



## BCD Resources NL – Quarterly Report

Level 7, Exchange Tower, 530 Little Collins Street, Melbourne Vic 3000  
[www.bcdresources.com.au](http://www.bcdresources.com.au)

**For the period ending 30 September 2010**

### Highlights

#### Tasmania Mine Operations

- Gold production decreased to 10,954 ounces, as mining was restricted to lower grade areas due to development towards the Western Zone, resulting in the head grade falling to 5.5 g/t gold. Cash cost of production as a result increased to A\$1,650 per ounce.
- A trial block of four stopes was successfully mined using the new enhanced mining method. This method will provide significant cost and productivity benefits and become the predominant mining method over the next year.

#### Tasmania Mine Exploration

- Reserves increased to 294,000 ounces of gold at 30 June 2010.
- Further strong results from the Western Zone.
  - J37 intersects 2.4m @ 14.9 g/t gold
  - J43 intersects 11.0m at 7.0 g/t gold
- Stockwork mineralisation demonstrated to extend up and down dip beyond existing resources.
- Encouragement for resource extension in historic workings above crown pillar.

#### Corporate

- Merger with Bendigo Mining is not proceeding.
- \$15 million funding facility agreed with Minemakers Limited to fund accelerated development with \$8 million drawn down to date for working capital and to repay a loan from Bendigo Mining. Full drawdown of the Minemakers' facility will be subject to a Minemakers' debt to equity conversion being approved by BCD Resources shareholders.

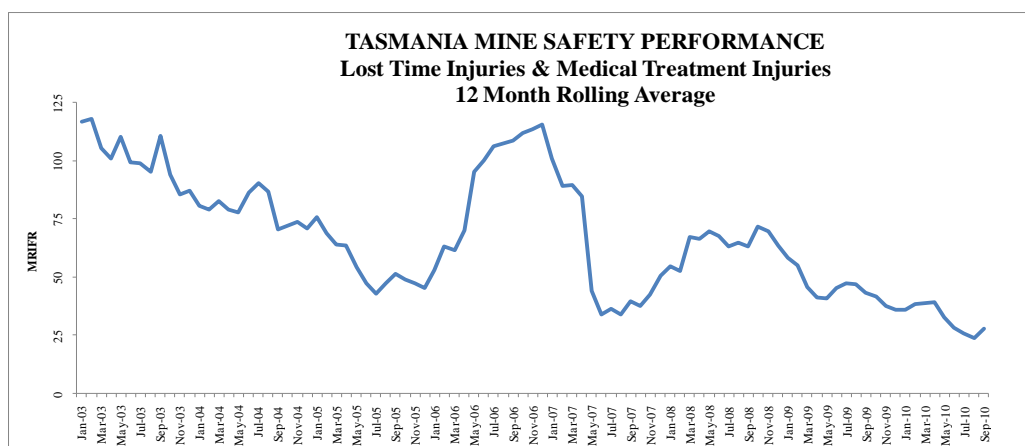
#### CEO'S COMMENTARY ON THE QUARTER

BCD Resources CEO, Bill Colvin said "The sudden collapse of our intended merger with Bendigo left the Company in a very difficult position, with a requirement to repay \$5 million of secured loan within a matter of days or face receivership. It was fortunate that significant shareholder value could be preserved after an alternative facility was agreed, documented and implemented within the three-day timeframe. Corporate survival did come at a cost, with the debt proposed to convert to equity at a low price. However, the alternative was the very real prospect of receivership with possible closure of the mine and complete destruction of BCD shareholder equity.

The increased funding facility places the Company in a strong position to work with Minemakers to complete the accelerated development necessary to return the mine to better grades and profitable production. Continuing exploration success demonstrates the optionality still available to BCD shareholders by the Tasmania Reef at a time of rising gold prices, together with exposure to strong copper prices through the western Victorian copper project."

## TASMANIA MINE

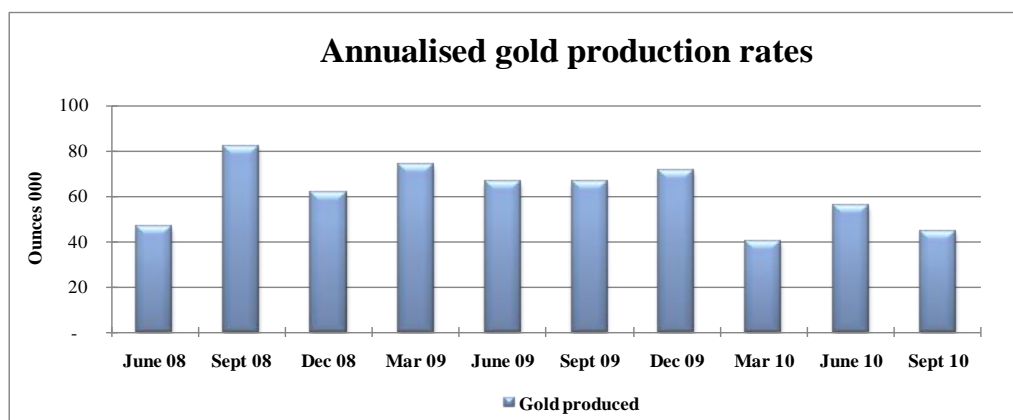
### SAFETY



**MRIFR (Medically Referred Injury Frequency Rate – number of injuries per million man hours)**

Although disappointingly there were three Lost Time Injuries and two Medical Treatment Injuries during the September 2010 quarter, the longer term safety trend remains positive with MRIFR again falling to a historic low of 27.9 at the end of September. The target for the Company remains zero.

### PRODUCTION

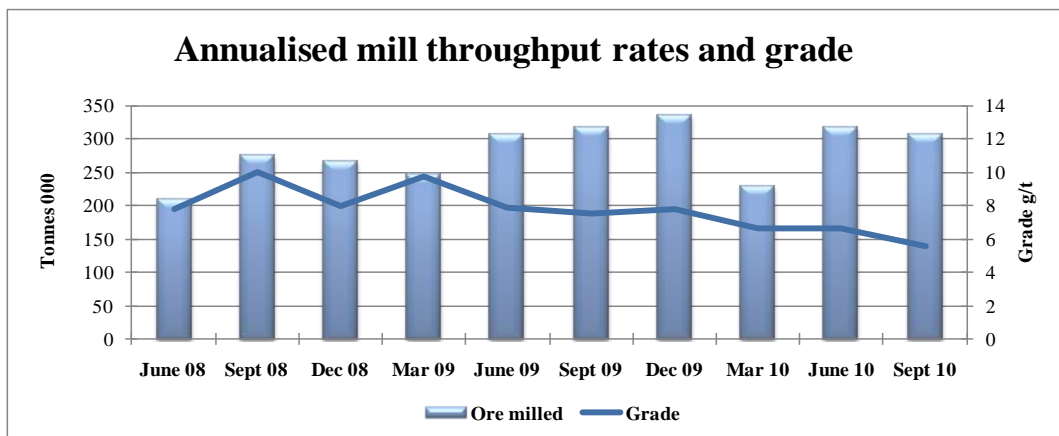


Gold production of 10,954 ounces decreased compared to the June quarter, largely as a result of a fall in grade to 5.5g/t compared to 6.7g/t in the previous quarter, and an associated reduction in metallurgical recovery. The decision to accelerate access towards the newly discovered Western Zone restricted mining to generally lower grade areas of the orebody, predominantly in the Eastern parts of the mine. Mined grade was 0.7g/t below the planned level.

### Mine Development

Total development for the quarter was 1,074 metres, an increase of 22% compared to the June 2010 quarter and largely related to the decision to accelerate access towards the Western Zone. The mining contractor increased manning levels to operate two jumbos at maximum capacity and additional truck operators were employed. Capital development, principally in the decline, increased by 39% over the June quarter to 248 metres. Mining commenced on a 150 metre extension to a hangingwall drill drive, with 30 metres completed. Once complete, the drive will provide a platform for diamond drilling to test below the current limit of resources, around and beyond hole J10, the deepest known mineralisation (1.3m @ 32.4g/t gold at 1,330 metres below surface).

## Mill Operations



Throughput decreased by 3% to 76,188 tonnes with mine output somewhat constrained during July. Metallurgical recovery fell from 81.7% in the June quarter to 80.8% in the current quarter, largely as a consequence of the lower feed grade.

### Lower cost mining method

Good progress was made with the enhanced mining method currently being introduced to replace the footwall driving method previously used in the western parts of the mine.

A four-stope trial block was established between the 1120 and 1150 levels, with all four stopes in the panel now successfully fired and extracted. The trial has clearly demonstrated that the method is applicable and will deliver the expected benefits, and a number of refinements to further improve the method have also been identified.

### Access to Western Zone

Development required to access the Western Zone commenced with a cross cut from the decline on the 1180 level and associated ventilation infrastructure completed during the quarter. Shortly after the end of the quarter, the cross cut broke through onto the Reef and sill driving on ore commenced.

This sill drive will advance around 300 metres to the very western extent of the Western Zone resource over a four month period. A footwall drive will be developed on the 1160 level sitting approximately 15 metres off the reef and lagging behind the 1180 sill drive. The footwall drive will ultimately provide a platform for drilling production blast holes, but in the meantime will allow short diamond holes to accurately locate the reef for detailed stope designs.

Stope production from the first panels in the Western Zone is expected to commence late in the March 2011 quarter.

### New Bulk Mining Resource Potential

A scoping study on mining a zone of stockwork gold mineralisation in the western footwall of the Tasmania Reef has been completed and confirms the potential for a low-cost source of bulk tonnes to utilise spare mill capacity and increase gold production rates.

Access drives into the stockwork resource had previously been backfilled with waste material. During the quarter this material was largely bogged out and used as backfill in stopes elsewhere in the mine. Some short diamond holes are planned to be drilled from these accesses to aid in stope design and planning.

**Remnant Mining Operations**

Continued progress was made to set up for the extraction of several high grade remnants in the upper levels of the modern mine, both under contractor tribute and owner mining. A number of old workings were intersected, both planned and unexpected, which caused some delays. Development was advanced on the 430, 455 and 475 levels during the quarter, yielding limited amounts of lower grade ore and initial stoping is planned on the 430 level during the December quarter. Diamond drilling has indicated the potential to expand these resources updip.

**COSTS**

Cash costs of production of A\$1,650 per ounce were adversely impacted by reduced gold production resulting from low grade ore and an increase in costs of development activity, largely associated with accessing the Western Zone.

Capital expenditure increased to A\$2.6 million with the increased development advance and a continued underground diamond drilling program, which is capitalised.

## EXPLORATION

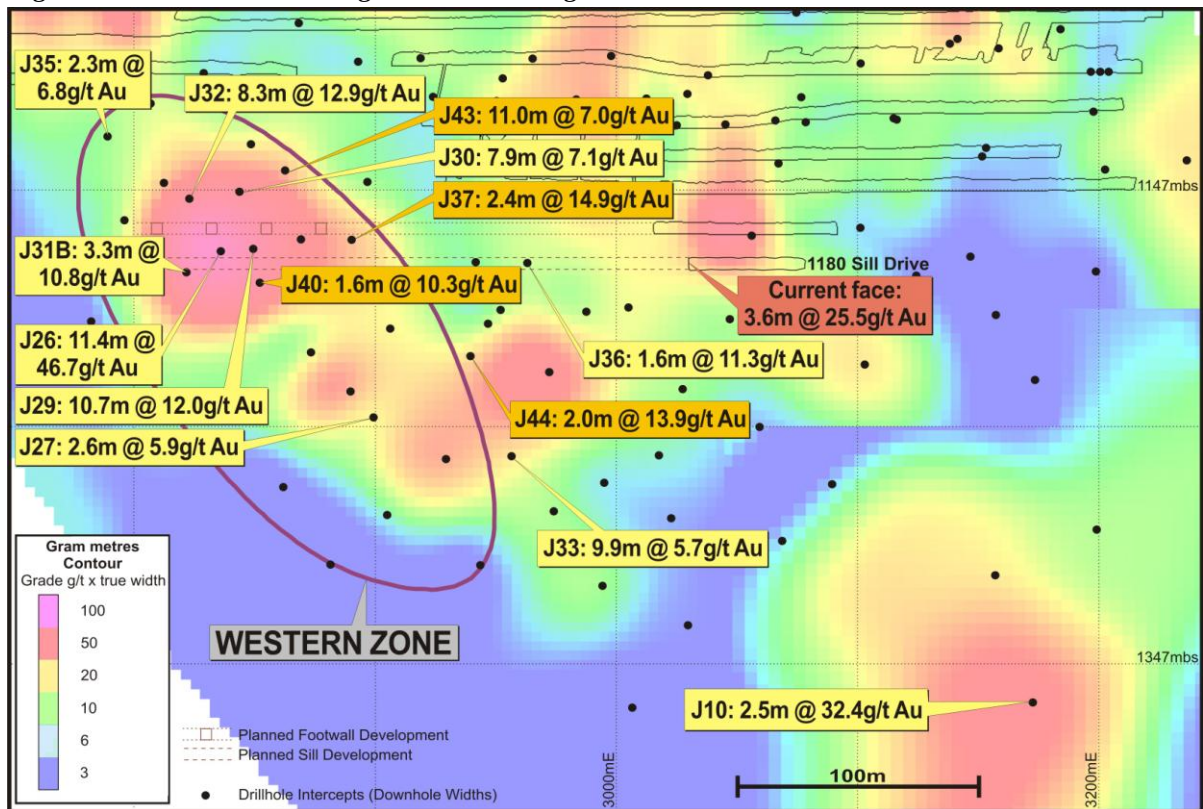
### TASMANIA MINE RESOURCE EXTENSION

Diamond drilling of the Western Zone was completed as far as currently practicable and all results to date compiled during the quarter, resulting in an updated Resource and Reserve estimate announced to the ASX on 15 September 2010, and accelerated development to access the high grade mineralisation on the 1180 level. Best results received from Western Zone drilling are shown in Figure 1 and Table 1 below and include 2.4m @ 14.9 g/t gold in hole J37 and 11m @ 7.0g/t gold in J43.

Diamond drilling to further extend the Footwall Stockwork Zone commenced during the quarter, with several significant intersections showing that this mineralisation extends both above and below the current 19,000 ounces resource between 805 and 915 metres below surface (“mbs”), refer Figure 2. Results are shown in Table 1 below and include 18.8m @ 4.7g/t gold and 8m @ 5.2 g/t gold.

Drilling above the Crown Pillar (separating the Historical mine from the Modern mine at 455 mbs), commenced during the quarter. In the far east of the mine, a significant area of unmined quartz-ankerite-sulphide mineralisation appears to be intact, possibly due to the high ankerite-sulphide content of the ore, which reduced gold recovery in the historic mining phase. Successful drill intersections of 5.5m @ 4.5 g/t gold and 2.2m @ 11.5 g/t gold, as well as re-compiled face sample data give encouragement for additional resources in this area from 455 mbs up to at least 375 mbs. Refer to long section of this area, Figure 3.

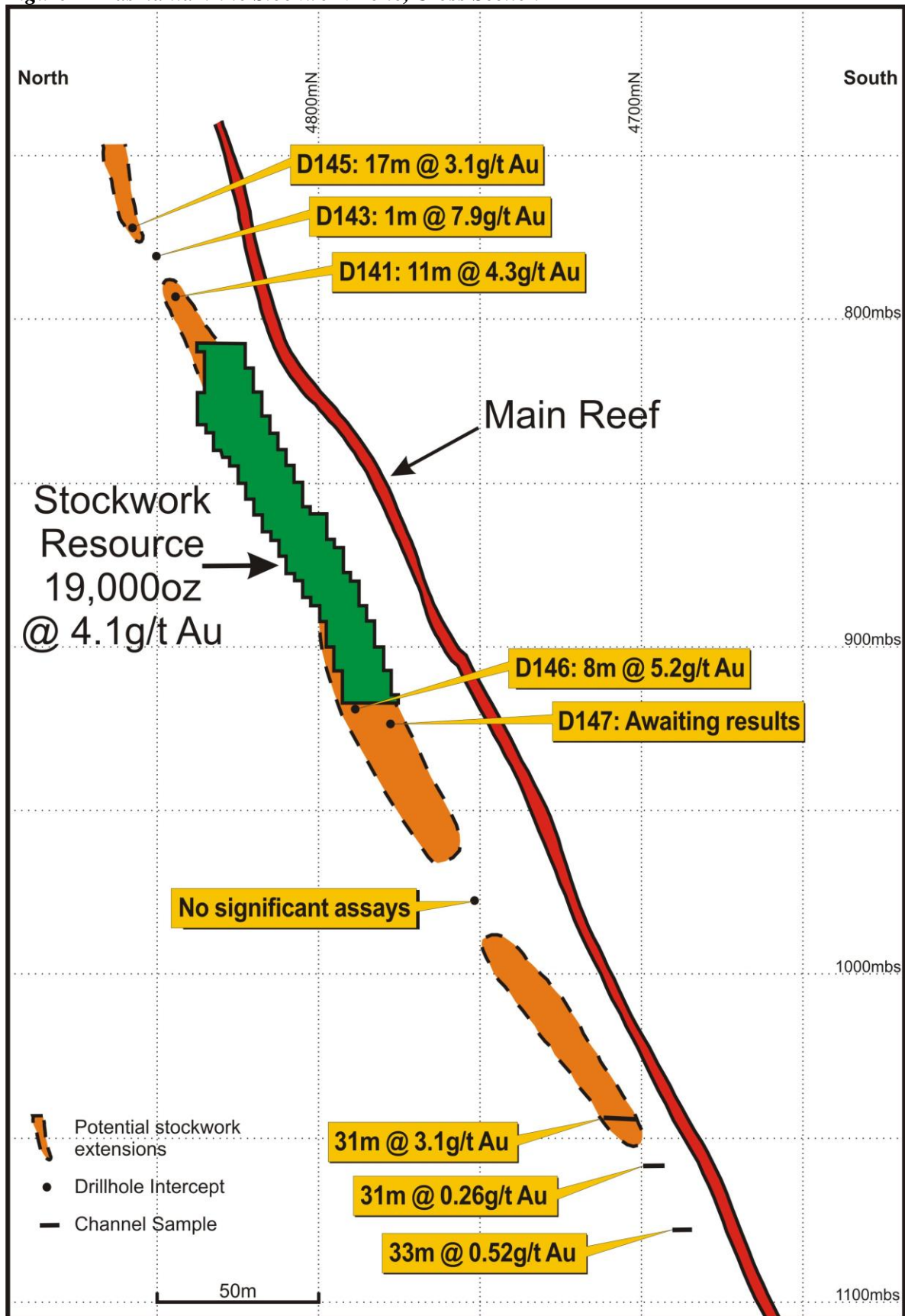
**Figure 1 Tasmania Mine Long Section showing recent drillhole intersections**

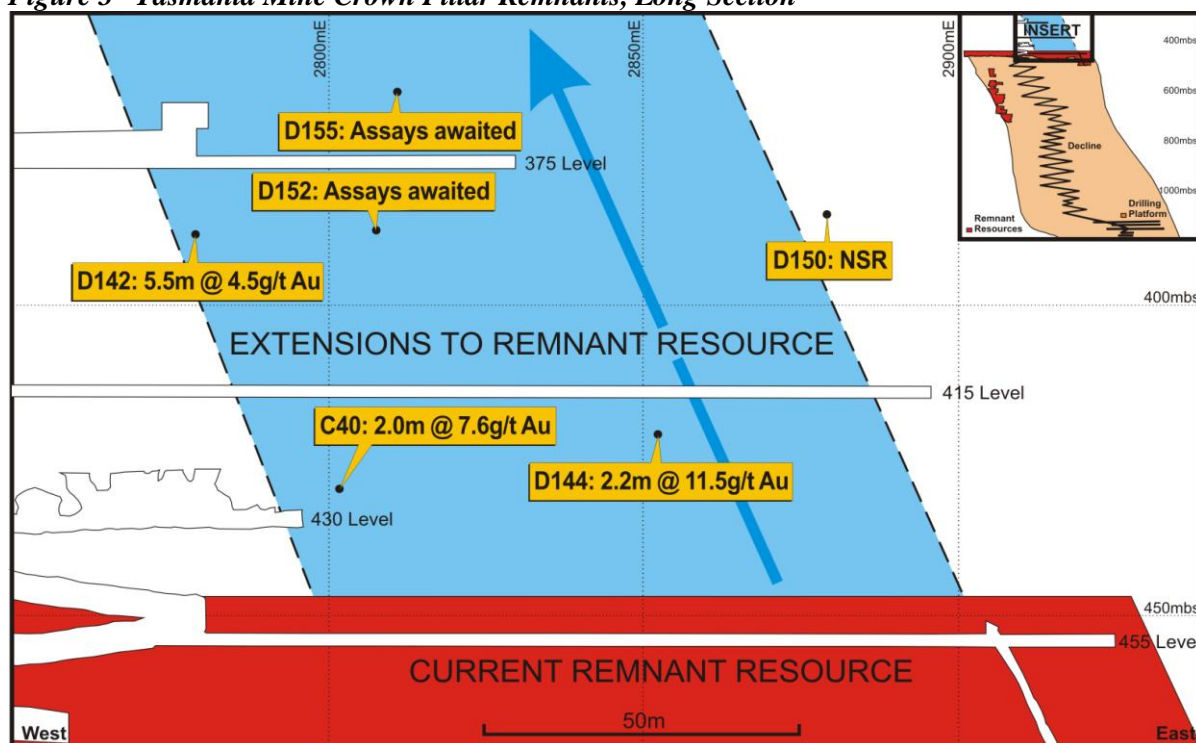


Background colours depict contours of thickness x grade and represent the quality of drillhole intersections present.



**Figure 2 Tasmania Mine Stockwork Zone, Cross Section**



**Figure 3 Tasmania Mine Crown Pillar Remnants, Long Section****Table 1 Significant Intersections, Resource Extension Drilling, Tasmania Mine**

Hole	Target	Easting	Depth (mbs)	From (m)	To (m)	Intersection width (m)	Estimated True Width (m)	Grade (g/t) gold
J37	Western Zone	2891	1167	153.9	156.3	2.4	2.1	14.9
J40	Western Zone	2852	1186	185.3	186.9	1.6	1.2	10.3
J43	Western Zone	2866	1138	176.7	187.7	11.0	7.7	7.0
J44	Western Zone	2939	1217	137.8	139.8	2.0	1.3	13.9
D140	Stockworks	2652	707	21.2	40	18.8	18.8	4.7
D141	Stockworks	1252	796	126	137	11.0	11.0	4.3
D145	Stockworks	2637	772	129	146	17.0	17.0	3.1
D146	Stockworks	2660	919	67	75	8.0	8.0	5.2
D142	Remnants	2779	389	151.3	157.6	6.3	5.5	4.5
D144	Remnants	2852	421	187	190	3.0	2.2	11.5

Widths shown are calculated horizontal widths. Eastings and depths shown are for the mid-points of each mineralised intersection. mbs is "metres below surface"

## **TASMANIAN REGIONAL GOLD EXPLORATION**

As reported previously, surface diamond drilling at Pease Creek during the June quarter intersected some pyrite veinlets but no significant quartz veining. Assays are now reported and show modest gold mineralisation including 0.3m @ 2.3 g/t gold and 0.4m @ 1.6 g/t gold.

## **VICTORIAN COPPER PROJECT**

No field work was conducted on the Victorian copper projects during the quarter because of a focus on corporate activity. The Company is encouraged by the continued strength of the copper price, and intends to undertake further drilling to expand copper resources in the March quarter.

## **HEATHCOTE PROJECT**

The sole exploration licence at Heathcote, Central Victoria (EL5161) was relinquished.

*The exploration results presented in this report are based on information compiled under the supervision of Peter Thompson, who is a full time employee and a Member of The Australasian Institute of Mining and Metallurgy and has sufficient relevant experience in relation to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources (The JORC Code, 2004). Mr Thompson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*



## ***CORPORATE***

### ***GOLD PRICING***

The BCD Resources Group remains completely unhedged and all production from the Tasmania Mine is available for delivery at the spot price. The average gold price received during the quarter was A\$1,357 per ounce.

The policy concerning hedging is regularly reviewed.

### ***CASH POSITION***

Group cash and bullion despatched and accounted as revenue totalled A\$7.0 million at 30 September 2010.

At 30 September the Company had drawn down \$5 million of an \$8 million secured Pre-Completion Facility with Bendigo Mining Limited. On 14 October that Facility was repaid in full with the partial proceeds of a new \$15 million secured facility with Minemakers Limited which is discussed more fully below.

### ***MERGER WITH BENDIGO MINING LIMITED***

On 22 July 2010 the Company announced that it had entered into a Scheme Implementation Agreement to effect a merger with Bendigo Mining Limited (Bendigo) subject to shareholder approval. The Company also entered into a Loan Agreement under which Bendigo agreed to provide the Company with a pre-completion loan of up to \$8 million to accelerate development of the Tasmania Mine and for working capital purposes. Both parties worked hard on implementation with a shareholder meeting planned for November. Unfortunately the intended merger collapsed very suddenly in early October in circumstances that are described in the Company's release to the Australian Securities Exchange on 14 October 2010 and the merger is not proceeding.

### ***MINEMAKERS LIMITED FACILITY***

A \$15 million loan facility with Minemakers Limited (Minemakers) was arranged on extremely short notice on 13 October, and the initial drawdown of \$8 million was sufficient to repay the Bendigo loan in full, provide further working capital and avoid the imminent prospect of receivership.

Under the agreement with Minemakers, BCD shareholders will be asked to approve the conversion of the Minemakers debt to equity in BCD at 2.0 cents per share. Following the conversion, Minemakers would own 64% of BCD and existing BCD shareholders would retain a 36% interest, with BCD's balance sheet improved by \$15 million. It is anticipated that a general meeting of BCD shareholders will be called to approve the debt to equity conversion within 30 days. If the conversion is not approved by BCD shareholders, further drawdowns of the Minemakers' facility for working capital purposes would not then be possible and the Minemakers' outstanding debt would become repayable within 90 days of the meeting.

The facility with Minemakers, albeit at a low price for debt:equity conversion, ensured the corporate survival of BCD and the retention of significant shareholder value. It also ensured operations at the Tasmania Mine would be able to continue as normal, whereas receivership may have resulted in closure of the mine and the sale of the asset at a distressed price.



**For further information contact:**

Bill Colvin  
Chief Executive Officer  
BCD Resources NL

T: 61-3-9909-7401  
[enquiries@bcdresources.com.au](mailto:enquiries@bcdresources.com.au)  
[www.bcdresources.com.au](http://www.bcdresources.com.au)

## APPENDIX

### QUARTERLY COMPARATIVES

#### PRODUCTION

	<b>December 2009</b>	<b>March 2010</b>	<b>June 2010</b>	<b>September 2010</b>
Ore hoisted	76,756 tonnes	55,494 tonnes	77,938 tonnes	80,901 tonnes
Ore treated	83,107 tonnes	56,778 tonnes	78,660 tonnes	76,188 tonnes
Head Grade	7.8 g/t	6.7 g/t	6.7 g/t	5.5 g/t
Gold treated	20,772 ounces	12,145 ounces	16,896 ounces	13,563 ounces
Recovery *	84.8%	82.0%	81.7%	80.8%
<b>Gold produced</b>	<b>17,620 ounces</b>	<b>9,961 ounces</b>	<b>13,802 ounces</b>	<b>10,954 ounces</b>

\* Recovery excludes movements in gold in circuit

#### COSTS

	<b>December 2009</b>	<b>Mar 2010</b>	<b>June 2010</b>	<b>September 2010</b>
Cash cost	\$934 per ounce	\$1,596 per ounce	\$1,153 per ounce	\$1,650 per ounce
Capital cost *	\$54 per ounce	\$157 per ounce	\$149 per ounce	\$235 per ounce
Cash cost per tonne milled	\$198 per tonne	\$280 per tonne	\$202 per tonne	\$237 per tonne
Revenue received	\$1,217 per ounce	\$1,230 per ounce	\$1,366 per ounce	\$1,357 per ounce

All costs in Australian dollars

Cash costs are calculated in accordance with former Gold Institute definitions, and include Tasmanian Government ad-valorem royalties and credit for by-product silver.

\* includes underground drilling to increase the Tasmania Reef resource.