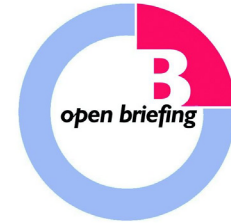


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Bendigo Mining Limited  
Box 2113  
Bendigo Mail Centre  
Victoria 3554

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**Date of lodgement:** 25-Feb-2005

**Title:** Open Briefing. Bendigo Mining Ltd. MD on Increased Production

**Record of interview:**

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Bendigo Mining Limited recently announced that a 600,000 tonnes per annum (tpa) plant will now be constructed in one-stage, with gold production forecast at a rate of greater than 120,000 ounces per annum of gold (oz pa) to commence by Mid 2006, rather than the Company undertaking a staged development of the process plant from 300,000 tpa to 600,000 tpa. Can you explain why you've made this change?

**MD Doug Buerger**

We have decided to bring forward by two years our planned +100,000 oz pa production rate, we are now targeting production start-up in 2006 at a rate around 120,000 oz pa. This better utilises the capital invested in the process plant and improves the Present Value of stage 1 production.

We plan to build a process plant with a design capacity of 600,000 tpa at an estimated capital cost of \$53 million. This will give us a 100% increase in capacity compared with our original plan – but at only an estimated 20% increase in capital cost compared with the revised cost of the 300,000 tpa plant (\$43 million).

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Can you explain the major areas of increase in capital costs? What amount of the increase will genuinely enhance the project and what amount is purely inflationary?

**MD Doug Buerger**

Estimates from our EPCM contractors, Ausenco, indicate that the capital cost for the 300,000 tpa plant has increased by around A\$18 million over the estimate in the Feasibility Study of around A\$25 million. Around half of the increase relates to sector-wide increases in the cost of items such as steel, concrete, earthworks, electrical and instrumentation and the remainder relates to an increase in project scope and enhancements to our initial plant design. The key project enhancements are an increase in our initial crushing capacity to 600,000 tpa, the introduction of high pressure grinding rolls at the tertiary crushing stage and additional gravity equipment.

The important result from reviewing our strategy is that by spending an estimated \$10 million incremental capital – relative to the revised cost of the 300,000 tpa plant – we are able to double the plant capacity to 600,000 tpa.

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Can you explain the revised production start up and production ramp up for stage one of the project? How will the change in strategy affect the later stages of production?

**MD Doug Buerger**

Stage one production is now targeted to ramp up to a rate of about 120,000 oz pa by mid-2006 bringing production levels in excess of 100,000 oz pa forward by two years. Initially, we plan to be milling around 450,000 tpa through a plant with 600,000 tpa capacity. The excess capacity gives us the opportunity to increase production should we find more reserves than expected in the initial stages of the project.

It's still our objective to be producing at rates in excess of 550,000 oz pa by about 2011 by bringing the northern portion of the field into production. The acceleration of stage one to 600,000 tpa stage involves only the southern part of the field and enhances our long term plan.

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You've explained the shift in strategy as recognition of the desire to shorten the lead-time to high rates of production and cashflow but also in recognition of a step-change in the cost base of the resource industry. Isn't it really the latter point? Why wouldn't you have originally planned to shorten the lead-time to high rates of production and cashflow?

**MD Doug Buerger**

Clearly the increase in start-up capital costs made us think about how well we were utilising the initial capital. Originally, we were targeting production in late 2005 for what was a relatively modest capital outlay. With this increase in capital, it now makes sense to start-up at a more significant production rate. We think that a rate around 120,000 oz pa is appropriate for the new level of capital expenditure and we also believe that we can prove up sufficient reserves to supply enough ore to the plant to reach and maintain that level of production.

Given the increase in the rate of production, we're now targeting that production rate by mid 2006. That will give us an additional six months to complete the design and construction of the larger plant, but importantly it will give us extra time to add to the reserve base so that we can support an increase in production.

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What risk is there of a further increase in capital costs? Can you mitigate this risk in any way?

**MD Doug Buerger**

We have placed the orders and fixed the prices for several of the big capital items such as the crushers and will progressively lock in costs where we can on contracts and have a contingency in our estimates.

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Can you explain how you'll fund the increase in capital costs?

**MD Doug Buerger**

As part of our ongoing project optimisation, we are evaluating the effect of the cost increases on our long-term plans. When that is complete we will be able to evaluate our funding requirements. The company has a cash balance of \$100M and no debt.

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What impact do you expect from the tighter industry conditions on cash operating costs? Will you be able to attract sufficient skilled workers to run the project?

**MD Doug Buerger**

Increases in cash operating costs throughout the industry were a major influence on us deciding to revise our development strategy. By lifting our production rate to over 100,000 oz pa, in the initial years, we benefit from economies of scale and succeed in counteracting the effect of the cost increases. We expect to produce gold from start-up at around A\$380/oz. When we reach our design rate of over 550,000 oz pa, we expect our cash costs to fall significantly. Our feasibility study predicted costs of less than A\$200/oz.

On the question of skills availability, most of our key technical positions are filled and the underground mining crews are manned up. I have my senior management

team in place. Our experience is that the project location and long life are attractive to people wanting careers in mining.

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Inferred Resources currently stand at 11moz. Probable Reserves are 193,000 ounces. How will the new strategy alter your targets for resource definition and reserve delineation?

**MD Doug Buerger**

In reviewing our strategy, it was very important that we stress-tested our exploration plan to see if it could support an increased production rate. Our target is to have around 240,000 ounces in reserve by June 2006 and we're confident that we can progressively increase our delineation rates to support the targeted production rate.

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Which other areas such as timing or technical delivery pose the greatest risk for equity investors?

**MD Doug Buerger**

I don't believe that either timing or technical delivery pose the main risk for equity investors. The mining and processing techniques we are employing are all well proven mining industry technology.

By improving the near term production profile and working the capital harder, I believe we are reducing project risk.

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Can you briefly outline other events since the A\$115 million capital raising in July 2004?

**MD Doug Buerger**

We now have an Inferred Resource of 11 million ounces, prepared in accordance with the JORC Code, which covers only five of the previously worked 15 lines of reef.

We have appointed Ausenco as the EPCM contractors for the construction of the processing plant and the underground development crew are mobilised. The underground reserve and resource drilling on the extensions of our current reefs continues to be successful and is improving our gold inventory all the time. We have also appointed all the senior management that we require to take this project through to the production stage.

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Thank you Doug.

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For further information on Bendigo Mining Limited visit [www.bmnl.com.au](http://www.bmnl.com.au) or contact:

Tim Churcher  
Corporate Affairs Manager  
Phone 03 5444 9292

A Douglas Buerger  
Managing Director  
Phone: 03 5447 1834  
or 0419 543 139

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