



CHAIRMAN'S ADDRESS

ADDRESS BY DR. DENIS CLARKE AT THE ANNUAL GENERAL MEETING OF
BCD RESOURCES NL HELD AT MORGANS AT 401, 401 COLLINS STREET,
MELBOURNE AT 3:00 PM TUESDAY 30 NOVEMBER 2010

The financial year to 30 June 2010 was one of mixed fortunes for our company, but it is the events of the five months since year's end that have been of most concern.

I will, therefore, comment only briefly on the financial year in review and concentrate my remarks on the subsequent events. I refer shareholders to the Annual Report for details of the year in review. Our CEO, Bill Colvin, will provide additional information in his presentation to this meeting.

As shareholders, you will be aware of the extraordinary events of the last two months that have impacted shareholder value and seriously threatened the very corporate existence of our Company.

Your Board and Management believe the Tasmania Mine is a valuable asset that will produce good cash flows once the newly discovered Western Zone can be accessed and developed in early 2011. Accordingly, we have fought hard to retain as much value as possible for shareholders under extraordinary circumstances. In particular, we have fought hard to avoid threatened receivership that would, in our opinion, have totally destroyed shareholder value.

Important factors relevant to consideration of the Company's performance since 30 June 2009 include:

- The generally disappointing operational performance of the Tasmania Mine, despite various technical improvements, as discussed in the CEO's Report.
- The impact of the Global Financial Crisis on capital markets which severely hindered the Company's efforts to raise equity capital or debt; and
- The positive impact of exploration success with the discovery early in 2010 of the new Western Zone at the Tasmania Mine.

The Mine treated a record 297,229 tonnes of ore during the year. However, gold production was restricted due to the lower grade of the ore processed. Gold production was down 18%, with revenue from gold and silver down \$13.1 million or 14.5%. Cash flow from operating activities of \$7.8 million (2009: \$17.0 million) funded capital and mine development expenditure of \$3.1 million, exploration expenditure of \$3.0 million and repayment of convertible note and bank debt of \$1.2 million. The consolidated loss after tax and after minority interests was \$1.1 million (2009: profit \$9.4 million).

This weak performance made it imperative for the Company to raise additional equity capital or debt. Bank debt was completely unavailable to a Company such as BCD in the aftermath of the Global Financial Crisis (GFC). In July 2009, shareholders provided only very limited support of a Shareholder Share Purchase Plan that raised less than \$1 million. In September 2009, Malaysia Smelting Corporation Berhad (MSC), our then 22% shareholder, decided to dispose of its non-tin assets, including all its holding in our Company following the GFC. The public MSC sale process continued unsuccessfully through to July 2010. While the right of a major shareholder to sell its holding is in no way disputed, the intended sale effectively made it virtually impossible for the Company to raise capital via a rights issue. Additionally, it made placements difficult, and a placement in June 2010 could raise only \$1.6 million.

The discovery of the Western Zone in early 2010, though a very positive development, increased the need for further working capital to fund early access to the Western Zone. The Board concluded that in the absence of meaningful debt or equity capital being available, a merger was the best method to capitalise the Tasmania Mine and capture for shareholders the value of the newly discovered Western Zone.

Earlier this year, BCD and its advisers undertook an extensive process to seek a merger partner with the financial resources required to recapitalise the Tasmania Mine. After extensive due diligence, Bendigo Mining Limited (Bendigo) entered into detailed negotiations with BCD.

On 22 July, BCD and Bendigo announced a proposed merger of the two companies. As part of the proposed merger, Bendigo provided a pre-completion loan facility of up to \$8 million, for working capital purposes and to accelerate the development of the new Western Zone of the Tasmania Mine. BCD had drawn down \$5 million against this facility by September.

Throughout August and September both companies worked hard in a friendly open manner towards implementation of the merger with a shareholders' meeting planned for November. However, on 6 October 2010, Bendigo formally issued BCD with a notice of potential default under the loan facility. Following extensive discussions and negotiations, Bendigo advised BCD on 10 October that it did not intend to proceed with the merger, would not make available additional funds under the pre-completion loan facility, and would rely on the rights available to it under the Bendigo loan facility.

Effectively, BCD was faced with the requirement to raise substantial cleared funds within three days (by 13 October) to avoid the very real prospect of receivership. Funds were required to repay Bendigo the \$5 million drawn down, replace the \$3 million balance of the Bendigo facility and to provide additional working capital. In the Company's opinion, receivership was likely to have resulted in the complete destruction of shareholder value. The severe time frame, and the limited number of potential funding providers, made raising funds virtually impossible. Following Bendigo advising BCD that it did not intend to proceed with the merger and that it would not make additional funds available to BCD, BCD commenced negotiations with Minemakers. On 13 October, BCD initiated an action in the Supreme Court, disputing the validity of Bendigo's claim of potential default.

Following a very short period of intensive negotiation, due diligence and documentation, a \$15 million funding facility was implemented with Minemakers on 13 October on necessarily discounted terms. An initial draw down of \$8.0 million was used to repay Bendigo in full and meet working capital requirements. A subsequent draw down of \$0.5 million was provided by Minemakers on 3 November.

Three days later on 6 November, Minemakers advised BCD that Minemakers considered that a material adverse change had occurred in BCD's financial position and that Minemakers was not prepared to advance further loan moneys to BCD and would require the immediate repayment of the \$8.5 million already advanced. BCD was again faced with the prospect of satisfying a secured lender or facing the imminent prospect of receivership and the likely total destruction of shareholder value.

Replacing the entire \$15 million Minemakers' facility was not feasible within the available timeframe despite extensive enquiries with brokers, mining corporates, offshore and local investors. Further discounted terms were offered to potential new investors, reflective of the limited opportunity for due diligence and the emergency nature of the funding required. On this basis, new investors (New

Investors) provided loan funds of \$6.1 million, sufficient to satisfy Minemakers that the Company was adequately funded, and Minemakers was prepared, on the further discounted terms, to withdraw its demand for immediate repayment of the \$8.5 million advanced. Additional loan funds from New Investors are now being sought, on the same terms, to provide a greater financial buffer.

The restructured and new funding arrangements announced differ from previous arrangements in that all the funds have been received by BCD and draw downs at the lenders' discretion are not being relied upon by BCD. Further, under the new documentation, the ability of Minemakers and the group of New Investors to act on their security is principally restricted to the occurrence of a future insolvency event in BCD.

Under the new agreements with Minemakers and New Investors, BCD shareholders will be asked to approve the conversion of the secured loans into secured convertible notes with the following terms:

- Fixed and floating charges over the assets of the BCD Group, excluding various deposits held to back employee entitlements and rehabilitation bonds;
- Minemakers security first ranking and New Investors security second ranking;
- Notes convertible at any time within the 12-month term at the note-holder's option at a 1.0 cent per BCD ordinary share conversion price; and
- 20% coupon payable at redemption, but not payable if the notes are converted.

If the new funding arrangements are approved by BCD shareholders and Minemakers subsequently converts all its convertible notes into BCD shares then, depending on the extent of funding (maximum \$18.5 million of loans in total) and also assuming full conversion by New Investors, Minemakers would hold between 37% and 45% of the issued share capital of BCD, New Investors would hold between 32% and 44% collectively and existing BCD shareholders would retain between 19% and 22%. BCD's balance sheet would be improved by between \$14.6 million to \$18.5 million.

A general meeting of BCD shareholders will be called as soon as practicable, anticipated to occur in late January 2011, to approve the conversion of the loans to convertible notes. If the conversion is not approved by BCD shareholders, the \$8.5 million Minemakers loan would become repayable within 10 business days of the meeting. In the Notice of Meeting material to be prepared for shareholders, the extreme importance of shareholders approving the conversion of the loans will be fully explained and highlighted. It is essential that shareholders approve the conversion of the short-term loans into convertible notes to secure the Company's future.

The BCD Board of directors is to be restructured to reflect the new arrangements. Current BCD directors Mr Michael Trumbull, Mr Kevin Perrin and myself will remain on the Board. Mr Bill Tsingos, Dato' Seri Dr Mohd Ajib Anuar and Mr Choo Mun Keong all tendered their resignations as non-

executive directors of BCD on 19 November to facilitate the Company's new funding arrangements. I thank each of them for their significant contributions to the Company. Messrs Andrew Drummond and Neville Bergin, representing Minemakers, and Mr Nigel Webb will join the Board after today's AGM. The three new directors will then stand for re-election at the general meeting to be called to approve the conversion of the loans to convertible notes.

As a result of the BCD Board restructure, Messrs Bill Tsingos and Neville Bergin will not stand for re-election at this AGM. Consequently, Resolutions 3(b) and 4 of the previously circulated Notice of Meeting will not be put today, and have been formally withdrawn.

As a shareholder myself, I am deeply disappointed with the significant dilution of shareholder value that arises from the two failed deals with Bendigo and, initially, with Minemakers. However, I believe the restructured and new funding arrangements represent the best achievable outcome for BCD shareholders in extraordinarily difficult circumstances. Over a period of approximately one month, if BCD had been unable to resolve its short-term funding requirements, the Company would have been faced with the prospect of receivership on two separate occasions – in both cases, the likely outcome of receivership would have been the complete destruction of shareholder value. Under the new funding arrangements, BCD shareholders can retain exposure, albeit diluted, to the substantial upside at the Tasmania Mine at a time of rising gold prices.

Finally, as will be described in the CEO's presentation, reef development on the 1180 metre level of the Tasmania Mine is now only weeks away from accessing the new Western Zone. Development of the first stopes in the new, wide, strongly mineralised zone will then proceed as fast as possible in coming months to return the mine to profitability.

Denis Clarke
Chairman
BCD Resources NL