

ASX Release – 22 July 2010

Bendigo and BCD to merge to create a new mid-tier Australian gold producer

Bendigo Mining Limited (**Bendigo**) and BCD Resources NL (**BCD**) announce that they have entered into a Scheme Implementation Agreement (**SIA**) for a merger of the companies to create a significant mid-tier Australian gold mining business (the **Merger**).

The Merger will be implemented by way of a scheme of arrangement under which it is proposed Bendigo will acquire all of the ordinary shares in BCD. BCD shareholders will receive 0.72 Bendigo shares for each BCD share held which, based on the last closing prices, implies a combined market capitalisation of A\$162 million. The scheme of arrangement will require approval by BCD shareholders at a meeting expected to be held in November 2010.

The Merger is unanimously recommended by the BCD directors and each of the directors of BCD (and each relevant entity controlled by a BCD director) intends to vote in favour of the scheme in the absence of a superior proposal and subject to the independent expert concluding that the scheme is in the best interests of BCD shareholders.

Transaction Highlights

- The Merger is planned to create a significant mid-tier gold mining business. Production from the merged group's three mines in FY10 was 137,600 ounces.
- The Merger offer ratio of 0.72 Bendigo shares for every BCD share implies an offer price of 14.4 cents per BCD share, representing **an attractive premium of 44.0% to BCD's closing price on 20 July 2010** and 25.2% to BCD's 30 day VWAP.
- The Merger combines Bendigo's production and strong balance sheet with BCD's high grade Tasmania Mine.
- The new company's strong financial position will allow it to accelerate the development and maximise the value of the Tasmania Mine.
- Bendigo has acquired a relevant interest in 19.92% of BCD's ordinary shares from BCD's largest shareholder, Malaysia Smelting Corporation Berhad (MSC).
- Bendigo has agreed to provide to BCD a pre-completion loan of up to A\$8 million to accelerate the development of BCD's Tasmania Mine and for working capital purposes.

A summary of the material terms of the SIA are set out in the Schedule to this announcement.

Transaction Rationale

The Merger will create a significant new mid-tier Australian gold mining company with:

- Increased scale, relevance and synergies:
 - High grade gold production from three established underground mines at the Henty Gold Mine, the Tasmania Mine and the Kangaroo Flat Mine which had combined production of 137,600 ounces in FY10.
 - Ability to deliver operational synergies between the three mines, particularly the two Tasmanian based gold operations, the Henty Gold Mine (Bendigo) and the Tasmania Mine (BCD).

- A mineral resource base of 790,000 oz gold and an ore reserve base of 390,000 oz.
- Improved liquidity, market profile and access to capital markets for the benefit of both BCD and Bendigo shareholders.
- Lower operating and financial risk:
 - One of the largest narrow-vein gold mining companies in Australia, with over 550 skilled employees and contractors. The ability to share skills across the group in planning, development and operations is expected to lead to valuable improvements in productivity.
 - A strong balance sheet with no gold hedging and significant cash (A\$57 million in Bendigo and A\$8 million in BCD as at 30 June 2010).
- Enhanced growth potential:
 - Strong geological and mining skills and the financial resources to maximise the value of existing development and exploration opportunities. High levels of exploration activity in three significant goldfields (Historic gold production: Bendigo 22 Moz, Tasmania Reef 2 Moz and Henty 1 Moz gold).
 - Accelerated development of the recently announced high grade discovery in the Western Zone of the Tasmania Mine, containing an additional Resource of 66,000 oz at 18.9 g/t gold.
 - Exposure to Bendigo's strategic 'pathfinder' investment in GoldStone Resources, a West African gold explorer with a prospective portfolio of exploration assets.
 - Attractive copper resources and exploration potential at the Stavely and Ararat projects in western Victoria where conceptual development studies have been completed.

MSC Shareholding

The Merger has the full support of MSC, BCD's largest shareholder, pursuant to a Share Purchase and Call Option Deed executed between Bendigo and MSC. Through these arrangements, Bendigo has acquired a relevant interest of 19.92% in BCD from MSC comprising:

- the outright acquisition of 10.67% of BCD's ordinary shares for 11.5 cents per share; and
- an option to acquire a further 9.25% of BCD's ordinary shares (at 0.72 Bendigo shares for each BCD share, being the same terms as provided for in the SIA), in the absence of a superior proposal.

Further details on the agreement between MSC and Bendigo are attached to Bendigo's substantial shareholder notice lodged with ASX today.

Pre-Completion Loan

Bendigo has agreed to provide BCD with a secured loan (**Loan**) prior to completion of the Merger of up to A\$8 million for working capital and to support the accelerated development of the Tasmania Mine.

The Loan is able to be drawn down in four tranches, with the first advance being A\$3.5 million.

A summary of the material terms of the Loan and associated fixed and floating charge are set out in the Schedule to this announcement.

Board and Management

It is intended that the Bendigo Board will continue to be led by Mr Peter McCarthy as Non-Executive Chairman and Mr Rod Hanson as Managing Director & Chief Executive Officer.

After completion of the Merger the composition of the Board and management team will be reviewed to ensure Bendigo has the appropriate mix of skills and experience to maximise the inherent value of the portfolio of assets.

Significant Benefits for all Shareholders

Mr Rod Hanson, Bendigo's Managing Director & CEO said, "The merger will combine two companies with highly complementary operational, development and exploration profiles. The scale and profile of the merged entity, its strong cashflow and healthy balance sheet will create a significant mid-tier Australian gold producer."

Dr Denis Clarke, BCD's Chairman said, "The combination makes sound strategic sense. It will facilitate the unlocking of value in the Tasmania Mine as well as facilitating aggressive exploration programs at the existing gold operations and exciting exploration projects to enable the combined entity to capitalise on continued strong gold markets."

Dr Clarke added, "The BCD directors have unanimously recommended that the shareholders of BCD approve the Merger, in the absence of a superior proposal and subject to advice from an independent expert that the Merger is in the best interests of BCD shareholders. The Merger represents an immediate uplift in value and is expected to continue to unlock further value for all of the shareholders of the combined company through the next stages of its growth."

Bendigo's Strategic Vision

"Bendigo's vision is to build a profitable mid-tier gold mining business. We plan to discover, operate and acquire quality gold assets to transform the Company into a 500,000 oz per year producer.

"The Merger is an important step towards achieving our vision", said Mr Hanson.

Timetable

Subject to the outcome of the ASIC review, BCD intends to despatch the scheme booklet by early October 2010 with a shareholder vote on the Merger anticipated during November 2010.

Advisors

Bendigo is being advised in relation to the Merger by Gryphon Partners as its corporate advisor and Minter Ellison as its legal advisor.

BCD is being advised in relation to the Merger by Grant Samuel as its corporate advisor and Mills Oakley as its legal advisor.

Further Information

For more information, please contact:

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Bendigo Profile

Bendigo Mining Limited (ASX: BDG) is an Australian gold producer which owns and operates two producing underground gold mines in Australia; the Kangaroo Flat Mine in Bendigo, Victoria and the Henty Gold Mine on the West Coast of Tasmania. Bendigo is also involved in gold exploration in West Africa through its investment in GoldStone Resources Limited.

The Kangaroo Flat Mine is located in the Bendigo Goldfield, which has historically produced some 22 million ounces of gold over a century of mining. The Henty Gold Mine has produced in excess of one million ounces of gold over a 14 year period. Bendigo Mining acquired Henty in July 2009.

BCD Profile

BCD Resources NL (ASX: BCD) is an Australian gold producer which owns and operates the Tasmania Mine in Northern Tasmania. BCD is also advancing a copper project in Victoria with significant copper resources at two adjacent locations.

The Tasmania Mine has a history of high grade production with a known endowment of 2.5 million ounces of gold and production in excess of 800,000 ounces of gold since 1999. BCD Resources NL assumed management of the mine in February 2007.

Summary of the Scheme Implementation Agreement, Loan Agreement and Fixed and Floating Charge

Bendigo and BCD have entered into a scheme implementation agreement (**Scheme Implementation Agreement or SIA**), a Pre-Completion Loan Agreement (**Loan**) and a Fixed and Floating Charge (**Charge**), all dated 22 July 2010. A summary of the key terms and conditions of the SIA, Loan and Charge are set out below.

1. Scheme Implementation Agreement

Summary

BCD will propose a scheme of arrangement under which BCD shareholders will transfer their shares in BCD to Bendigo in exchange for ordinary shares in Bendigo. A BCD shareholder will receive 0.72 Bendigo shares for each BCD share they hold.

Each of BCD and Bendigo is obliged to take all necessary steps to implement the Scheme in accordance with the applicable timetable, including assisting in the preparation of the Scheme Book, the provision of information and the seeking of regulatory and court approvals.

Conditions

Implementation of the Scheme is subject to the following conditions being satisfied or waived :

- a) **(No BCD Material Adverse Change)** no BCD Material Adverse Change occurs between the date of the SIA and 8.00am on the Second Court Date;
 - b) **(No Bendigo Material Adverse Change)** no Bendigo Material Adverse Change occurs between the date of the SIA and 8.00am on the Second Court Date;
 - c) **(No regulatory action)** before 8.00am on the Second Court Date:
 - (i) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency;
 - (ii) no action or investigation is announced, commenced or threatened by any Government Agency;
 - (iii) no application is made to any Government Agency (other than by Bendigo or any of its Associates),
in consequence of or in connection with the Scheme (other than an application to, or a decision or order of, ASIC for the purpose, or in exercise, of the powers and discretions conferred on it by the Corporations Act) which restrains or prohibits or impedes, or threatens to restrain, prohibit or impede, or otherwise materially adversely impacts upon, the approval or implementation of the Scheme or the acquisition of BCD Shares under the Scheme or the completion of any transaction contemplated by the Scheme, or seeks to require the divestiture by Bendigo of any BCD Shares, or the divestiture of any material assets of BCD;
 - d) **(Quotation approval for New Bendigo Shares)** before 8.00am on the Second Court Date, ASX provides approval for the official quotation of the New Bendigo Shares, subject to any conditions which ASX may reasonably require, including the implementation of the Scheme;
 - e) **(Shareholder approval)** the Scheme is approved by BCD Shareholders at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act;
 - f) **(Restraints)** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing any aspect of the Scheme is in effect as at 8.00am on the Second Court Date;
 - g) **(Independent Expert)** the Independent Expert concludes in the Independent Expert's Report that in its opinion the Scheme is in the best interests of BCD Shareholders and the Independent Expert does not publicly withdraw or qualify this conclusion on or before the Second Court Date;
 - h) **(Conduct of business)** except as publicly announced by BCD before execution of the SIA:
 - (i) before 8.00am on the Second Court Date, BCD's business and the business of BCD's Subsidiaries is conducted in the ordinary course, and there is no reduction in the cash
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balances held by or available to the BCD Group other than in the ordinary course of business or in connection with the matters contemplated by the SIA; and

- (ii) none of the following events occurs before 8.00am on the Second Court Date:
 - (A) BCD or any member of the BCD Group acquires, offers to acquire or agrees to acquire any assets for an amount in aggregate exceeding \$500,000 or one or more entities or businesses or assets or makes an announcement in relation to such an acquisition, offer or agreement;
 - (B) BCD or any member of the BCD Group disposes of, offers to dispose of or agrees to dispose of one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount, or in respect of which the book value (as recorded in BCD's consolidated balance sheet as at 31 December 2009) is, in aggregate, greater than \$500,000, or makes an announcement in relation to such a disposition, offer or agreement;
 - (C) BCD or any member of the BCD Group enters into, or offers to enter into or agrees to enter into, any agreement which would require expenditure, or the foregoing of revenue, by BCD of an amount which is, in aggregate, more than \$500,000 or makes an announcement in relation to such an entry, offer or agreement;
 - (D) BCD or any member of the BCD Group enters into, or offers to enter into or agrees to enter into, any joint venture or partnership, grants any licence or option or right of first refusal over any of its property or assets or an interest in its property or assets, or makes an announcement in relation to such an entry, offer or agreement;
 - (E) BCD or any member of the BCD Group disposes of, agrees or offers to dispose of, or negotiates or announces the disposal of, any material part of the BCD Group's business or major assets;
 - (F) BCD or any member of the BCD Group enters into any agreement, arrangement or understanding, whether or not conditional, or enforceable, regarding the disposal of any material part of the BCD Group's business or major assets;
 - (G) BCD or any member of the BCD Group enters into any onerous or long term contract or commitment or incurs a contingent liability of an amount which is, in aggregate, more than \$500,000 or agrees to do any of those things; or
 - (H) BCD or any member of the BCD Group borrows or agrees to borrow any money or incurs any financial indebtedness other than in the ordinary course of business, or releases or agrees to release any obligation owed to it or that may become owing to it, or modifies any such obligation, other than in the ordinary course of business.
- i) **(No BCD prescribed occurrences)** before 8.00am on the Second Court Date, none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happens:
 - (i) BCD converts all or any of the BCD Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
 - (ii) BCD or any member of the BCD Group resolves to reduce its share capital in any way;
 - (iii) BCD or any member of the BCD Group enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
 - (iv) BCD or any member of the BCD Group issues shares (other than as a result of the exercise of the Existing Options or conversion of Convertible Notes) or grants an option over its shares, or agrees to make such an issue or grant such an option;
 - (v) BCD or any member of the BCD Group issues, or agrees to issue, convertible notes;
 - (vi) BCD or any member of the BCD Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (vii) BCD or any member of the BCD Group charges, or agrees to charge, the whole, or a substantial part, of its business or property;
 - (viii) BCD or any member of the BCD Group resolves to be wound up;
 - (ix) a liquidator or provisional liquidator of BCD or of any member of the BCD Group is appointed;
 - (x) a court makes an order for the winding up of BCD or of a member of the BCD Group;

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- (xi) an administrator of BCD or of any member of the BCD Group is appointed under section 436A, 436B or 436C of the Corporations Act;
 - (xii) BCD or any member of the BCD Group executes a deed of company arrangement; or
 - (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of BCD or a member of the BCD Group;
 - j) **(No Bendigo prescribed occurrences)** before 8.00am on the Second Court Date, none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happens:
 - (i) Bendigo converts all or any of the Bendigo Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
 - (ii) Bendigo resolves to reduce its share capital in any way;
 - (iii) Bendigo enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
 - (iv) Bendigo issues shares or convertible notes (other than as a result of the exercise of any options or conversion of any convertible notes) or grants an option over its shares, or agrees to make such an issue or grant such an option, and such issue or grant:
 - (A) represents more than 15% of Bendigo's current issued share capital; or
 - (B) is to a related party or employee of Bendigo and represents more than 5% of Bendigo's current issued share capital;
 - (v) Bendigo disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (vi) Bendigo charges, or agrees to charge, the whole, or a substantial part, of its business or property;
 - (vii) Bendigo resolves to be wound up;
 - (viii) a liquidator or provisional liquidator of Bendigo is appointed;
 - (ix) a court makes an order for the winding up of Bendigo;
 - (x) an administrator of Bendigo is appointed under section 436A, 436B or 436C of the Corporations Act;
 - (xi) Bendigo executes a deed of company arrangement;
 - (xii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Bendigo; or
 - (xiii) not enter into any other proposal (merger or takeover) with another party without the prior written consent of the BCD Board (such consent not to be unreasonably withheld or delayed);
 - k) **(No termination)** before 8.00am on the Second Court Date, the SIA is not terminated in accordance with its terms;
 - l) **(No related party benefits)** before 8.00am on the Second Court Date, none of BCD nor any entity included in the BCD Group enters into, or offers or agrees to enter into any agreement, arrangement, or understanding (whether subject to conditions or not) to give a director, secretary or senior manager (or any of their Associates) of BCD or any entity included in the BCD Group a benefit (including a payment, an agreement to employ them, or engaging their services for a fixed period) which in aggregate among all of them exceeds \$50,000;
 - m) **(Options)** before 8.00am on the Second Court Date, BCD does not amend or vary the terms of any Options granted by BCD;
 - n) **(Convertible notes)** before 8.00am on the Second Court Date, BCD does not amend or vary the terms of any convertible notes or other convertible securities (other than the Options) issued by BCD or any rights granted by BCD for the issue of BCD Shares;
 - o) **(No change of BCD Board recommendation)** between the date of the SIA and the date of the Scheme Meeting, none of the Directors of BCD changes, qualifies or withdraws their unanimous recommendation to BCD Shareholders to vote in favour of the Scheme (but which recommendation may be expressed to be given:
 - (i) in the absence of a Superior Proposal; and
 - (ii) subject to the Independent Expert opining that the Scheme is in the best interests of BCD Shareholders;
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- p) **(BCD Warranties)** the BCD Warranties are true and correct in all material respects on the date of the SIA and at 8.00am on the Second Court Date;
 - q) **(Bendigo Warranties)** the Bendigo Warranties are true and correct in all material respects on the date of the SIA and at 8.00am on the Second Court Date; and
 - r) **(Court approval)** the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party (acting reasonably).
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BCD Material Adverse Change:

- a) an event, change, occurrence or matter which individually or when aggregated with all such events, changes, occurrences or matters diminishes, or could reasonably be expected to diminish the net assets of BCD by \$3 million or more in comparison to BCD's net assets at 30 April 2010;
- b) BCD or any of its subsidiaries is or becomes a party to any prosecution, litigation, arbitration or other proceedings, investigation or inquiry in respect of BCD or any of its subsidiaries or their respective businesses or assets that exposes or could reasonably expose BCD or any of its subsidiaries to a potential liability exceeding \$3 million (excluding legal costs);
- c) there is a suspension or cessation of operations at the Tasmania Mine for more than five consecutive days, other than for a scheduled shutdown in the ordinary course of business;
- d) an event occurs in relation to the Tasmania Mine which is reasonably likely to result in the closure or suspension of operations of the Tasmania Mine or any material part of the Tasmania Mine;
- e) a breach by BCD of the terms of a Material Contract, or the failure by BCD to meet a payment obligation when due exceeding \$500,000 under any contract or \$1,000,000 in aggregate for all its contracts, unless the payment obligation is subject to a bona fide dispute which BCD is diligently contesting in good faith and in accordance with proper procedures and laws and BCD has satisfied Bendigo that it has set aside sufficient reserves of liquid assets to pay the payment obligation and interest or other costs payable if the dispute is unsuccessful; or
- f) BCD or any of its subsidiaries is or becomes unable to pay its debts as and when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act.

Bendigo Material Adverse Change:

- a) an event, change, occurrence or matter which individually or when aggregated with all such events, changes, occurrences or matters diminishes, or could reasonably be expected to diminish the net assets of Bendigo by \$5 million or more in comparison to Bendigo net assets at 30 April 2010;
- b) Bendigo or any of its subsidiaries is or becomes a party to any prosecution, litigation, arbitration or other proceedings, investigation or inquiry in respect of Bendigo or any of its subsidiaries or their respective businesses or assets that exposes or could expose Bendigo or any of its subsidiaries to a potential liability exceeding \$5 million (excluding legal costs); and
- c) Bendigo or any of its subsidiaries is or becomes unable to pay its debts as and when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act,

excluding circumstances arising from or relating to the Loan Agreement between Bendigo and BCD including any breach of the Loan Agreement by BCD.

Termination

The SIA may be terminated by either party by immediate notice if:

- a) the other party is in material breach which is not remedied within 5 Business Days of notification;
 - b) the following conditions are not satisfied or become incapable of becoming satisfied:
 - No regulatory Action (condition (c));
 - Quotation Approval for New Bendigo Shares (condition (d));
 - Shareholder Approval (condition (e));
 - Restraints (condition (f));
 - Independent Expert (condition (g)); or
 - Court approval (condition (r));
 - c) a court or government agency issues an order, decree or ruling or takes other action which
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- permanently restrains or prohibits the Scheme from proceeding;
- d) the independent expert's report concludes that the Scheme is not in the best interests of BCD's shareholders;
- e) if the Court refuses to make an order directing BCD to convene the Scheme Meeting; or
- f) if the Effective Date for the Scheme has not occurred before the End Date.
- Bendigo may terminate the Scheme Implementation Agreement; if:
- a) any member of the BCD Board:
- determines or publically announces that a Competing Proposal is a Superior Proposal;
 - withdraws, revises or qualifies their recommendation set out in the announcement made on the date of the SIA;
- b) Bendigo considers that a condition is not reasonably likely to be fulfilled as a result of acts or omissions by BCD which caused or materially contributed to the non-fulfilment of the Condition;
- c) BCD commits a material breach of a representation or warranty contained in the SIA, which cannot be remedied and if the breach was of a kind that had it been disclosed to Bendigo prior to the date of this announcement could reasonably be expected to have resulted in Bendigo not entering in to the SIA.
- d) the following conditions are not satisfied or become incapable of becoming satisfied:
- No BCD Material Adverse Change (condition (a));
 - Conduct of business (condition (h));
 - No BCD prescribed occurrences (condition (i));
 - No related party benefits (condition (l));
 - Options (condition (m));
 - Convertible Notes (condition (n)); or
 - BCD Warranties (condition (p));
- e) either BCD is in breach of the Loan or the Charge or an event of default under the Loan has occurred or subsists, and either the breach or the event of default is incapable of being remedied or has not been remedied within 5 business days of notification from Bendigo; or
- BCD may terminate the SIA if:
- a) Bendigo commits a material breach of a representation or warranty contained in the SIA, which cannot be remedied and if the breach was of a kind that had it been disclosed to BCD prior to the date of this announcement could reasonably be expected to have resulted in BCD not entering in to the SIA; or
- b) the following conditions are not satisfied or become incapable of becoming satisfied:
- No Bendigo Material Adverse Change (condition (b));
 - No Bendigo prescribed occurrences (condition (j)); or
 - Bendigo Warranties (condition (q)).
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Exclusivity

During the period from the Exclusivity Period, BCD has undertaken to:

- a) ensure that neither it nor any of its representatives take any action with a view to obtaining any expressions of interest, offer or proposal from any person in relation to a Competing Proposal.
- b) ensure that neither it nor any of its representatives negotiates or enters into any negotiations or discussions with any person regarding a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal or provide any information to a third party for the purposes of enabling that party to make a Competing Proposal.
- c) notify Bendigo of the terms of the Competing Proposal and give Bendigo the right to offer to modify the terms of the Scheme or to propose any other transaction. If the BCD Board determines that the Bendigo counterproposal is no less favourable than the Competing Proposal, then the parties must pursue the implementation of the Bendigo counterproposal in good faith.

Exceptions

Despite the restrictions in a) and b) above, the BCD Board may enter into discussions or negotiations if the BCD Board, acting in good faith, determines:

- a) where there is a Competing Proposal, that the Competing Proposal is a Superior Proposal or, where
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there is not yet a Competing Proposal, the steps which the BCD Board proposes to take may reasonably be expected to lead to a Competing Proposal which is a Superior Proposal; and

- b) after receiving written legal advice from BCD's external legal advisers, that failing to respond to the Competing Proposal may constitute a breach of its fiduciary or statutory duties.

Despite the restrictions in c) above, the obligations for the BCD Board to notify Bendigo of the terms of the Competing Proposal and give Bendigo the right to offer to modify the terms of the Scheme or to propose any other transaction do not apply if the BCD Board has:

- a) where there is a Competing Proposal, determined that the Competing Proposal is a Superior Proposal or, where there is not yet a Competing Proposal, the steps which the BCD Board proposes to take may reasonably be expected to lead to a Competing Proposal which is a Superior Proposal and after receiving written legal advice from BCD's external legal advisers, that failing to respond to the Competing Proposal may constitute a breach of its fiduciary or statutory duties; and
- b) after receiving written legal advice from BCD's external legal advisers, determined in good faith, that the consequences of providing the notification, updates and undertaking any action may constitute a breach of the BCD Board's fiduciary or statutory duties.

BCD Break Fee

BCD must pay to Bendigo a break fee of 1% of the value of the consideration proposed under the Scheme as at the date of payment, if any of the following events occur:

- a) a Competing Proposal is announced and any BCD director recommends that BCD shareholders accept, vote in favour of or support a Competing Proposal;
- b) a Superior Proposal is announced;
- c) any BCD director withdraws, revises or qualifies its recommendation other than in the event:
- of a BCD Material Adverse Change;
 - of circumstances where BCD is entitled to terminate the SIA other than where:
 - Bendigo is in material breach of the SIA;
 - a representation or warranty by Bendigo is or becomes untrue;
 - a Court or government agency permanently restrains or prohibits the scheme from proceeding; or
 - the Independent Expert concluding that the Scheme is not in the best interests of BCD shareholders.
 - of the Court not approve the Scheme; or
 - of the Independent Expert concluding the Scheme is not in the best interests of BCD's shareholders;
- d) any member of the BCD Board does not recommend that BCD shareholders vote in favour of the Scheme (such recommendation qualified only by the words to the effect of "in absence of a superior proposal" and "subject to the independent expert opining at all time prior to the second court day that the scheme is in the best interests if BCD Shareholders");
- e) any person other than Bendigo acquires voting power of more than 50% in BCD;
- f) BCD is in material breach of any of its obligations under the SIA which is not remedied within 5 business days of notification by Bendigo; or
- g) the breach or non fulfilment of certain conditions in circumstances where BCD materially caused or contributed to the breach or non fulfilment.

Bendigo Break Fee

Bendigo must pay BCD a break fee of 1% of the value of the consideration proposed under the Scheme as at the date of payment if prior to the Scheme Implementation Date:

- a) the condition relating to Bendigo Material Adverse Changes is breached or not fulfilled (which breach is not capable of remedy, in circumstances where Bendigo has materially caused or contributed to the breach or non fulfilment); or
- b) Bendigo withdraws its proposal other than in circumstances where:
- Bendigo considers that a condition is not reasonably likely to be fulfilled (other than because of a Bendigo Material Adverse Change);
 - where a BCD board member withdraws, qualifies or revises their recommendation;
 - a Competing Proposal is announced and any member of the BCD board recommends that BCD
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shareholders accept, vote in favour of or support that proposal;

- a Superior Proposal is announced; or
 - Bendigo is entitled to terminate the SIA in accordance with its terms.
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Other key definitions

Competing Proposal

A bona fide proposal or offer by any person with respect to any transaction (by purchase, scheme of arrangement, takeover bid or otherwise) that may result in any person (or group of persons) other than Bendigo or its related entities, directly or indirectly:

- (a) acquiring voting power in BCD or any of its subsidiaries of more than 30%;
 - (b) acquiring an interest in all or a substantial part of the assets of or business of BCD or any related body corporate of BCD;
 - (c) acquiring control (within the meaning of sections 608(4) to (7) (inclusive) of the Corporations Act or otherwise) of BCD; or
 - (d) merging or amalgamating with BCD or any subsidiary of BCD.
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End Date

31 December 2010 or such other date and time agreed in writing by BCD and Bendigo.

Exclusivity Period

The period commencing on the date of the SIA and ending on the earliest of:

- (a) the End Date;
 - (b) the effective date of the Scheme; and
 - (c) the date the SIA is terminated in accordance with its terms.
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Superior Proposal

A bona fide Competing Proposal which the BCD Board has determined, in good faith after consultation with their external legal and financial advisers, is:

- (a) reasonably capable of being valued and completed, taking into account all aspects of the Competing Proposal (including accounting, legal, financial, regulatory aspects thereof) and the person making it; and
 - (b) if consummated in accordance with its terms, is more favourable to BCD's shareholders (as a whole) than the Scheme, taking into account all the terms and conditions of the Competing Proposal.
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2. Loan Agreement

Summary

Bendigo has agreed to provide BCD with a loan of up to \$8 million to support the development of the Tasmania Mine and for working capital purposes.

Agreed Purpose

The funds advanced must be used for the agreed purposes, being for the improvement of the long term performance of BCD's operations, working capital purposes, the payment of agreed creditors and any other purpose agreed by Bendigo in writing.

Security

The loan is to be secured with a first ranking fixed and floating charge over all of the material assets of BCD and its subsidiaries, but which permits the use of a cash deposit held by Taylor Woodings for the payment of employee entitlements in relation to employees of the Tasmania Mine, but excluding certain assets that are already charged to BCD's previous bankers.

Tranches

The funds are to be advanced in four staged tranches:

- a) The first \$3.5 million tranche available on two business days notice following execution of the SIA, announcement of the Transaction and receipt and execution of the required security documents.
 - b) The following three tranches of \$1.5 million are each available on 30 days notice conditional on
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providing a mine plan for the following three months.

- c) The availability of the final two tranches is subject to BCD demonstrating previous expenditure was in accordance with the agreed purpose and conditional on BCD lodging the scheme booklet with ASIC.

Interest rate

Funds advanced will incur interest at a rate of 10% p.a.

Repayment

Subject to the circumstances where mandatory repayment is required, BCD must repay any monies drawn under the Loan (together with accrued but unpaid interest) and all other secured money to Bendigo on the date which is 12 months from the date of the Loan (or such later date as agreed by the parties).

Mandatory repayment

The funds must be repaid:

- a) on 5 business days' notice in the event of a Competing Proposal being recommended by any director of BCD, or a revision, qualification or withdrawal of the recommendation of any director of BCD with respect to the Scheme in circumstances where the BCD Break Fee becomes payable, or in any other circumstances in which the BCD Break Fee is payable;
- b) on 60 business days' notice if circumstances arise which in Bendigo's reasonable opinion it is unlikely that the SIA will be approved or implemented or the termination of the SIA.

Early repayment fee

An early repayment fee of 4% of the drawn amount applies.

3. Fixed & Floating Charge

Summary

The repayment of moneys owing and performance of obligations under the Loan Agreement and the SIA will be secured by a first ranking fixed and floating charge granted by BCD and each of its subsidiaries over all their material assets and undertakings, but excluding certain assets that are already charged to BCD's previous bankers.
