

BCD RESOURCES (OPERATIONS) NL

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

**FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2011**

ABN 27 000 679 023

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CORPORATE INFORMATION

ABN 27 000 679 023

Directors

Michael D Botting	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
E-mail:	enquiries@bcdresources.com.au

Mine Site Office

5 West Street
Beaconsfield TAS 7270

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

Share Registry

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

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

Auditor

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

Banker

National Australia Bank Limited
46 St John Street
Launceston TAS 7250

BCD RESOURCES (OPERATIONS) NL
HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2011

Your directors submit their report for the half-year ended 31 December 2011.

DIRECTORS

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

Michael D Botting

Kevin J Perrin

Nigel B Webb

Neville K Bergin (Resigned 24 August 2011)

PRINCIPAL ACTIVITIES

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

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

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

CONSOLIDATED RESULT

Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$4.091 million was an improvement of \$6.666 million compared to the December 2010 half year. This improvement mainly reflects: -

- 22% reduction in Tasmania Mine production costs; and
- higher gold price realised in the December 2010 half year of A\$1,675 per ounce (December 2010 A\$1,371 per ounce);

partly offset by: -

- lower gold production from the Tasmania Mine of 22,694 ounces (BCO share 11,690 ounces) compared to 24,053 ounces (BCO share 12,390 ounces) in the December 2010 half year;
- provision for obsolete warehouse inventory (BCO share \$0.372 million); and
- provision for redundancy of the Tasmania Mine workforce following the announcement that mining will finish at the end of June and processing operations by the end of December; and
- write-off of exploration expenditure (BCO share \$0.524 million).

The consolidated loss for the half-year after income tax was \$4.629 million (31 December 2010 half-year: loss of \$6.453 million). This was after providing \$5.959 million for depreciation and amortisation (31 December 2010 half year: \$1.638 million) with the increase due to the reduction in Tasmania Mine ore reserves.

Deficiency in net assets at 31 December 2011 was \$87.088 million (30 June 2011: \$82.763 million deficiency).

REVIEW OF FINANCIAL RESULTS

The financial results for the 31 December 2011 half-year for BCD Resources (Operations) NL are summarised in the following table:

	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Gold and silver sales revenue	19,530	16,846
Other revenue (excluding interest)	364	288
Total revenue (excluding interest)	19,894	17,134
EBITDA	4,091	(2,575)
Net loss after tax	(4,629)	(6,453)
Basic loss per share (cents)	(6.3)	(8.8)
Net tangible assets (\$ per share)	(1.18)	(1.05)

REVIEW OF OPERATIONS

1. Tasmania Mine

The Tasmania Mine operated at full production throughout the half-year with 116,564 tonnes of ore mined which was 12% lower than for the June 2011 half-year and 30% lower than for the December 2010 half-year.

Gold production for the period of 22,694 ounces was 6% (1,359 ounces) lower than for the December 2010 half-year due mainly to the lower ore mined and treated, partly offset by a 25% increase in the average gold grade of ore treated to 7.12 g/t gold (December 2010 half-year 5.70 g/t), which in part highlights the grade variability inherent in a high grade underground mine with relatively few discrete working areas and partly reflects the commencement of stoping production in the higher grade Western zone of the mine.

Mining of the high grade Western Zone of the Tasmania Mine commenced in September 2011, with immediate impact on mill grades, recoveries and gold production, and with excellent recovery and extraction rates.

The ore treatment plant processed 116,429 tonnes of ore during the December half-year (December 2010 half-year 160,639 tonnes). Overall gold recovery of 85.1% (December 2010 half-year 81.7%) was higher as a result of the increased feed grade.

2. Tasmania Mine Expenditure

The reduced quantity of ore mined, together with cost saving initiatives and the lower level of operating development following completion of development of the Western Zone of the Tasmania Mine, saw the cost of production for the half-year for the mine as a whole decrease to \$26.501 million (BCO share: \$13.651 million) compared to \$33.910 million (BCO share: \$17.644 million) in the December 2010 half year. Costs were increased by \$0.721million (BCO share \$0.372 million) to allow for possible losses on slow moving and obsolete warehouse inventory.

Cash costs of production were \$1,200 per ounce, \$475 per ounce (28%) lower than the average selling price for the half-year of A\$1,675 per ounce. Cash cost per tonne milled increased by 8% to \$234 per tonne due to the net effect of lower expenditure and lower mill throughput.

3. BCD Resources (Operations) Revenue

Total revenue from gold and by-product silver sales for the December 2011 half-year was \$19,530 million (December 2010 half-year \$16,846 million). The increase from the previous corresponding half-year reflects the net impact of higher realised gold price of A\$1,675 per ounce (2009: A\$1,371 per ounce) and lower gold production.

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4. Tasmania Mine Ore Reserves/Resources (as at 30 June 2011)

An updated Resource and Reserve Statement, as at 30 June 2011, was released in October 2011.

The reported Identified Gold Resource for the Tasmania Mine was:

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
Total Resources	1,011,000	10.3	334,000

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

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

Reserves fell by 209,000 ounces from the June 2010 estimate, as further decline development was not considered economic because of lower ounces per vertical metre below 1210m level (47,000 ounces) and the East Hanging Wall lode (32,500 ounces) was found too thin to mine profitably. Depletion due to mining accounted for 66,800 ounces of the reduction. The 47,000 ounces removed from Reserves below the 1210m level are under ongoing review and should they become economic due to changed circumstances, would be reclassified as Reserves.

5. Exploration

Exploration activities in the half year were restricted by parent company debt repayment requirements

Tasmania Mine Resource Extension Drilling

Diamond drilling was completed to assist with stoping design and to confirm ore continuity in the Footwall lode lying above and behind the Western Zone. This Footwall lode ("F1") is a quartz splay which is to be mined independently from the 1115m and 1130m levels. Drilling intersections include 3.2m @ 43.7g/t gold, 2.1m @ 24.8g/t gold and 3.0m @ 13.5g/t gold (true widths).

6. Gold Hedging for BCD Resources (Operations)

A 7,000 oz hedging facility (BCO share 3,606 ounces) was entered into by the parent company during the December quarter, with 6,047 ounces of December quarter gold shipments (BCO share 3,115 ounces) delivered into the forward contract, and the balance during January 2012. That facility was for a fixed price delivery of between \$1,747 and \$1,753 per ounce, and delivered a premium to the Company above the spot gold price to the value of A\$0.4 million. The BCD Resources Group currently is completely unhedged and all production from the Tasmania Mine is available for delivery at the spot price.

7. Tasmanian Royalty Dispute

The BCD Resources group has commenced proceedings in the Supreme Court of Tasmania to recover alleged overpayment of Tasmanian mining royalty totalling \$1.9 million. These payments were made during the period 2003 to 2006 by the then deed administrators of the Company. Proceedings are currently at the Discovery stage.

ROUNDING

The amounts contained in this report and in the half-year 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.

AUDITOR'S INDEPENDENCE DECLARATION

A declaration of independence has been provided by our auditors, RSM Bird Cameron Partners, and is attached at page 6.

This report is signed in accordance with a resolution of the directors.



K J Perrin
Director

29 February 2012

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 review of the financial report of BCD Resources (Operations) NL for the half year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Chartered Accountants

John Croall

J S CROALL

Partner

Dated: 29 February 2012
Melbourne, Victoria

STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

		CONSOLIDATED	
	Notes	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Revenue from gold and silver sales		19,530	16,846
Production costs	2(a)	(15,280)	(19,202)
GROSS PROFIT/(LOSS) FROM MINING OPERATIONS		4,250	(2,356)
Corporate expenses	2(b)	(356)	(658)
Exploration expenditure written off		(524)	-
Depreciation and amortisation	2(c)	(5,959)	(1,638)
OPERATING LOSS BEFORE OTHER INCOME/(EXPENSES)		(2,589)	(4,652)
Other income	2(d)	721	439
Other expenses		-	-
OPERATING LOSS BEFORE FINANCE COSTS		(1,868)	(4,213)
Financial income	2(e)	31	26
Financial expenses	2(e)	(2,792)	(2,266)
LOSS BEFORE TAX		(4,629)	(6,453)
Income tax		-	-
NET LOSS AFTER TAX		(4,629)	(6,453)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(4,629)	(6,453)

Earnings/(loss) per share

Basic loss per share (cents per share)	(6.3)	(8.8)
Diluted loss per share (cents per share)	(6.3)	(8.8)
Dividends per share	-	-

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

		CONSOLIDATED	
	Notes	As at 31 Dec 2011 \$'000	As at 30 June 2011 \$'000
ASSETS			
Current Assets			
Cash		1,570	692
Trade & other receivables		1,726	250
Prepayments		174	94
Inventories		1,637	2,079
Other		304	-
Total Current Assets		5,411	3,115
Non-Current Assets			
Cash		-	744
Property, plant & equipment		8,099	11,526
Exploration, evaluation & development		2,496	5,326
Other		186	186
Total Non-Current Assets		10,781	17,782
TOTAL ASSETS		16,192	20,897
LIABILITIES			
Current Liabilities			
Trade & other payables	3	51,175	51,985
Interest-bearing loans & borrowings	4	44,809	45,335
Provisions		1,457	406
Other		270	184
Total Current Liabilities		97,711	97,910
Non-Current Liabilities			
Payables	3	-	96
Interest-bearing loans & borrowings	4	16	53
Provisions		5,553	5,237
Other		-	364
Total Non-Current Liabilities		5,569	5,750
TOTAL LIABILITIES		103,280	103,660
DEFICIENCY IN NET ASSETS		(87,088)	(82,763)
EQUITY			
Share capital	5	49,688	49,688
Accumulated losses		(137,080)	(132,451)
Reserves		304	-
TOTAL EQUITY DEFICIENCY		(87,088)	(82,763)

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

STATEMENT OF CASH FLOWS

HALF-YEAR ENDED 31 DECEMBER 2011

		CONSOLIDATED	
	Notes	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Cash Flows from Operating Activities			
Receipts from customers		18,384	17,962
Payments to suppliers & employees		(14,465)	(23,497)
Net Cash Flows from/(used in) Operating Activities		3,919	(5,535)
Cash Flows from Investing Activities			
Interest received		32	26
Proceeds from sale of fixed assets		-	7
Purchase of plant & equipment		(89)	(618)
Mine development expenditure		(137)	(1,210)
Net Cash Flows used in Investing Activities		(194)	(1,795)
Cash Flows from Financing Activities			
Loan from/(repayments to) controlling entity		(3,003)	6,847
Repayment of indemnity		(328)	(138)
Repayment of lease principal		(246)	(244)
Interest paid		(14)	(193)
Net Cash Flows from/(used in) Financing Activities		(3,591)	6,272
Net Increase/ (Decrease) in Cash		134	(1,058)
Cash at Beginning of the Financial Period		1,436	2,696
Cash at End of the Financial Period	9	1,570	1,638

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

STATEMENT OF CHANGES IN EQUITY

HALF-YEAR ENDED 31 DECEMBER 2011

	Issued Capital \$'000	Accumulated Losses \$'000	Reserves \$'000	Total Deficiency \$'000
At 1 July 2010	49,688	(120,776)	-	(71,088)
Loss for the period	-	(6,453)	-	(6,453)
At 31 December 2010	49,688	(127,229)	-	(77,541)
At 1 July 2011	49,688	(132,451)	-	(82,763)
Deferred Gain on Cash Flow Hedges	-	-	304	304
Loss for the period	-	(4,629)	-	(4,629)
At 31 December 2011	49,688	(137,080)	304	(87,088)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose financial report for the half-year ended 31 December 2011 has been prepared in accordance with applicable accounting standards including AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2011 and considered together with any public announcements made by the parent company, BCD Resources NL, during the half-year ended 31 December 2011 and up to the date of signing these accounts in accordance with the continuous disclosure obligations of the *Corporations Act 2001* and the *ASX Listing Rules*.

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

(b) Going Concern

The 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 Consolidated Entity has a net working capital deficit of \$92.300 million and net liabilities of \$87.088 million as at 31 December 2011 (30 June 2011: \$94.795 million and \$82.763 million, respectively). The Consolidated Entity recorded an operating loss after income tax of \$4.629 million for the half year ended 31 December 2011 (2010: \$6.453 million loss).

The Consolidated Entity reported Earnings before Interest, Tax, Depreciation and Amortisation of \$4.091 million for the six months to 31 December 2011 (\$2.575 million loss for the six months to 31 December 2010, and \$0.323 million profit for the year ended 30 June 2011).

The ability of the Consolidated Entity to continue as a going concern, including the ability of the Consolidated Entity to pay its 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) Continued strength of the A\$ gold price (the gold price at the date of this report was A\$1,657 per ounce) with all gold being delivered into the spot market.
- (ii) The current life of mine model, which is used as the basis for the projected cash flow modeling, includes mining in the Western Zone of the Tasmania Mine where production to date has confirmed high grade mineralisation.
- (iii) The expectation that the projected rehabilitation cash costs associated with the closure of the Tasmania Mine are within the range anticipated in the life of mine model.
- (iv) At the date of this report BCD Resources NL ("BCD") continued to fund the operations and financing activities of the Company and its subsidiaries.
- (v) BCD has advised the Company it will not require repayment of loans owed to BCD as at 29 February 2012 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 Consolidated Entity not achieve the positive cash flows projected for the remaining life of the Tasmania Mine, and achieved in the December 2011 half year, and/or the current funding support provided by BCD be withdrawn, there would be significant uncertainty as to whether the Consolidated Entity could continue as a going concern and therefore whether it could realise its assets and extinguish its liabilities in the normal course of business. No adjustments have been made relating to the recoverability and classification of recorded asset amounts, and classification of liabilities, that might be necessary should the Consolidated Entity not continue as a going concern.

This is consistent with the accounting policy adopted at 30 June 2011.

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		CONSOLIDATED	
		31 Dec 2011	31 Dec 2010
		\$'000	\$'000
2. REVENUES AND EXPENSES			
Results before income tax include the following revenues, income and expenses whose disclosure is relevant in explaining the performance of the Consolidated Entity			
(a) PRODUCTION COSTS			
Operating expenses		13,581	18,278
Redundancy expenses		978	1,311
Government royalties		279	247
Changes in inventories		442	(634)
		15,280	19,202
(b) CORPORATE EXPENSES			
Corporate expenditure		356	516
Legal expenses		-	142
		356	658
(c) DEPRECIATION AND AMORTISATION			
Depreciation			
Buildings		53	12
Mining plant and equipment		3,134	667
Plant and equipment under lease		330	79
		3,517	758
Amortisation			
Exploration, evaluation and development costs		2,442	880
		2,442	880
		5,959	1,638
(d) OTHER INCOME			
Management fees		353	281
Release of deferred income – government grant		278	54
Adjustment to pre-acquisition indemnities		79	97
Profit on sale of fixed assets		-	5
Other		11	2
		721	439

BCD RESOURCES (OPERATIONS) NL
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		CONSOLIDATED	
		31 Dec 2011	31 Dec 2010
		\$'000	\$'000
(e) FINANCIAL INCOME AND EXPENSES			
Financial income			
Interest income		31	26
		31	26
Financial expenses			
Interest expenses		2,337	1,998
Finance lease charges		25	45
Unwind of discount on restoration provisions		420	75
Unwind of discount on pre-acquisition indemnities		10	148
		2,792	2,266
3. TRADE & OTHER PAYABLES			
Current			
Trade and sundry creditors		2,831	3,341
Owing to BCD Resources NL		48,000	48,000
Amounts paid under indemnity by the Consolidated entity's former banker		344	644
		51,175	51,985
Non-Current			
Amounts paid under indemnity by the Consolidated entity's former banker		-	96
4. INTEREST BEARING LOANS & BORROWINGS			
Current			
Owing to BCD Resources NL		44,422	44,764
Lease liabilities		387	571
		44,809	45,335
Non-Current			
Lease liabilities		16	53
5. ISSUED CAPITAL			
Issued and paid up capital			
62,818,175 (30 June 2011: 62,818,175) ordinary shares fully paid		44,801	44,801
10,859,452 (30 June 2011: 10,859,452) partly paid ordinary shares issued at \$0.75 and partly paid to \$0.45		4,887	4,887
		49,688	49,688

6. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change in any contingent liability or contingent asset.

7. EVENTS AFTER THE BALANCE SHEET DATE

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

8. SEGMENT INFORMATION

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

Seasonality

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

9. CASH AND CASH EQUIVALENTS

Reconciliation of Cash

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

	CONSOLIDATED	
	31 Dec 2011	31 Dec 2010
	\$'000	\$'000
Cash at bank and in hand		
Current asset	1,570	485
Non-current asset	-	1,153
	1,570	1,638

At 31 December 2011 \$1.314 million (2010: \$1.365 million) of cash was held on deposit as security for Tasmania Mine employee entitlements.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001* including:
 - (i) Giving a true and fair view of the financial position as at 31 December 2011 and the performance for the half-year ended on that date of the Consolidated Entity; and
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) as indicated in Note 1(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



K J Perrin
Director

29 February 2012

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

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

BCD RESOURCES (OPERATIONS) NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BCD Resources (Operations) NL ("the company"), which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BCD Resources (Operations) NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

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


RSM BIRD CAMERON PARTNERS
Chartered Accountants


J S CROALL
Partner

Dated: 29 February 2012
Melbourne, Victoria