

Tuesday, 28 February 2012

MARKET ANNOUNCEMENT

RETURN OF CAPITAL

The Directors are pleased to confirm that the Company has determined to seek shareholder approval to undertake a one cent per share return of capital (**Return of Capital**).

Although the Company incurred a net loss for the half year, it was the Company's understanding that recent changes to the Corporations Act permits the payment of dividends based on a company 'balance sheet'/solvency test and not based on whether a company has a net profit. However, recent pronouncements from the Australian Taxation Office (ATO) and Treasury have raised issues with a company's ability to pay a dividend where they do not have a profit (ie. either a current year net profit, unrealised 'capital profit' or retained earnings) notwithstanding the intended effect of the Corporations Act changes.

The Company currently holds uninvested capital in the form of cash and liquid securities and is therefore in a position to return capital to shareholders. Given the current uncertainty in relation to the Company's ability to pay a dividend, which the Company hopes will be redressed by further Treasury/legislative clarity before 30 June this year, the Directors have determined that it is appropriate for the Company to undertake a one cent Return of Capital.

PROPOSED RETURN OF CAPITAL

The Return of Capital is to be effected by the Company seeking shareholder approval for a reduction in the share capital of the Company by returning one cent per share to shareholders - this equates to an aggregate reduction of share capital by approximately \$0.733 million based upon the Company's 73,350,541 shares currently on issue.

No shares will be cancelled as a result of the Return of Capital. Accordingly, the number of shares held by each shareholder will not change as a consequence of the Return of Capital. The Return of Capital will have no effect on the number of shares on issue.

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The Return of Capital is subject to shareholder approval which will be sought at a general meeting of shareholders anticipated to be held in mid-April 2012.

Meeting documentation advising details of the meeting together with relevant explanatory materials will be despatched to shareholders and sent to the ASX in due course. The meeting documentation will include details of the record date for determining eligibility to participate in the Return of Capital and the expected payment date, assuming the requisite resolution is passed by shareholders.

If all conditions are met, including shareholder approval, the Directors aim to distribute the Return of Capital during the second half of April 2012.

FOR FURTHER INFORMATION:

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