



PRODUCTION UPDATE

12 March 2010

ASX Announcement

Various short-term operational issues have adversely impacted mining at the Tasmania Mine recently. These issues have now been resolved and the gold production rate will improve in March and during the June quarter. The mining issues were of a one-off nature and are not expected to recur.

The issues included:

- A system of waste passes used to increase the efficiency of backfilling stopes was blocked for a week. This delayed the stoping sequence and required a significant unplanned re-handling of waste material.
- One stope in the 1080W block experienced hangingwall dilution, which reduced grade and further delayed the stoping sequence. Subsequent stopes in the sequence have not experienced similar dilution.
- Availability of the mine's fleet of four trucks has been poor. The first of two planned replacement trucks is now on site. Trucking capacity and availability will be significantly improved by the introduction of the two additional trucks that have increased payload and speed.

As a consequence, gold production during the March quarter to date is around 6,000 ounces lower than planned. Although the shortfall is deferred rather than lost, it will take time for the deficit to be recovered. The outlook for the June quarter remains strong but gold production in the second half of the financial year is now unlikely to exceed the first half (33,995 ounces) as previously indicated.

The Company is also currently introducing an enhanced mining method that will allow accelerated development to open up additional working areas. The trial of the enhanced mining method is progressing well with drilling for the initial stope panel now underway, ahead of the first blast scheduled for later in March. The enhanced mining method retains the safety benefits of the current remote footwall driving method whilst significantly reducing the requirement for waste development and drilling. As previously announced, the enhanced method has the potential to reduce the cash cost of production by between \$120 to \$240 per ounce.

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