



BCD Resources NL – Quarterly Report

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For the period ending 31 December 2010

Highlights

Tasmania Mine Operations

- Gold production increased by 20% quarter on quarter, to 13,098 ounces, although mining was still restricted to lower grade areas due to development towards the Western Zone. Cash cost of production decreased to A\$1,269 per ounce.
- Late in the quarter underground mining operations were re-structured and all activities transferred to the incumbent contractor. Annual savings of between \$3.5 and \$5.0 million are expected to result.
- Good progress was made towards accessing the Western Zone and establishing stoping production.
- Throughput increased by 11% to a record 84,451 tonnes for the quarter, equivalent to an annualised rate in excess of 335,000 tonnes per annum.

Tasmania Mine Exploration

- Recent ore development has confirmed strong grades within the Western Zone with face grades including 4m horizontal at 28.6 g/t gold, 8.6m at 10.5 g/t gold and 4.6m at 30.5 g/t gold.
- Drilling has extended the Stockworks, adding 12,800 ounces to Resources. Intersections included 4m downhole at 9.8 g/t gold and 14m at 6.3g/t gold.
- Further intersections, including 4.5m downhole at 11.7 g/t gold, have confirmed the likelihood of resource extensions in historic workings above the crown pillar.

Corporate

- Recapitalisation arrangements were agreed with Minemakers and other investors to provide \$17.6 million of convertible note funding, subject to BCD shareholder approval.
- Positive preliminary discussions have been held with various parties interested in joint venturing or acquiring the Victorian exploration assets.

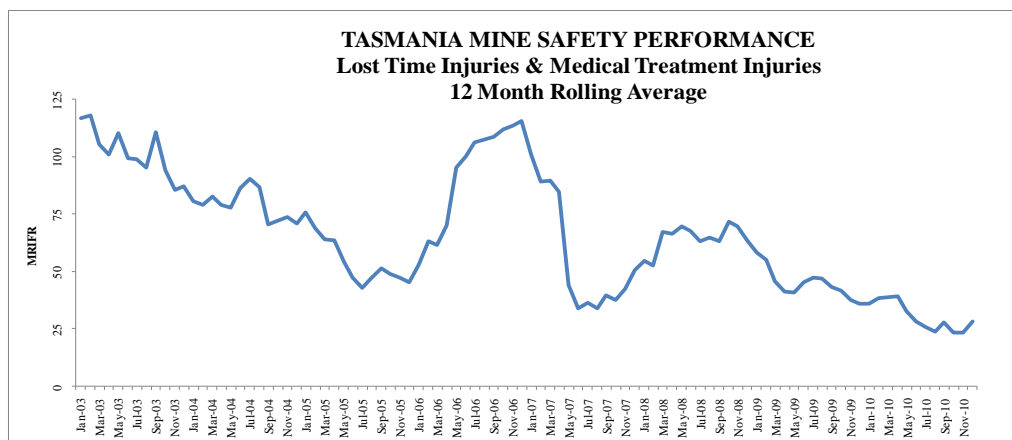
CEO'S COMMENTARY ON THE QUARTER

BCD Resources CEO, Bill Colvin said "This quarter proved to be one of the most challenging in the Company's history. On two separate occasions we narrowly avoided the very real prospect of receivership. The re-capitalisation of the Company will be considered at the shareholders' meeting in February and the Board strongly recommends that shareholders vote in favour of the resolutions. The Company can then move forward, with adequate funding to complete access to the Western Zone and restore profitable production.

Operationally, the mine performance improved despite still being restricted to lower grade areas. Further improvement can be expected during the March quarter as savings are realised from the re-structure of underground operations, and again in the June quarter as stope production commences in the Western Zone."

TASMANIA MINE

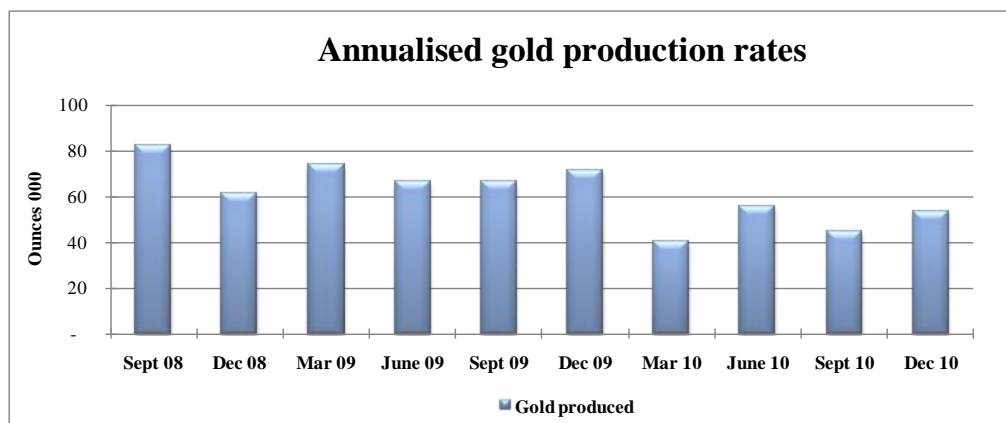
SAFETY



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

During the quarter one Lost Time Injury and three Medical Treatment Injuries were sustained, resulting in a slight increase in the MRIFR from the historically low rate of 27.9 at the end of September to 28.2 at the end of December. The target for the Company remains zero.

PRODUCTION



Gold production of 13,098 ounces increased by 20% compared to the September quarter, reflecting an improvement in each of the production parameters of grade, throughput and metallurgical recovery. The average head grade of 5.9g/t compared to the 5.5g/t achieved in the previous quarter, although mining continued to be restricted to generally lower grade areas of the orebody whilst access is established to the newly discovered Western Zone.

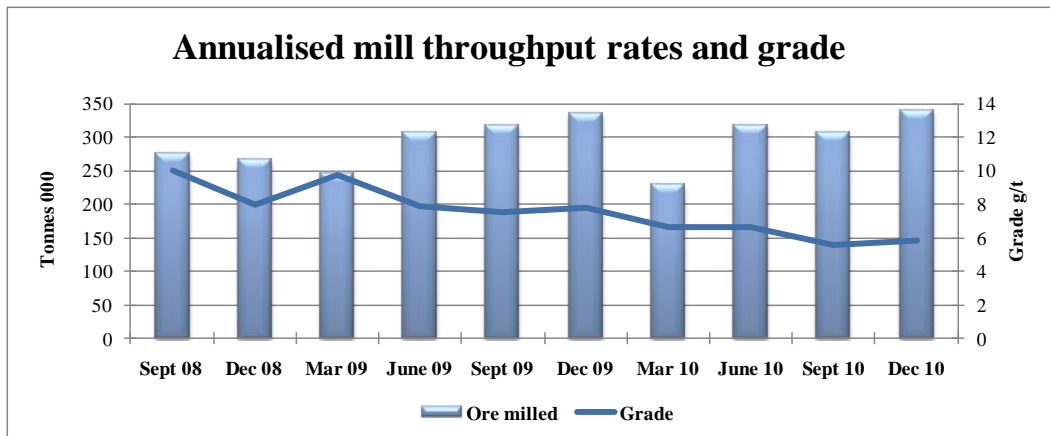
Mine Development

Development activity was reduced from the accelerated levels agreed with Bendigo Mining in the previous quarter, and priority was placed on ore driving and accessing the Western Zone whilst the capital restructure was effected. Consequently, very limited advance was made in the decline and hangingwall drill drive. Total development for the quarter was 987 metres, 8% less than the September 2010 quarter.

Mine Operations

In early December a restructure of mining operations at the Tasmania Mine was undertaken and has been implemented with minimal disruption to production. For several years the mining contractor has successfully undertaken all development activities and this contract has now been extended to include all underground activities, including stoping and trucking. Savings of between \$3.5 and \$5.0 million per annum are expected to result from the restructure.

Mill Operations



Throughput increased by 11% to a record 84,451 tonnes for the quarter, equivalent to an annualised rate in excess of 335,000 tonnes per annum. Metallurgical recovery also improved to 82.4% compared to 80.8% in the previous quarter. Construction of a lift on Tailings Storage Facility 2 was largely completed during the quarter, and will provide a significant increase in capacity.

Access to Western Zone

Development to access the Western Zone progressed substantially during the quarter. The first sill drive into the Zone on the 1180 level was advanced 257 metres on ore and the remaining 50 metres will be completed during January. Strong grades were encountered as noted in the Exploration Section of this report. On completion, the sill drive will be floor benched and filled with cemented hydraulic fill. This will produce additional ore in the March quarter and minimise any future ore loss that would otherwise arise from having to leave a crown pillar between the 1180 stoping block and the block below.

A footwall drive is being 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. Commencement of the 1160 footwall drive was delayed for several weeks by funding constraints and only 87 metres were advanced during the quarter.

Stope production from the first panels in the Western Zone is planned to commence during the June 2011 quarter.

Remnant Mining Operations

Modest progress was made in the extraction of both tribute and owner mined remnants in the upper levels of the modern mine, with priority placed on main production areas. In the tribute areas, activities were hampered by poor ground conditions and high levels of CO₂ associated with local weather conditions. A total of 1,460 ounces were produced on a tribute basis, with the contractor paid at a rate of \$625 per ounce.

Development to establish a significant remnant stoping block on the Eastern side of the mine encountered some unexpected historic workings but is close to being complete and is expected to yield production during the March quarter.

COSTS

Cash costs of production of A\$1,269 per ounce were 23% lower than the previous quarter, because of increased gold production and a \$1.5 million reduction in operating costs.

Capital expenditure decreased from A\$2.6 million in the previous quarter to A\$1.2 million, with a reduction in capital development rates and less exploration drilling undertaken.

The restructure of underground operations resulted in the retrenchment of 85 people who were paid their full entitlements of \$4.1 million. Cash held specifically for this purpose by the former administrator of BCD Resources (Operations) NL was used to fund \$2.2 million of the restructure costs. These abnormal costs are not included in unit costs of production.

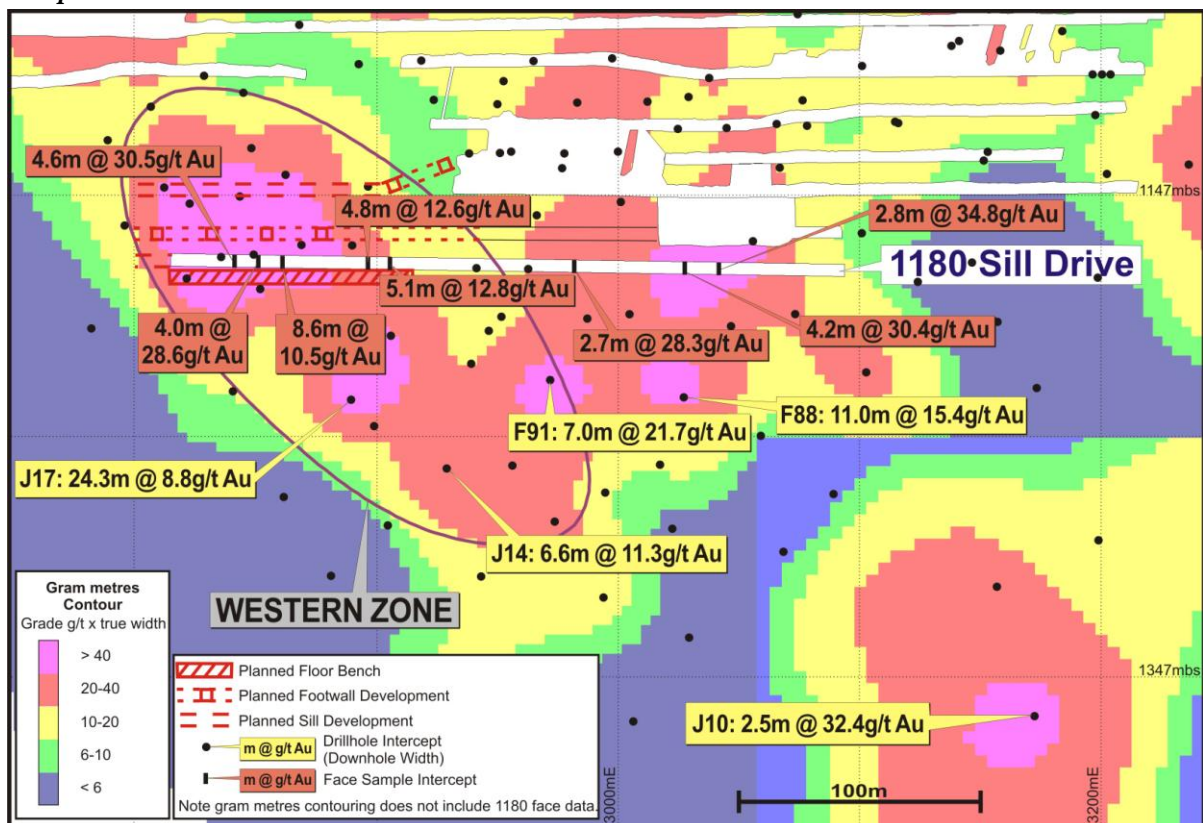
EXPLORATION

TASMANIA MINE RESOURCE EXTENSION

Access to Western Zone

Sill development on the 1180 level advanced through the Western Zone, with high grade and broad mineralisation as expected. Figure 1 below details some of the face grades sampled, including **4m horizontal at 28.6 g/t gold, 8.6m at 10.5 g/t gold and 4.6m at 30.5 g/t gold**. Ore widths in some cases exceeded the sill drive widths and remaining mineralisation on the hangingwall side was confirmed by short drillholes. This additional ore is expected to be recovered during the stopping phase. The average ore grade from the 1180 level through the Western Zone for the 107m sampled to date is 14.2g/t, which reconciles well against the predicted grade.

Figure 1 Tasmania Mine Long Section showing current position of 1180 sill, 1160 footwall drive and planned Floor Bench



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

Footwall Stockworks

Diamond drilling to extend the Footwall Stockwork Zone was completed, with more significant intersections demonstrating extensions of mineralisation beyond the current resource (refer Figure 2). Results are shown in Table 2 below and include **4m at 9.8 g/t gold** and **14m at 6.3g/t gold**. Modelling of the expanded Stockwork Zone has resulted in an increased Resource Estimate for this zone as follows:

Table 1 Updated Stockworks Resource Estimate, Tasmania Mine, December 2010

Category	Cut-off g/t	Tonnes	Grade g/t	Ounces
Indicated	3.0	153,000	4.5	22,200
Inferred	3.0	81,000	3.7	9,600
Total	3.0	234,000	4.2	31,800

The previous Stockworks Resource Estimate was 145,000 tonnes at 4.1 g/t for 19,000 ounces, so an increase of 67% in contained gold at similar grade has been achieved, with an increased proportion of the resource categorised as Indicated.

Remnants above Crown Pillar

Results from all diamond drillholes above the Crown Pillar (separating the historical mine from the modern mine at 455 metres below surface), are reported. As noted in the September quarter, a significant area of unmined quartz-ankerite-sulphide mineralisation has been confirmed in the far East of the mine, immediately above the Crown Pillar. Further drillhole results of **4.5m at 11.7 g/t gold** and **1.8m at 6.7 g/t gold** are reported (refer Table 2 and Figure 3 below). Due to uncertainties in the exact position of some historical stoping, a resource estimate will not be reported for this area until some further drilling is completed. A drill cuddy is being established, and drilling will commence during the March quarter.

Figure 2 Tasmania Mine Stockwork Zone, Cross Section

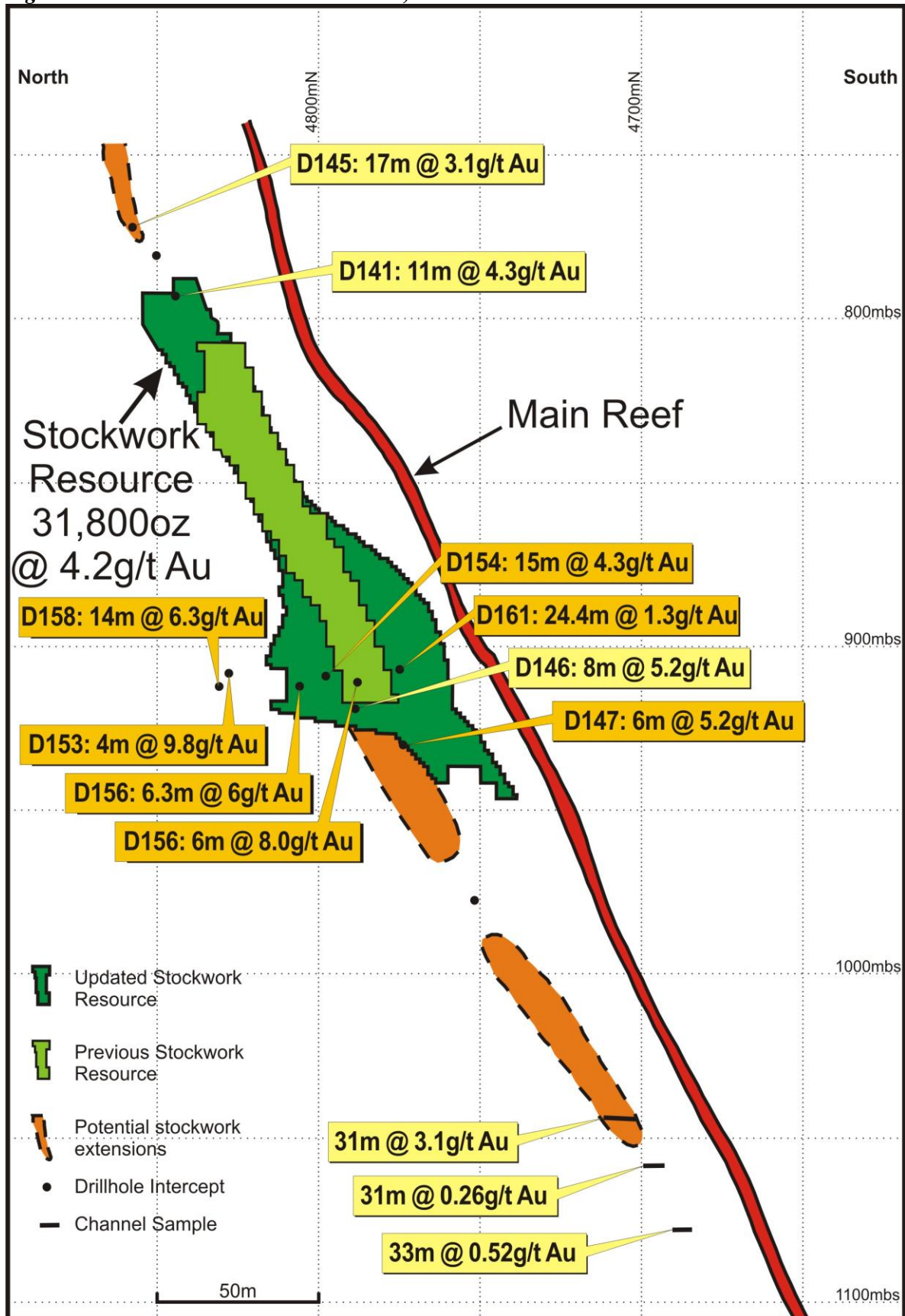
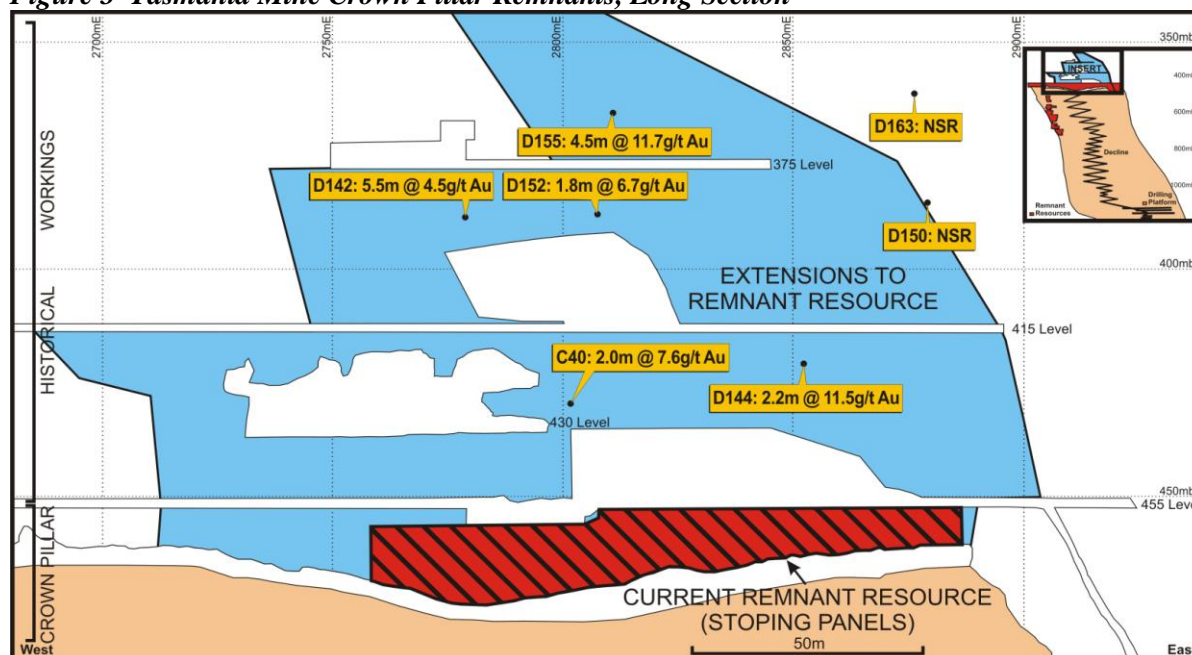


Figure 3 Tasmania Mine Crown Pillar Remnants, Long Section**Table 2 Significant Intersections, Resource Extension Drilling, Tasmania Mine**

Hole	Target	Easting	Northing	Depth (mbs)	From (m)	To (m)	Intersection width (m)	Estimated True Width (m)	Grade (g/t) gold
D147	Stockworks	2652	4774	930	82	88	6	6	5.2
D153	Stockworks	2674	4828	908	39	43	4	4	9.8
D154	Stockworks	2664	4798	909	4	19	15	15	4.0
D156	Stockworks	2660	4788	911	0	6	6	6	8.0
"	"	2663	4806	912	20	26.3	6.3	6.3	6.0
D158	Stockworks	2663	4831	912	46	60	14	14	6.3
D161	Stockworks	2670	4775	907	0	24.4	24.4	24.4	1.3
D155	Remnants	2811	5022	370	165	169.5	4.5	4.2	11.7
D152	Remnants	2807	5019	388	162.8	164.6	1.8	1.6	6.7

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

TASMANIAN REGIONAL GOLD EXPLORATION

Soil sampling for gold over prospective parts of the Golconda and Lisle prospects in NE Tasmania commenced during the quarter, but was disrupted by heavy rainfall and will be completed early in the March quarter. No assays are available to date.

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. Positive discussions have been held with a number of parties interested in acquisition or Joint Venture arrangements. Consideration is also being given to a possible IPO of the assets.

VICTORIAN GOLD EXPLORATION

Ararat JV, Victoria (51% BCD, 49% RNG)

Two diamond holes, subsidised by a Victorian government RVD grant, were completed on EL3019 on the Langi Logan and Langi Logan South prospects, for a total of 640m. These holes tested for Stawell-style basalt dome-associated gold mineralisation. The Stawell gold mine (a 5 million ounce deposit) operates around 30km further north, along strike on the Coongee Fault. Drillhole LLD002 at Langi Logan intersected quartz-arsenopyrite mineralisation close to the basalt-sediment contact, assaying 1.9m at 0.5 g/t gold and 1,098 ppm arsenic from 106.7m downhole. This result confirms mineralisation at the northern end of the Langi Logan dome and also confirms a steeper than expected plunge to the northern end of the dome. Further drilling is required to adequately test the 3.5km length of prospective basalt-sediment contact at Langi Logan.

The second drillhole, LLD003, was the first hole to test the Langi Logan South gravity anomaly below some thick alluvial gravels, and intersected carbonate altered basalt and black shale sediments, confirming the basalt dome model. One thin arsenopyrite veinlet was intersected, with assays awaited.

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\$1,383 per ounce.

The policy concerning hedging is regularly reviewed.

CASH POSITION

Group cash and bullion despatched and accounted as revenue totalled A\$7.3 million at 31 December 2010. Of this, A\$3.7 million was held as environmental bonds or to guarantee employee entitlements.

LOAN FACILITY

An A\$15 million loan facility with Minemakers Limited (Minemakers) was arranged in October on extremely short notice to provide further working capital and repay a pre-completion loan from Bendigo Mining after their withdrawal from the proposed merger with BCD.

As announced to the ASX on 22 November 2011, the terms of the Minemakers loan were renegotiated and additional facilities were obtained, after Minemakers advised BCD that they believed a material adverse change had occurred in BCD's financial position. Minemakers required immediate repayment of the \$8.5 million already advanced and were not prepared to advance any further loan funds, leaving the Company again facing the real prospect of receivership.

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, reflective of the limited opportunity for due diligence and the emergency nature of the funding required. On this basis, Other Investors' loan funds of \$6.1 million were secured, sufficient to satisfy Minemakers that the Company was adequately funded and to withdraw its demand for immediate repayment of the \$8.5 million advanced.

Subsequently, a further \$3.0 million of additional loan funds were raised on the same terms from additional Other Investors to further protect the Company's financial position.

The restructured and new funding arrangements announced differ from the two previous arrangements in that all the funds have been received by BCD and drawdowns at the lenders' discretion are not being relied upon by BCD.

A general meeting of Shareholders has been called for 14th February 2011 to consider a number of resolutions in relation to the loan facility. The non associated Directors have **strongly recommended that shareholders vote in favour of the resolutions** to issue Convertible Notes to Minemakers, and the Other Investors. At the meeting, 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 Other 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

Should Shareholders not approve the relevant resolutions, the \$8.5 million loan from Minemakers would become repayable within 10 business days of the meeting and the applicable Other Investors' Loans would be repayable within 90 days of the general meeting. The Company has minimal available cash reserves, no obvious alternate source of funding and little prospect of strong cash generation from the mine until later in 2011. **If the issue of Convertible Notes is not approved, the non associated Directors consider it highly likely that the Company will again be facing the immediate prospect of receivership and probable total destruction of shareholder value.**

Full details of the loan facility and proposed issue of convertible notes have been provided in the Notice of General Meeting and Explanatory Statement that was mailed to shareholders and released to the ASX on 14 January 2011.



For further information contact:

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APPENDIX

QUARTERLY COMPARATIVES

PRODUCTION

	March 2010	June 2010	September 2010	December 2010
Ore hoisted	55,494 tonnes	77,938 tonnes	80,901 tonnes	84,887 tonnes
Ore treated	56,778 tonnes	78,660 tonnes	76,188 tonnes	84,451 tonnes
Head Grade	6.7 g/t	6.7 g/t	5.5 g/t	5.9 g/t
Gold treated	12,145 ounces	16,896 ounces	13,563 ounces	15,894 ounces
Recovery *	82.0%	81.7%	80.8%	82.4%
Gold produced	9,961 ounces	13,802 ounces	10,954 ounces	13,098 ounces

** Recovery excludes movements in gold in circuit*

COSTS

	Mar 2010	June 2010	September 2010	December 2010
Cash cost	\$1,596 per ounce	\$1,153 per ounce	\$1,650 per ounce	\$1,269 per ounce
Capital cost *	\$157 per ounce	\$149 per ounce	\$235 per ounce	\$93 per ounce
Cash cost per tonne milled	\$280 per tonne	\$202 per tonne	\$237 per tonne	\$197 per tonne
Revenue received	\$1,230 per ounce	\$1,366 per ounce	\$1,357 per ounce	\$1,383 per ounce

All costs and revenues 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.