RESOURCES NL

New Funding Arrangements

22 November 2010 **ASX Announcement**

- **Existing $8.5 million loan from Minemakers Limited ("Minemakers") to BCD Resources NL (ASX: BCD) to remain in place on renegotiated terms.**
- **Additional $6.1 million (up to a maximum of $10.0 million) of loans to be provided by New Investors.**
- **BCD shareholder approval will be sought to convert the short-term loans from Minemakers and New Investors to 12-month convertible notes.**
- **Board to be restructured to represent the interests of existing BCD shareholders, Minemakers and New Investors.**

BCD advises that the Company has restructured Minemakers existing $8.5 million loan and received additional loans of $6.1 million from a group of New Investors. The restructured and new funding arrangements 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.

The new funding arrangements will allow the Tasmania Mine to work through the current loss-making period and return to profitability when production commences from the new Western Zone. However, to secure the Company's future, it is essential that shareholders approve the conversion of the short-term loans into convertible notes at a general meeting of BCD shareholders anticipated to occur in late January 2011.

The BCD Chairman, Dr Denis Clarke said: ***"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."***

Under the agreed restructured arrangements:

- Minemakers will not advance any more of the original Minemakers $15 million facility, limiting the Minemakers loan to the current $8.5 million;
- Replacement loans of $6.1 million have been provided by New Investors, including some existing BCD shareholders and the principal mining contractor at the Tasmania Mine, Mr Nigel Webb;
- The Company will seek to raise additional loans from New Investors, up to a maximum of $3.9 million, on the same terms; and
- Subject to approval by BCD shareholders at a general meeting to be convened in early 2011, both the Minemakers loan, which is first ranking, and the loans from New Investors, which are second ranking, will be converted to 12-month secured convertible notes with a conversion price of 1.0 cent per share.

Background

For some time the BCD Board has sought access to additional capital resources to maximise the value of the Tasmania Mine. Given the variable nature of the Tasmania Mine orebody, additional capital has been required to provide a buffer against short term fluctuations in the operating performance of the Tasmania Mine. Capital has also been required to advance the development of the mine, to provide operational flexibility and to ensure the mine's optimal performance. It had not been possible to raise any significant amount of new equity despite extensive efforts. Accordingly, 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. While a limited number of parties expressed initial interest in some form of transaction with BCD, ultimately only Bendigo Mining Limited ("Bendigo") was prepared to proceed. On 22 July 2010, 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 when on 6 October 2010 Bendigo issued BCD with a notice of potential default under the 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 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 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 following the poor September quarter operational results. A subsequent draw down of $0.5 million was provided by Minemakers on 3 November.

On 6 November, Minemakers advised BCD that Minemakers believed 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, reflective of the limited opportunity for due diligence and the emergency nature of the funding required. On this basis, New Investors' loan funds of $6.1 million were secured, 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.

Conversion of loans requires shareholder approval

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 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.

BCD Board to be restructured

The BCD Board of directors is to be restructured to reflect the new arrangements. Current BCD directors Dr Denis Clarke and Messrs Michael Trumbull and Kevin Perrin 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 17 November to facilitate the Company's new funding arrangements. Messrs Andrew Drummond and Neville Bergin, representing Minemakers, and Mr Nigel Webb will join the Board following BCD's AGM on 30 November. 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. Dr Denis Clarke will continue as Chairman of the Board.

2010 Annual General Meeting - withdrawal of resolutions

As a result of the BCD Board restructure, Messrs Bill Tsingos and Neville Bergin will not stand for re-election at BCD's upcoming annual general meeting (AGM). Consequently, Resolutions 3(b) and 4 of the previously circulated Notice of Meeting will not be put to shareholders at the AGM.

For further information contact:

Bill Colvin – Chief Executive Officer
BCD Resources NL
t: 61-3-9909-7401
e: enquiries@bcdresources.com.au
w: www.bcdresources.com.au

Media Enquiries:
Fortbridge – Bill Kemmery +61 (0) 400 122 449