1.611 million (2010: \$2.448 million) of cash was held on deposit as security for Tasmania Mine employee entitlements. This cash can only be used to settle Tasmania Mine employee entitlements.

**(c) Non-cash financing activities – finance lease transactions**

During the financial year the Consolidated Entity did not enter into any finance leases. For the 2010 year the Consolidated Entity acquired plant and equipment with an aggregate fair value of \$0.207 million by means of finance leases.

**BCD RESOURCES (OPERATIONS) NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2011**

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**30. KEY MANAGEMENT PERSONNEL DISCLOSURES**

**(a) Details of Key Management Personnel**

*(i) Directors*

Michael D Botting	Non-Executive Chairman - appointed 21 June 2011
Kevin J Perrin	Non-Executive Director
Nigel B Webb	Non-Executive Director – appointed 21 June 2011
Denis E Clarke	Non-Executive Chairman – resigned 25 February 2011
Michael W Trumbull	Non-Executive Director – resigned 25 February 2011
William Tsingos	Non-Executive Director – 17 November 2010
Neville K Bergin	Non-Executive Director – resigned 24 August 2011
Andrew J Drummond	Non-Executive Director – resigned 20 June 2011

*(ii) Executives*

Peter R Thompson	Chief Executive Officer – appointed 1 March 2011
Paul Richardson	Tasmania Mine General Manager – appointed 8 November 2010
Brian D Coulter	Chief Financial Officer and Company Secretary
William T Colvin	Chief Executive Officer – resigned 28 February 2011
Richard K Holder	Tasmania Mine General Manager – terminated 5 November 2010

There were no changes to key management personnel between the reporting date and the date the financial report was authorised for issue.

**(b) Compensation of Key Management Personnel**

*Compensation by Category*

	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Short-Term	<b>242,869</b>	36,259
Post Employment	<b>661</b>	14,741
	<b>243,530</b>	51,000

NOTE: P R Thompson, B D Coulter, W T Colvin and R K Holder are/were employed by BCD Resources NL and no part of their` remuneration is/was paid by the Company or the Consolidated Entity.

**(c) Shareholdings of Key Management Personnel**

*Shares held in BCD Resources (Operations) NL- Direct and Indirect Holdings*

None of the key management personnel of the BCD Resources (Operations) Group hold any shares, directly or indirectly, in BCD Resources (Operations) NL.

**(d) Other transactions and balances with Key Management Personnel**

There were no other transactions or balances with Key Management Personnel.

## BCD RESOURCES (OPERATIONS) NL

### Directors' Declaration

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

- (1) (a) the financial report of the consolidated entity, and the additional disclosures included in the Directors' report designated as audited are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of the consolidated entity's performance for the year ended on that date;
    - (ii) complying with Accounting Standards and Corporations Regulations 2001;
  - (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; and
  - (c) in the directors' opinion, the financial statement and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 2 to the financial statements.
- (2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 10 to the financial statements will, as a group, be able to meet any obligation or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

On behalf of the Board



K J Perrin  
Director

30 September 2011  
Melbourne

**RSM Bird Cameron Partners**

Chartered Accountants

**RSM Bird Cameron Partners**

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
BCD RESOURCES (OPERATIONS) NL**

**Report on the Financial Report**

We have audited the accompanying financial report of BCD Resources (Operations) NL ("the company"), which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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 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(b), the directors also state, in accordance with 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 about 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 and fair presentation of the financial report 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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# BCD RESOURCES (OPERATIONS) NL

## Independent Audit Report

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**RSM Bird Cameron Partners**  
Chartered Accountants

### *Independence*

In conducting our audit, 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 report.

### *Opinion*

In our opinion:

- (a) the financial report of BCD Resources (Operations) NL is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 2(z) in the financial report which refers to the significant net working capital deficits, net liability position and operating losses of BCD Resources (Operations) NL and the reliance of the company and consolidated entity on the continued support of BCD Resources NL to enable BCD Resources (Operations) NL to meet its debts as and when they fall due. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's and consolidated entity's ability to continue as going concerns and, therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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 Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion the Remuneration Report of BCD Resources (Operations) NL for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

*RSM Bird Cameron Partners*

**RSM BIRD CAMERON PARTNERS**  
Chartered Accountants

*JS Croall*  
**J S CROALL**  
Partner

Dated: 30 September 2011  
Melbourne, Victoria