

BGF Equities Company Research

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Beaconsfield Gold NL BCD

Update following presentation

"Getting back to steady state operations, with some upside on the copper front"

Market Data

Share Price	13.5¢
12 Mth High/Low	12-35¢
Market Cap'n	\$64m (undiluted for options)
ASX Listed Shares	400 million ordinary
Escrowed Shares	Nil
Unlisted Options	20 mill. various
Cash Balance	\$7m (1/9/08)
Largest Shareholders	Malaysian Smelting 22%

Western Victoria. Coffey Mining calculated the following JORC inferred resources;

<u>Cut-Off</u>	<u>Tonnes</u>	<u>Grade</u>	<u>Contained</u>
(% Cu)	(Mill.)	Cu %	Cu Tonnes
0.3%	10.6	0.45%	47,300
0.4%	5.6	0.53%	30,000
0.5%	2.3	0.66%	15,400

Investment Perspective: BCD is just hitting equilibrium production levels after a year of ramping up, subsequent to the suspension of mining and re-opening a year ago. At the current price of 13.5¢ the shares are close to fair value if our assumption of cash costs of A\$700/oz is valid, using a gold price of US\$800/oz and an exchange rate of 0.8150. We expect a stronger September quarterly report, which may lead to increased confidence levels that the mine is back to where it should be.

The Stavely copper project in western Victoria adds depth to the Company, as it may prove to be a profitable diversification of earnings, depending upon the results of further work. Finances are reasonable now following the 1 for 10 rights issue, but still not strong.

Latest News and Discussion

June Qtrly (30/7/08): Gold production continued to ramp-up during the quarter, but the 25% increase to 11,525 oz produced fell short of 15,000 oz forecast by the Company, due in part to delays in accessing high grade stopes. The annualised mining rate increase to 245,000 tpa. However, since then the rate has increased to 300,000 tpa and gold production has been running at 20-25,000 oz per quarter. BCD announced production of 7,328 oz in July. The July grade was 10.8 gpt, whereas the June quarter average was 7.8 gpt. It seems that an equilibrium production rate is being achieved.

The seismic issues that caused the earlier mine collapse, on the western side, have been addressed with a footwall driving method and remote bidders. This has raised the costs in this part of the mine by about \$100/oz and required additional development, but it has enabled accessing again the higher grade sections of the mine.

Initial Copper Resource: On 7/8/08, BCD released its first resource for the shallow, supergene copper (chalcocite) mineralisation at the Thursdays Gossan Prospect at Stavely,

The deposit is hosted in sandstones and inter-layered alkaline volcanics adjacent to a faulted contact with a serpentine body. Test work has shown the ore to be more amenable to flotation than heap leaching due to low permeability of the supergene material. Deeper primary mineralisation would also need flotation methodology. BCD is now planning a conceptual study for an open pit mine that is likely to be free digging. The average thickness of the supergene zone is 23m, beneath 27m of overburden (waste to ore 1.2:1). Infrastructure is excellent. There is potential for narrow, high-grade sub-vertical primary mineralisation with one hole returning 6m at 4.2% Cu from 32m depth. Drilling to the east intersected 7.7m at 4.2% Cu from 94m down hole and 9.5m at 3% from 154m down hole.

BCD can purchase a 100% interest in the project for \$350,000 and a 3% NSR royalty. However, it can reduce this royalty to 1% by paying \$500,000.

Hedge Position and Cash Balance

As at 30 June 2008, BCD was completely unhedged, having closed out its hedge book late in 2007, at a cost of \$6.3m. The cash position at 30/6/08 was \$3.8m, but this was supplemented by a 1 for 10 issue at 15¢ a share which raised \$3.88m, resulting in a cash balance of about \$7m at the end of August. There was only a 33% take-up by shareholders, but Malaysian Smelting Corporation subscribed for another 33% pursuant to a partial underwriting. MSC is now the largest shareholder with a 22% holding and two directors on the board.

Description of Operations

BCD operates the Beaconsfield mechanised underground gold mine in Tasmania, accessed by a shaft. It is a refractory orebody requiring recovery via bacterial leaching. The treatment plant has capacity for 1,000 tpd (365,000 tpa), but the mining rate is only expected to

achieve 300,000 tpa in the current plan, and targeted gold production is 90-100,000 oz p.a. Capacity exists to accept concentrates from other sources.

It is a medium to high cost mine, with reported costs likely to fluctuate between \$500 and \$700/oz, but more recently these costs have been at the higher end of the range. Total cash costs are in the order of \$200 pt, including \$120 pt for mining and \$50 pt for treatment. A high component of fixed costs make the average cost sensitive to throughput. Development costs consume about \$20m p.a. The average mining width is 3m, but can range from 1.5m up to 10m.

Corporate and Finance

Malaysian Smelting Corporation Berhad (MSC) is now the largest shareholder in BCD, following the partial underwriting of the recent entitlement issue. The introduction here came via the Chairman of BCD, Denis Clarke, who was with Plutonic Mining when MSC was a substantial shareholder in that company. It is seen as a long-term shareholding rather than anything more dynamic.

Disclosure The author does not own shares in BCD

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