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Bendigo Mining Limited recently announced that it had not changed its view on its 11 million ounce Inferred Resource. Can you explain why your resource number is intact despite earlier announcing a downgrade in your Probable Reserves?

Non-Executive Chairman Peter McCarthy

The Probable Ore Reserve was based on drilling and bulk-sampling in four reefs under the Sheepshead and Deborah lines, which are in the south of the field, the lower grade part of the goldfield. This was essentially our best estimate of what we planned to mine this year and next. On the other hand, the Inferred Resource is based on a downward extrapolation of what was actually mined. This was derived by interrogating all of the historical data, following 100 years of mining that produced more than 20 million ounces of gold. It was essentially one giant 40 million tonne bulk sample. You can see that an incorrect calculation of a reserve from drilling does not change the results of 100 years of mining or the known status of Bendigo as a large productive high-grade goldfield. The two are not linked.

We remain extremely confident in our current geological model which underpins the 11 Moz Inferred Resource; it has already proven to be an excellent predictor of the location to look for new reefs.

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Can you explain the implications for production and cash operating costs in the short term?

Non-Executive Chairman Peter McCarthy

It is fair to say that you can't expect to remove one-third of your immediate reserves and not have some effect. We expect to mine lower tonnages this year but the real driver of production and costs will be the gold grade. We are less certain on grade until we get three to six months of production under our belt. I believe we are taking a conservative stance with a grade expectation of 7 g/t gold this year. With this grade target, we have set ourselves a goal of exceeding 50,000 oz to the end of June 2007. Cash costs will depend on the grade, but total unit operating costs should be around A\$120/t.

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You've revised your production estimates for FY07 to achieve more than 50,000 ounces. Can you split out the impact of time delays and adjustments to tonnage and grade?

Non-Executive Chairman Peter McCarthy

There is actually a bit of both. The months of October and November are likely to be transitional months as we redirect our underground development away from the low-grade stockworks into the higher-grade portions of the reef. We lose a bit of time in doing this and we do pick up some lower grade material along the way. However, I'm really expecting improvement in November and a good grade in December.

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What has been the difficulty in assessing the mineralisation quantity on the reefs? What proportion are these three reefs of the total defined inferred resource?

Non-Executive Chairman Peter McCarthy

The material that we removed from the reserve is gold associated primarily with erratic quartz veining, termed stockworks, rather than the solid bodies of quartz. As development proceeded and we went into these areas, we actually found that there wasn't enough quartz to carry economic amounts of gold. When you go back to the drill hole data it's quite clear that there is not enough quartz in there and that's what we saw when we started developing them. The obvious question that comes out of that is: 'well why did you actually include these in the original estimates?'

Historically we knew that a significant amount of gold also came out of rich stockwork zones attached to these solid bodies of quartz. We were looking at the low-grade stockworks in the ore reserve shapes and worrying about how the old-timers mined them economically, perhaps highly selectively, which didn't accord with the records. Now we know that we had included material in our ore reserve that the old timers would have left behind - it wasn't economic then and it isn't now. What remains is a good, solid shape that suits mechanised mining.

Hiccups like this are more common than not in underground mine startups, and the geology at Bendigo is unusual. In large multi-mine corporations the bad news can be managed while the problem is resolved, but in a one-mine company it is material and must be disclosed, as we did last week.

The published Probable Ore Reserve was less than 2% of the Inferred Resource of 11 million ounces.

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What are the implications of the reduced resource tonnage in three reefs?

Non-Executive Chairman Peter McCarthy

Firstly, we need to move faster to bring the next series of reefs into production. This is already happening, with the McDermott reef, which was not in the ore reserve, already developed and producing gold, and others to follow.

Secondly, it is a great relief to our planning and scheduling team because the previous geological interpretation had ill-defined boundaries in the poorly mineralised stockwork zones. Now that we know these zones are sub-economic it is much easier to design stope boundaries around the obvious higher grade material. Basically, you need enough quartz in the face or the drill hole and then you need to see gold in the quartz. With these two elements in place you can design firm boundaries to the stope.

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What are you doing to improve your resource confidence going forward?

Non-Executive Chairman Peter McCarthy

The exploration results we have obtained so far remain consistent with the geological model that underpins those 11 million ounces. We have found a series of reefs within ribbons where we expected them and the recent review has improved our confidence in using diamond drilling to find out whether a reef is economic. Quartz content is clearly the primary determinant and our geologists are now more closely aligning those percentages seen in drill cores with our factored gold grades. This will take a lot of the risk out of defining ore reserves into the future.

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What reserve conversion successes are you having on your inferred resource toward establishing a more robust mine plan?

Non-Executive Chairman Peter McCarthy

In the conversion to reserves from an inferred resource, it is clear that the geological model of repeating gold-bearing reefs at regular depth intervals that the old timers historically found is still very sound and we are finding them in the expected positions.

As I mentioned before, we only correlated about 2% of the total Inferred Resource with a reserve, so it's too early to say what the conversion ratio is, but we are finding that the geological model, which is really what underpins the mine plan, is

extremely robust. We have found additional reefs in the immediate mining area that I think have potential to compensate for the lost ounces, so our expectation is broadly unchanged.

We are putting significant effort on drilling and development in those reefs that were not included in the ore reserve. McDermott is a good example. We have crosscut to the reef and a drive is being started in a classic saddle reef containing visible gold, large enough for mechanised mining. We will produce gold from this reef, however it will never make it into the reserve. By the time you put enough drilling into it to define a reserve, you may as well have mined it. I think this style of mining will be quite common, hence the physical conversion of Inferred Resource directly to gold bars, may be more valid than the conversion to Reserves.

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Can you still achieve your longer-term development objectives for the south mine?

Non-Executive Chairman Peter McCarthy

It has always been acknowledged that the ore reserve and current mine development lie in a lower grade and less mineralised part of the goldfield. This area was developed first because of its proximity to the available portal site. As we move further north we expect grades to increase and this will help us meet our objectives for the south mine.

Longer term we plan to achieve our original objective of 200,000 ounces per year of gold production from the south mine.

With the plant and infrastructure already in place and as we develop to the north and build a greater reserve base ahead of ourselves, we will be able to deliver those tonnages and if they are at the right grades we'll get to 200,000 ounces.

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According to your 2006 Annual Report, construction commencement of the decline at Eaglehawk is scheduled to occur in the December quarter 2006. What impact has the reserve revision had on your development plans for the north mine? Are there any capital implications?

Non-Executive Chairman Peter McCarthy

This reserve downgrade is going to impact on cashflows and part of developing the mine in the north at Eaglehawk is dependent on money that we generate from the south mine. To maintain our resources and focus on underground activity at the Kangaroo Flat Mine the Board plans to slow the development of the Eaglehawk Mine for up to 12 months.

We will ensure that the necessary infrastructure is in place so that mine development can accelerate at very short notice. The Board is strongly committed to the mine proceeding.

With the three month delay we experienced in the construction at Kangaroo Flat and a further production delay with this reserves downgrade, there are a number of cashflow considerations that we are now working through.

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What are the immediate priorities for Bendigo?

Non-Executive Chairman Peter McCarthy

What we have to do now is establish a stable mining operation at Kangaroo Flat while continuing to push exploration to the north into the higher-grade area. In the short term we have to convert the inferred resource material to reserves or production at a higher rate than originally planned to compensate for the lost material. So we can't afford to back off our efforts on exploration development and drilling. We expect to complete the new underground pumping facilities and the expanded surface water treatment plant in the current quarter so that there is no delay due to dewatering the old workings.

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What is your reaction to news of the Ballarat Goldfields and Lihir merger?

Non-Executive Chairman Peter McCarthy

Ballarat is a great project and I'm sure that Lihir will do well out of it. It's also great news for Bendigo Mining because it provides a valuation benchmark that suggests, with a mine already up and running and an 11 million ounce resource, we have a much higher intrinsic value than the current share price would suggest.

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Thank you Peter.

For further information on Bendigo Mining Limited visit www.bendigomining.com.au or contact:

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