

DIRECTORS' REPORT

The Directors present their report together with the financial report of the Company for the year ended 30 June 2009.

Directors

The names and relevant details of Directors of the Company in office during or since the end of the financial year are as follows:



Peter McCarthy

BSc (Eng), MGeosc, FAusIMM, (CP), MAICD
Non - Executive Chairman

Mr McCarthy has 40 years experience in the mining industry. He is the chairman of AMC Consultants, a prominent mining consultancy group in Australia, and a Director of Castlemaine Goldfields Limited. He was President of the AusIMM in 2007 and 2008. His principal expertise is in underground mining and project evaluation. He joined the Board in September 2004 and was appointed Chairman in January 2006



Rod Hanson

BE (Min) (Hons), MBA, FAusIMM, MAICD
Managing Director and Chief Executive Officer

Mr Hanson is a mining engineer with more than 35 years experience in gold and base metals. Roles have included General Manager Operations with Plutonic Resources and General Manager with Sino Gold. He joined Bendigo Mining in January 2005 and was appointed to the position of Managing Director and Chief Executive Officer in January 2007.



Ronnie Beevor

BA (Hons)
Non - Executive Director

Mr Beevor is an investment banker and is a Senior Advisor to Gryphon Partners. He was Head of Investment Banking at N M Rothschild & Sons (Australia) Limited between 1997 and 2002. He has had extensive involvement with the natural resources industry, both in Australia and overseas. He is chairman of EMED Mining Public Limited, and a Director of Bannerman Resources Limited, New World Energy Limited, QMAG Limited and Talison Minerals Pty Ltd. He joined the Board in November 2002.



Richard Guy OAM

BAppSc, MSc
Non - Executive Director

Mr Guy is chairman of Bendigo-based Crystal Industries Group, Chairman of the State Owned Enterprise for the modernisation of irrigation in Northern Victoria (NVIRP) since 2007, has served on national and international Boards in the cold storage industry and was a Director of Girton Grammar School Limited until April 2006. He was appointed a Councillor of Latrobe University from February 2009. He is an engineer by training and plays a prominent role in various community and charitable organisations. He chaired the Bendigo Bank from 1986 through a period of rapid growth and development including the conversion to Bank status in 1995, a number of mergers, joint ventures and the introduction of the community banking concept. He vacated the chair of Bendigo Bank in March 2006 and resigned from the Bendigo Bank Limited Board in August 2006. He joined the Board in January 2005.



David Ransom

BSc (Hons), PhD
Non - Executive Director

Dr Ransom is a resource analyst and principal of Acorn Capital Limited, a Melbourne-based microcap investment manager. He is a geologist with a BSc from Sydney University and a PhD from the Australian National University, and has over 35 years experience in the minerals industry. He has held various directorships in the resources sector, including Triako Resources Limited and TSX Venture Exchange listed Solomon Resources Limited. He joined the Board in November 2007.

DIRECTORS' REPORT

Company Secretary

Tim Churcher

BSc, MSc, DIC, MBA (Cranfield, UK), MAusIMM

Mr Churcher has 22 years experience in the resource and finance sectors, working initially for North Limited and Gold Mines of Kalgoorlie Limited. He has 15 years experience in the finance sector; working as a financial analyst in London (Mining Journal Limited), in Australia for JB Were & Son Limited and in private equity investment with Renaissance Capital Limited. He joined the Company in January 2005 as General Manager Corporate Development, was appointed Chief Financial Officer in January 2007 and Company Secretary in July 2007.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by Directors (while they were a Director or committee member).

Directors	Board of Directors		Remuneration & Nomination Committee		Audit & Risk Management Committee		HSE & Security Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
P L McCarthy	9	9	2	2	-	-	2	2
R H Beevor	9	9	2	2	3	3	2	2
R A Guy	9	8	2	2	3	2	2	1
R J Hanson	9	9	-	-	-	-	-	-
D M Ransom	9	9	-	-	3	3	2	1

Principal Activities

The principal activity of the Company during the course of the financial year was mining and exploration.

Review of Operations

The key activity in the 2009 financial year was mining at the Kangaroo Flat Mine in Bendigo to test the Company's visual grade estimation method. Results were positive with production of 36,927 ounces of gold during the financial year from the processing of 148,769 tonnes of ore at a head grade of 8.5 g/t gold. Cash operating costs averaged A\$710/oz during the year. Importantly, the production head grade of 8.5 g/t gold was within expectations and confirmed the robustness of the Company's visual grade estimation method. This method is expected to improve the reliability of the assessment of economic potential of new discoveries in the Bendigo Goldfield.

During the March 2009 quarter the Company transitioned from trial mining and released a production forecast for calendar 2009 of 30 – 40,000 oz of gold. The goal is to maintain the 30 – 40,000 ounces of gold per annum rate as a sustainable base of production from the Kangaroo Flat Mine, subject to ongoing exploration success being achieved.

Key mine activities in the 2009 year included underground mine development of 3021 metres, ore mining of 159,161 tonnes and exploration drilling of 38,227 metres.

The exploration strategy focused during the year on the search for economic mineralisation within 1000 metres of existing mine development. Drilling occurred on the Deborah, Sheepshead, Garden Gully, Hustlers and Nell Gwynne lines of reef. Dunlop reef was discovered and several other reefs were infill drilled to increase confidence in their economic potential.

The Company's ongoing search for new business opportunities resulted in the successful acquisition of the Henty Gold Mine just after the financial year end. The acquisition included the operating underground mine, 300,000 t/y process plant, infrastructure, mineral tenements and 92 skilled employees. Henty is an excellent fit with Bendigo's growth strategy as it provides immediate gold production and significant exploration potential, combined with a low risk financing structure.

The Henty Gold Mine has been in operation for 13 years and has produced over one million ounces of gold at an average grade of 12 g/t gold. The mine is planned to produce 20 - 25,000 oz of gold during the July to December 2009 period at a grade of approximately 6 g/t gold. The Company believes there is excellent potential to increase mine life through further exploration.

State of Affairs

During the 2009 financial year, funds were derived from mining and production activities at the Kangaroo Flat Mine. The balance sheet reflects the increase in cash resources from \$48.6 million at the commencement of the financial year to a balance of \$57.1 million at 30 June 2009. The \$8.5 million cash increase was principally a result of good production performance and a strong gold price.

Strong operating performance has delivered a net profit of \$8.3 million for the 2009 financial year. The Company continues to expense all costs and hence this profit was achieved after all indirect costs of mining and exploration expenditure.

On 10 July 2009, the Company announced it had completed the acquisition of the Henty Gold Mine in North West Tasmania from a subsidiary of Barrick (PD) Australia Limited. The consideration was \$5 million in cash, \$3 million in Bendigo ordinary shares and in the event that successful exploration results in production from certain areas outside of the current mine workings, then a royalty will be payable, capped at \$22 million. The Company will also assume Henty's employee and environmental liabilities, currently estimated at \$12 million, and existing royalty obligations.

The state of the Company's affairs is disclosed in detail in the Financial Statements and the notes thereto.

Other than noted above, no significant changes in the state of affairs of the Company occurred during or since the end of the financial year.

Future Developments

The Company is planning to produce 50 - 65,000 oz of gold during calendar 2009 from its two underground gold mines, the Kangaroo Flat Mine in Bendigo, Victoria and the Henty Gold Mine on the West Coast of Tasmania. Quarterly production of 7500 to 10,000 oz from the Kangaroo Flat Mine and 10,000 to 12,500 oz from the Henty Gold Mine is planned for the July to December 2009 period. Production from the Henty Gold Mine in 2010 is dependent on post acquisition actions relating to the mine plan and conversion of near mine resources into reserves.

The Company will continue looking for new business opportunities that have potential to grow the Company and increase shareholder wealth. The Company is seeking select opportunities where it can leverage its 10 years of underground mining and exploration experience, its strong balance sheet and management skills.

Subsequent Events

No matters or circumstances have arisen since the end of the financial year, other than the acquisition of the Henty Gold Mine discussed above, which significantly affect or may significantly affect the Company's operations, the result of those operations or the state of affairs in subsequent financial years.

Directors' Shareholdings

Particulars of Ordinary Shares, Options and Performance Rights to purchase or receive Ordinary Shares in the Company, in which Directors have a relevant interest at the date of this report, are as follows:

Director	Ordinary Shares	Share Options	Performance Rights
R H Beevor	286,936	-	-
R A Guy	106,250	-	-
R J Hanson ⁽¹⁾	204,250	520,000	1,182,137
P L McCarthy	65,728	-	-
D M Ransom	-	-	-

⁽¹⁾ Refer to the remuneration report contained within the Directors' Report for full details of the Share Options and Performance Rights.

Directorships of Other Listed Companies

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year were for R H Beevor, OZ Minerals Limited (formerly Oxiana Limited) from 2002 to June 2009, EMED Mining Public Limited (AIM) from 2004 to date, Northern Gold N.L. from 2005 to June 2006 and Bannerman Resources Limited from July 2009 to date, for R A Guy, Bendigo Bank Limited from 1981 to 2006, for R J Hanson, nil, for P L McCarthy, Castlemaine Goldfields Limited, 2006 to date and for D M Ransom, Solomon Resources Limited (TSX-V), 2001 to April 2009 and Triako Resources Limited from 1991 to 2006.

DIRECTORS' REPORT CONTINUED

Performance Rights

Under the Company's long term incentive plan, the Company's Executive Officers, (R J Hanson and T S Churcher) will be granted a maximum of 2,101,577 Performance Rights. The Performance Rights provide the opportunity to receive fully paid Ordinary Shares for nil cost, contingent on achieving a performance hurdle over a three-year performance period.

Refer to the remuneration report contained within the Directors' Report and to Note 15 to the financial statements for full details of the Performance Rights.

Share Plan

Under the Company's short term incentive plan an Employee Share Plan has been introduced for all employees (excluding Executive Officers and Directors) effective 1 July 2008. The Share Plan provides the opportunity to receive fully paid Ordinary Shares for nil cost, contingent on the employees remaining employed by the Company.

Refer to the remuneration report contained within the Directors' Report and to Note 15 to the financial statements for full details of the Employee Share Plan.

Share Options

No Options were issued to Executive Officers or key management personnel pursuant to the Bendigo Mining Share Option Plans during the 2009 financial year.

Refer to the remuneration report contained within the Directors' Report and to Note 15 to the financial statements for full details on Share Options issued in prior financial years.

Indemnification

The Company has entered into a Deed of Access, Insurance and Indemnity with each of the Directors and Officers to indemnify each Director and Officer to the extent permitted by law against certain liabilities and legal costs incurred whilst acting in his or her capacity as a Director or Officer.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 31.

Non-audit Services

No non-audit services were provided by the external auditors during the financial year.

Environmental Performance

The Company conducts its operations in strict accordance with regulatory requirements, standards and codes of practice particularly those relating to noise, air quality, blast vibration, odour and water treatment, and in line with current community expectations for responsible and sustainable practice.

During the financial year, limits prescribed as part of the environmental monitoring program were exceeded on twelve occasions. These limits related to air quality, tank water quality and noise emissions. In all cases, investigations were carried out and corrective actions taken to prevent recurrence.

There were no incidents that resulted in penalties being imposed by regulatory authorities.

Dividend

No dividend has been paid or declared during the 2009 financial year. In respect of the financial year ended 30 June 2009, the Directors declared a final dividend of 0.5 cents per share unfranked to the holders of fully paid ordinary shares. The record date for the dividend is 8 September 2009 with the payment date to be 25 September 2009.

Remuneration Report – Audited

It is the Board's policy that remuneration packages reflect market conditions and the duties and responsibilities of the positions. The remuneration packages also recognise and reward performance, and provide an incentive to pursue the long term growth objectives of the Company within an appropriate control framework.

Non-Executive Directors

Non-executive Directors' fees reflect the responsibilities and demands made of the Directors. Guidance is obtained from independent industry surveys to ensure that Directors' fees are appropriate and in line with the market. The Chairman's fees reflect the increased responsibility of the role and are based on comparative positions in the industry.

Non-executive Directors currently receive \$50,000 a year and the Chairman \$125,000 a year for Board fees. Committee fees are paid to non-executive Directors with the Chairman of each committee receiving an annual fee of \$8000, and each member receiving \$4000. Statutory superannuation contributions are also paid on Board and Committee fees. The maximum total Directors' fee approved by shareholders which may be paid by the Company to all the non-executive Directors is \$500,000 per year.

Company Executives

Executive Officers of the Company are the Chief Executive Officer and the Chief Financial Officer. Key Management Personnel of the Company are the Operations Manager, Health Safety & Environment Manager and Finance & Administration Manager.

The remuneration structure for Executive Officers and Key Management Personnel comprises fixed and variable remuneration. Fixed remuneration includes base salary, superannuation and any applicable fringe benefits. Variable remuneration includes short term and long term incentive payments which are typically share-based and contingent on achieving share price and or performance hurdles. To retain and attract executives and managers of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the Remuneration and Nomination Committee seeks external advice in connection with the structure of remuneration packages. The Committee has reviewed the results of an industry remuneration survey for comparable positions and has given recognition to the challenges inherent in developing the Bendigo Project optimally when setting the executive and manager remuneration levels.

Long Term Incentive Plan

A long term incentive plan ('LTIP') was introduced during the 2007 financial year for the Executive Officers. No short term incentive plan is currently in operation for Executive Officers. Under the LTIP the Company will make annual grants to Executive Officers of conditional Performance Rights to receive Ordinary Fully Paid Shares in the Company by way of issue for nil cost. The vesting of Performance Rights is contingent on the Company achieving a performance hurdle over a three year performance period.

The annual grant of Performance Rights as a percentage of the total number granted (2,101,577) was 40% on 2 April 2007, 30% on 2 April 2008 and 30% on 2 April 2009. The allocation to the Managing Director & CEO was approved at the General Meeting held in November 2007. The total number granted to the Managing Director & CEO was 1,182,137 and the Chief Financial Officer was 919,440.

The Performance Rights will not vest until the Performance Date and Performance Hurdle have been achieved. The Performance Date is set at three years from the date of each grant.

In addition to the performance period of three years, the vesting of Performance Rights is subject to performance hurdles which if not satisfied at the Performance Date, will cause the entitlements to lapse unless the Remuneration and Nomination Committee reduce or waive in whole or in part the performance hurdles. There is no ability to re-test whether or not the Performance Right has satisfied the performance hurdle or hurdles after the performance period has ended.

The number of Performance Rights which vest is determined by assessing the performance of the Company, as measured by Total Shareholder Return (TSR) at the Performance Date relative to a comparator group of Companies (the "Performance Hurdle"). The Volume Weighted Average Price (VWAP) of the Company Shares in the one-month preceding the Performance Date compared to VWAP of the Company in the one-month preceding the grant date, will be used in calculating TSR over the three-year period. The TSR incorporates capital returns as well as dividends notionally reinvested and is considered the most appropriate means of measuring Company performance.

The broad comparator group chosen on which to compare Company performance is the S&P/ASX All Ords Gold sub-industry index. The average index level in the one-month preceding the Performance Date compared to the average index level in the one-month preceding the grant date will be used in calculating the comparator group performance over the three-year period.

Performance Rights will only convert to Shares subject to the Performance Period being met and subject to the Company's TSR being 10% above the comparator group performance. The entire annual allocation will convert if Company TSR is 20% or higher than the comparator group performance. The detailed breakdown of the relationship between Company performance and the conversion of Performance Rights is:

DIRECTORS' REPORT CONTINUED

Remuneration Report – Audited *continued*

- Zero percent converting if the Company TSR performance is below the threshold 10 percent out-performance of the comparator group.
- 50 percent converting if the Company TSR performance is at the threshold 10 percent out performance of the comparator group.
- 100 per cent converting when 20 percent out performance is achieved.
- Straight line pro-rata conversion between 10 percent and 20 percent out performance.

In addition to the performance period and performance hurdle, the vesting of Performance Rights is subject to the continuing employment of the Executive Officer. Performance Rights will generally lapse on an Executive Officer's resignation or dismissal.

The value of the Shares that the Executive Officers will receive if the performance hurdles are met depends on the share price at the Performance Date. For example, in the case of the Chief Executive Officer, assuming all Performance Rights are converted to Shares at a price of \$0.20 per share, the value would be \$236,427 or at a share price of \$0.40 per share the value would be \$472,854. Using the same example share prices for the Chief Financial Officer, the values would be \$183,888 and \$367,776.

Employee Share Plan

An Employee Share Plan (ESP) was introduced on 1 July 2008 for all employees excluding Executive Officers and Directors. To create a retention mechanism under the ESP, eligible employees received Share Rights on 1 July 2008 which vest over a two year period. Forty percent of the Share Rights vest into restricted Shares on 1 July 2009 and the remaining sixty percent vest on 1 July 2010. The employees must remain in the employ of the Company for the Share Rights to vest. Each of the Key Management Personnel received 125,000 Share Rights. If each of the Key Management Personnel remain employed by the Company then 50,000 of the Share Rights will vest on 1 July 2009 and 75,000 on 1 July 2010. The value of the Shares that the Key Management Personnel will receive depends on the share price at the vesting dates. For example if the Share Rights are converted to Shares at a price of \$0.20 per share, the value would be \$25,000 or at a share price of \$0.40 per share the value would be \$50,000. There is no performance condition linked to the vesting of the Share Rights as the primary aim of the Share Rights is to act as a retention mechanism.

Prohibited Actions

Executive Officers and Key Management Personnel who receive part of their remuneration in securities of the Company are prohibited from trading in any form of derivative that limits their exposure to losses that would result from share price decreases.

Recent Performance

The Total Shareholder Return (TSR) of Bendigo Mining Shares is the movement in share price from the start to the end of each financial year as well as dividends notionally reinvested. No dividends have been declared in the past four financial years, however a 0.5 cent per share dividend has been declared for the current financial year. As the Company is in a development phase, the TSR does not correlate with revenues and losses reported in any of the financial years. The TSR is more dependent on the future expectation of Company performance rather than Company earnings. The TSR has been volatile over the past four years reflecting the various stages of the Company's evolving strategy. The TSR in 2005 and 2006, was positive 18% and positive 87% respectively, and improved as a result of reduced financial risk through successful equity raisings in 2005 and 2006, and an improved gold price and the start of construction of the Bendigo Gold project. The 2007 year was particularly poor with a TSR of negative 81% reflecting the operational difficulties which necessitated a shift in strategy from producer back to explorer. Poor performance in 2007 meant that no STI payments were made to executives or LTI incentives exercised by executives. Significant changes were made to the executive team in 2007 with a reduction in number from five to two. A new long term incentive plan was introduced in 2007 for the restructured Executive Officers as detailed above. The TSR in 2008 was negative 17% and was reflective of the weak and volatile equity markets and the uncertainty inherent in the Company's exploration and trial mining phase. Despite continued volatility and weakness in the equity markets the TSR for 2009 was positive 5.6% due to the recommencement of mining activities and strong performance from the Kangaroo Flat Mine.

Company Executive and Key Management Personnel Contracts

Termination payments equal to 12 months remuneration for the Executive Officers and 6 months remuneration for the Key Management Personnel are required upon termination by the Company, unless the termination occurs because the Executive Officer or Other Key Management Person engages in conduct that warrants the summary termination of the contract or the Executive Officer or Other Key Management Person commits a material breach of the contract that is not remedied within a specified time or cannot be remedied. Three months notification is required by the Executive Officers and Key Management Personnel to terminate their contracts.

Remuneration Report – Audited *continued***Director and Executive Details**

The Directors, Executive Officers and Key Management Personnel of Bendigo Mining Limited during the financial year were:

Directors

- Peter McCarthy (Non-executive Chairman)
- Ronnie Beevor (Non-executive)
- Richard Guy OAM (Non-executive)
- Rod Hanson (Managing Director & CEO)
- David Ransom (Non-executive)

Executive Officers

- Tim Churcher (Chief Financial Officer & Company Secretary)

Key Management Personnel

- Lance Faulkner (Operations Manager)
- Rod Lester (Finance & Administration Manager)
- Andrew Mattiske (Health, Safety & Environment Manager)

Director and Executive Remuneration

The following tables disclose the compensation of the Directors, Executive Officers and Key Management Personnel of the Company.

	Year	Short-term Employee Benefits		Post Employment	Share-based Payment
		Salary & fees	Non-monetary ⁽¹⁾	Superannuation	Amortised value of equity securities
		\$	\$	\$	\$
Current Directors					
R H Beevor	2009	66,000	-	5,940	-
	2008	63,220	-	-	-
R A Guy	2009	66,000	-	5,940	-
	2008	58,000	-	5,220	-
R J Hanson	2009	403,540	46,869	36,319	101,409 ⁽²⁾
	2008	377,792	48,208	34,001	95,083 ⁽²⁾
P L McCarthy	2009	137,000	-	12,330	-
	2008	118,500	-	10,665	-
D M Ransom ⁽³⁾	2009	58,000	-	5,220	-
	2008	34,278	-	3,085	-
Other Current Executive Officer & Key Management Personnel					
T S Churcher	2009	313,832	41,573	27,952	79,256 ⁽²⁾
	2008	296,133	33,562	26,652	79,825 ⁽²⁾
L W Faulkner	2009	195,000	1,639	17,550	23,789 ⁽⁴⁾
	2008	183,486	1,505	16,514	7,331 ⁽⁴⁾
R G Lester	2009	174,500	984	15,705	24,314 ⁽⁴⁾
	2008	165,138	908	14,862	30,788 ⁽⁴⁾
A D Mattiske	2009	145,000	818	13,050	24,314 ⁽⁴⁾
Former Directors					
R Woodall ⁽⁵⁾	2008	21,649	-	-	-
Former Key Management Personnel					
R J Buerger ⁽⁶⁾	2008	141,500	1,160	12,735	7,331 ⁽⁴⁾

DIRECTORS' REPORT CONTINUED

Remuneration Report – Audited *continued*

- (1) Non-monetary benefits include the provision of motor cars, salary continuance insurance and fringe benefit taxation where applicable.
- (2) Performance Rights Series 1 and Option Series 9 (refer to Performance Rights and Share Options section below for further details).
- (3) D M Ransom (Non-executive), appointed on 23 November 2007.
- (4) Option Series 9 and Share Rights Series 1 (refer to Share Options and Share Rights section below for further details).
- (5) R Woodall (Non-executive), retired on 23 November 2007.
- (6) R J Buerger (Geology Manager), resigned on 7 November 2008.

The expected cost of accumulating annual and long service leave that increased during the reporting period as a result of the change in the unused entitlements equals \$21,875 for Mr Hanson, \$17,844 for Mr Churcher, \$9742 for Mr Faulkner, \$6573 for Mr Lester and \$5906 for Mr Mattiske.

Share Rights

Key Management Personnel and all eligible employees, excluding Executive Officers participated in the following Share Rights series that were issued during the 2009 financial year:

Share Right Series	Number	Grant date	Expiry date	Exercise price	Grant date share price	Fair value at grant date
2008 Grant	3,235,000	1/7/08	1/7/10	Nil	\$0.27	\$0.27
2009 Grant	585,000	29/6/09	29/6/11	Nil	\$0.28	\$0.28

Forty percent of the Share Rights will vest into restricted Shares one year after the grant date and the remaining 60% will vest two years after the grant date. The employees must remain in the employ of the Company for the Share Rights to vest. There is no performance condition linked to the vesting of the Share Rights as the primary aim of the Share Rights is to act as a retention mechanism. At the grant dates, 1 July 2008 and 29 June 2009, the share price was \$0.27 and \$0.28 respectively and the value of the Share Rights at that date was estimated at \$0.27 and \$0.28.

Fair Value calculations – Share Rights

The fair value of Share Rights, comprising the rights over unissued Shares, has been determined at the grant date with regard to estimated volatility, risk-free interest rate, life of the Share Rights and the exercise price.

The fair value of the Share Rights granted during the 2009 financial year is \$0.27 and \$0.28 being the share price on the grant dates of 1 July 2008 and 29 June 2009.

Performance Rights

Executive Officers participated in the following Performance Rights series that were issued during the 2009 financial year:

Performance Right Series	Number	Grant date	Expiry date	Exercise price	Grant date share price	Fair value at grant date
2009 Grant	630,473	2/4/09	1/4/12	Nil	\$0.25	\$0.25

2009 Grant: These Performance Rights will vest in full on 1 April 2012 if performance hurdles are met. The Performance Rights convert to Shares for nil cost. At the deemed grant date, 2 April 2009, the share price was \$0.25 and the value of the Performance Rights at that date was estimated at \$0.25.

2009 Fair Value Calculations – Performance Rights

The fair value of Performance Rights, comprising the rights over unissued Shares, has been determined at the grant date with regard to estimated volatility, risk-free interest rate, life of the Performance Rights, exercise price, and the performance hurdles.

The fair value of the Performance Rights granted during the 2009 financial year is \$0.25 being the share price on the grant date of 2 April 2009, (2008: \$0.27).

Remuneration Report – Audited *continued***Share Options**

No Options were issued to Executive Officers, Key Management Personnel or other employees pursuant to the Bendigo Mining Share Option Plans during the 2009 financial year.

Executive Officers and Key Management Personnel participated in the following option series issued during the 2006 financial year:

Option Series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
9	4,708,000	10/10/05	25/7/11	\$1.26	\$0.32

Option Series 9: These Options vested in three equal portions on 26 July 2006, 26 July 2007 and 26 July 2008 and may be exercised during the three-year period following each vesting date at the price of \$1.26 per share. The exercise price of the Options was set at the VWAP during the first ten trading days in July 2005, plus 30%, being \$1.39. At the grant date, 10 October 2005, the share price was \$1.14 and the average value of the Options at that date has been estimated at \$0.32. The exercise price of the Options was reduced by \$0.13 to \$1.26 and the value of the Options was increased by \$0.04 to an average of \$0.36 as a result of the 3:5 Rights Issue in November 2005, (26 July 2006 vesting Options being \$0.31, 26 July 2007 vesting Options being \$0.36 and 26 July 2008 vesting Options being \$0.42).

Fair Value Calculations - Options

Options were valued using the Black-Scholes option pricing model. An estimate of the expected number of Options to vest in the 2009 or later financial years has been made and will be adjusted in the future reporting periods to equal the number of Options that ultimately vest. An adjustment was made to the previously estimated number of Options to vest in the 2008 financial year for the actual number of Options that ultimately vested. Refer to Note 15 of the financial statements for full details on Option Series 9.

The key inputs into the Black-Scholes model for the option series that Executive Officers and Key Management Personnel had received during the 2006 financial year were a 30% volatility, 5 year term, 5.3% risk-free interest rate, nil dividends, \$1.26 exercise price and grant date share price of \$1.14 for Option Series 9.

Modification of Terms of Option Transactions

Options that were issued to the Executive Officers and Key Management Personnel during the 2006 financial year (Option Series 9) increased in value as a result of the 3:5 Rights Issue on 8 November 2005. The exercise price of the Options held by each of the Executive Officers and Key Management Personnel decreased from \$1.39 to \$1.26 per share as a result of the rights issue. The fair value increment for each option was \$0.04.

The key inputs into the Black-Scholes model for the incremental fair value calculations were 30% volatility, 4.7 year remaining term, 5.3% risk-free interest rate, nil dividends, \$1.26 exercise price and the share price at the date of the 3:5 Rights Issue of \$1.04.

DIRECTORS' REPORT CONTINUED

Remuneration Report – Audited *continued*

Value of Share Rights, Performance Rights and Options Issued to Directors, Executive Officers and Key Management Personnel

The following table discloses the value of Share Rights, Performance Rights and Options granted, exercised and lapsed during the year.

	Share Rights, Performance Rights and Options Granted	Share Rights, Performance Rights and Options Exercised	Share Rights, Performance Rights and Options Lapsed	Amortised value of equity securities in remuneration for the year	Percentage of total remuneration for the year that consists of Share Rights, Performance Rights and Options
	Value at grant date	Value at exercise date	Value at time of lapse		
	\$	\$	\$		
Directors					
R H Beevor	-	-	-	-	-
R A Guy	-	-	-	-	-
R J Hanson	88,660	-	-	101,409	17.2
P L McCarthy	-	-	-	-	-
D Ransom	-	-	-	-	-
Other Executive Officer & Key Management Personnel					
T S Churcher	68,958	-	-	79,256	17.1
L W Faulkner	33,750	-	-	23,789	10.0
R G Lester	33,750	-	-	24,314	11.3
A D Mattiske	33,750	-	-	24,314	13.3

The total value of the Share Rights, Performance Rights and Options granted, exercised and lapsed are calculated based on the following:

- Fair value of the Share Rights, Performance Rights and Options at grant date multiplied by the number of Share Rights, Performance Rights and Options granted during the year; plus
- Fair value of the Share Rights, Performance Rights and Options at the time they were exercised multiplied by the number of Share Rights, Performance Rights and Options exercised during the year; plus
- Fair value of the Share Rights, Performance Rights and Options at the time of lapse multiplied by the number of Share Rights, Performance Rights and Options lapsed during the year.

The value of the Share Rights, Performance Rights and Options included in remuneration for the year is based on the fair value determined at grant date and is recognised in remuneration on a proportionate basis over the vesting period.

Signed in accordance with a resolution of Directors made pursuant to Section 298(2) of the Corporations Act 2001.



Peter McCarthy
Chairman



Rod Hanson
Managing Director & CEO

26 August 2009

Deloitte.

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26 August 2009

The Board of Directors
Bendigo Mining Limited
66 Ham Street
KANGAROO FLAT VIC 3555

Dear Board Members

Bendigo Mining Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Bendigo Mining Limited.

As lead audit partner for the audit of the financial statements of Bendigo Mining Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



C C A Mottershead
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009 \$'000	2008 \$'000
SALES REVENUE	17	43,051	-
COST OF SALES			
Direct costs of mining, processing and site administration		(22,132)	-
Indirect costs of mining		(4,551)	-
Depreciation and amortisation		(1,945)	-
TOTAL COST OF SALES		(28,628)	-
GROSS PROFIT		14,423	-
Interest and other revenue	17	3,745	7,755
Exploration expenses		(6,655)	(10,240)
Mining expenses		-	(18,776)
Corporate expenses		(3,126)	(2,950)
Finance costs	18	(134)	-
PROFIT/(LOSS) BEFORE TAX		8,253	(24,211)
Income tax (expense) / benefit	21	-	-
PROFIT/(LOSS) FOR THE PERIOD		8,253	(24,211)
EARNINGS PER SHARE:			
Basic and Diluted Earnings Per Share - (cents per share)	22	1.7	(4.9)

Notes to the financial statements are included on pages 36 to 56.

BALANCE SHEET AS AT 30 JUNE 2009

	Note	2009 \$'000	2008 \$'000
CURRENT ASSETS			
Cash	3	57,075	48,612
Receivables	4	761	973
Inventories	5	6,271	2,383
Other	6	273	166
TOTAL CURRENT ASSETS		64,380	52,134
NON CURRENT ASSETS			
Other financial assets	7	2,460	2,440
Property, plant & equipment and mine development	8	16,491	16,814
TOTAL NON CURRENT ASSETS		18,951	19,254
TOTAL ASSETS		83,331	71,388
CURRENT LIABILITIES			
Payables	9	3,833	2,921
Interest bearing liabilities	10	448	-
Provisions	11	1,154	925
TOTAL CURRENT LIABILITIES		5,435	3,846
NON CURRENT LIABILITIES			
Interest bearing liabilities	10	966	-
Provisions	11	5,063	4,620
TOTAL NON CURRENT LIABILITIES		6,029	4,620
TOTAL LIABILITIES		11,464	8,466
NET ASSETS		71,867	62,922
EQUITY			
Issued capital	14	419,498	419,472
Reserves	16	2,100	1,434
Accumulated losses		(349,731)	(357,984)
TOTAL EQUITY		71,867	62,922

Notes to the financial statements are included on pages 36 to 56.

STATEMENT OF CASHFLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009 \$'000	2008 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		42,964	-
Interest and other revenue received		4,137	7,845
Payments to suppliers and employees		(38,161)	(33,226)
Interest paid		(134)	-
Net cash provided by/(used in) operating activities	20	<u>8,806</u>	<u>(25,381)</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for property, plant & equipment and mine development		(254)	(131)
Proceeds from sale of property, plant & equipment and mine development		189	2,346
Net cash provided by/(used in) investing activities		<u>(65)</u>	<u>2,215</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(278)	-
Net cash provided by/(used in) financing activities		<u>(278)</u>	<u>-</u>
Net increase / (decrease) in cash held		8,463	(23,166)
Cash at the beginning of the Financial Year		48,612	71,778
CASH AT YEAR END	3	<u>57,075</u>	<u>48,612</u>

Notes to the financial statements are included on pages 36 to 56.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	Note	Share Capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 30 June 2008 Brought Forward		419,472	1,434	(357,984)	62,922
Changes in Equity					
Profit for the period		-	-	8,253	8,253
Total recognised income and expense for the period		-	-	8,253	8,253
Transfer from equity-settled employee benefit reserve	16	26	(26)	-	-
Recognition of share based payments	16	-	692	-	692
Balance at 30 June 2009		419,498	2,100	(349,731)	71,867

	Note	Share Capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 30 June 2007 Brought Forward		419,472	1,355	(333,773)	87,054
Changes in Equity					
Loss for the period		-	-	(24,211)	(24,211)
Total recognised income and expense for the period		-	-	(24,211)	(24,211)
Recognition of share based payments	16	-	79	-	79
Balance at 30 June 2008		419,472	1,434	(357,984)	62,922

Notes to the financial statements are included on pages 36 to 56.