

**Manager, Company Announcements**  
**Australian Securities Exchange Limited**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

We enclose herewith the Directors' Report and Financial Statements for the year ended 30 June 2008.

The key activities in the year included 2260 metres of underground mine development and 46,311 metres of exploration diamond drilling. The expensing of all costs associated with these activities resulted in a net loss of \$24.2 million. This accounting treatment was planned and is consistent with the Company's exploration and trial mining activities.

Cash reduced by \$23.2 million over the year, with \$18.7 million consumed in operations along with a \$4.5 million reduction in creditors. This rate of cash expenditure was less than planned and resulted in a strong cash balance of \$48.6 million at 30 June 2008.

The Company began trial mining and production at its Kangaroo Flat Mine in late June 2008. The trial is successfully collecting quality production data from the Gill reef to assess the current visual grade estimation methodology.

Yours faithfully  
Bendigo Mining Limited  
**Rod Hanson**  
Managing Director & CEO

**BENDIGO MINING Limited**

ABN 61 005 674 073  
Site Office: 66 Ham Street, Kangaroo Flat VIC 3555  
Postal Address: Box 2113 Bendigo Mail Centre Vic 3554  
PHONE (03) 5447 1834  
FAX (03) 5447 1835  
Email: [info@bendigomining.com.au](mailto:info@bendigomining.com.au)





## **Bendigo Mining Limited**

ABN 61 005 674 073

### Directors' Report, 2008 Financial Statements and Independent Audit Report

# BENDIGO MINING LIMITED

## CORPORATE INFORMATION

ABN 61 005 674 073

### Directors:

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

### Company Secretary:

Tim Churcher

### Share Registry:

Computershare Investor Services Pty Ltd  
Yarra Falls  
452 Johnston Street  
Abbotsford Vic 3067  
Telephone +61 (0)3 9415 4000

### Stock Exchange:

ASX Limited (Code: BDG)

### Registered Office & Principal Place of Business:

66 Ham Street  
Kangaroo Flat Vic 3555  
Telephone: +61 (0)3 5447 1834  
Email: [info@bendigomining.com.au](mailto:info@bendigomining.com.au)

### Auditors:

Deloitte Touche Tohmatsu  
Chartered Accountants  
180 Lonsdale Street  
Melbourne Vic 3000

### Shareholders' Enquiries:

Share Registry 1300 850 505  
([melbourne.services@computershare.com.au](mailto:melbourne.services@computershare.com.au))  
or  
Company Secretary +61 (0)3 5447 1834

### Web Page:

<http://www.bendigomining.com.au>

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All references to \$ are Australian dollars unless otherwise indicated.

# DIRECTORS' REPORT

The Directors present their report together with the financial report of the Company for the year ended 30 June 2008.

## 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:

### Current Directors

- **Peter McCarthy**  
BSc (Eng), MGeosc, FAusIMM, CP Eng, MAICD  
Non - Executive Chairman  
Mr McCarthy has more than 38 years experience in the mining industry. He is the Managing Director of AMC Consultants, a prominent mining consultancy group in Australia, and a Director of Castlemaine Goldfields Limited. He is currently President of the AusIMM. 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 has more than 35 years experience in mine development, operations, project evaluation and corporate management roles, principally in gold and base metals. He commenced his career as a mining engineer with the EZ Company of Australasia in Rosebery, Tasmania. Subsequent roles included project evaluation and development with Elders Resources NZFP and General Manager Operations with Plutonic Resources with corporate responsibility for up to five gold mines. He has also acquired significant international experience with positions as General Manager of the Gold Ridge Mine in the Solomon Islands with Ross Mining/Delta Gold and General Manager for Sino Gold at its Jianchaling Mine in China. He joined Bendigo Mining in January 2005 as the Chief Operating Officer and was appointed as the Managing Director and Chief Executive Officer in January 2007.
- **Ronnie Beevor**  
BA (Hons)  
Non – Executive Director  
Mr Beevor is a former investment banker and 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 a Director of OZ Minerals Limited, QMAG Limited, Talison Minerals Pty Ltd and Chairman of AIM listed EMED Mining Public Limited. 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 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 is an engineer by training and plays a prominent role in various community and charitable organisations. He chaired the Bendigo Bank 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 is currently a Director of TSX Venture Exchange listed Solomon Resources Limited. He joined the Board in November 2007.

### Director Who Retired During the Year

- **Roy Woodall AO**  
BSc (Hons), MSc, Hon DSc, FAA, FTSE, FAusIMM  
Non - Executive Director  
Mr Woodall has 50 years experience in both mining geology and mineral exploration and has received many national and international honours and awards. He managed Western Mining Corporation's (WMC) successful exploration program for 28 years, including 17 years as a Director of WMC. He retired as a Director of Bendigo Mining on 23 November 2007.

## DIRECTORS' REPORT *continued*

### Company Secretary

#### Tim Churcher

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

Mr Churcher has 21 years experience in the resource and finance sectors, working initially for North Limited and Gold Mines of Kalgoorlie Limited. For the past 15 years he has operated 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	8	2	2	-	-	3	3
R H Beevor	9	8	2	1	4	4	3	2
R A Guy	9	9	2	2	4	4	3	3
R J Hanson	9	9	-	-	-	-	-	-
D M Ransom	4	4	-	-	1	1	1	1
R Woodall	5	5	-	-	3	3	-	-

### Principal Activities

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

### Review of Operations

The Company has focussed attention on exploration activities throughout the financial year and has discovered several new reefs on the Garden Gully line of mineralisation, the most important being the Gill reef. Infill drilling has confirmed reef continuity and size. Access development to Gill reef commenced in October 2007 and intersected the reef as planned in early March 2008. Trial gold production commenced late in June 2008 with the processing of the first trial mining block from Gill reef.

Regional surface exploration drilling commenced late in the 2008 financial year at North Eaglehawk targeting the northern end of the goldfield along the New Chum line of reef.

Underground mine development of 2260 metres and exploration drilling of 46,911 metres were completed during the year.

The Company has reviewed a number of external corporate opportunities.

### State of Affairs

During the 2008 financial year the Company expended funds primarily on underground development and exploration. The balance sheet reflects the drawdown on cash resources to leave a balance of \$48.6 million at 30 June 2008. The cash drawdown has been less than budgeted due to cost savings across the business as well as the sale of surplus assets. The state of the Company's affairs is disclosed in detail in the Financial Statements and the notes thereto.

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

## DIRECTORS' REPORT *continued*

### Future Developments

The Company is focused on continuing the trial mining phase of operations during the 2009 financial year to confirm its new approach to grade estimation at Bendigo. Further exploration of the southern and central parts of the goldfield from the underground workings will continue, as well as the surface drilling programs to the north and south of the goldfield. The Company has a permitted operation and a large underground mine developed to 1000 metres depth and over 3 km in length. A new process plant rated at 600,000 t/y, along with mining equipment and necessary infrastructure (ventilation, dewatering pumps, water treatment plant and pipelines), is in place to capitalise on future exploration success.

The Company has commenced looking beyond Bendigo at opportunities to expand and grow the business. The Company is seeking select opportunities where it can leverage its 10 years of underground mining and exploration experience.

### Subsequent Events

No matters or circumstances have arisen since the end of the financial year 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 <sup>(1)</sup>	204,250	520,000	827,496
P L McCarthy	65,728	-	-
D M Ransom	-	-	-

<sup>(1)</sup> 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 date, EMED Mining Public Limited (AIM) from 2004 to date and Northern Gold N.L. from 2005 to 2006, 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 date and Triako Resources Limited from 1991 to 2006.

### 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 for full details of the Employee Share Plan.

## DIRECTORS' REPORT *continued*

### Share Options

No options were issued to Executive Officers or key management personnel pursuant to the Bendigo Mining Share Option Plans during the 2008 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 12.

### Dividend

No dividend has been paid or declared during the year and no recommendation is made as to dividends.

### 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 eight occasions. These limits related to air quality, tank water quality and evaporation pond levels. 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.

### 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. Other Key Management Personnel of the Company are the Operations Manager, Geology Manager, and Finance and Administration Manager.

## DIRECTORS' REPORT *continued*

### Remuneration Report – Audited *continued*

The remuneration structure for Executive Officers and Other 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.

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 to be granted (2,101,577) is 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 Performance Rights are granted from the Pool as follows:

Title	Year 1 & 2 Grants 2 April 2007 & 2008 40% & 30% of pool	Year 3 Grant 2 April 2009 30% of pool	Total Performance Rights
Managing Director & CEO	827,496	354,641	1,182,137
CFO	643,608	275,832	919,440

Once granted, 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:

- 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 \$0.60 per share the value would be \$709,282. Using the same example share prices for the Chief Financial Officer, the value would be \$183,888 and \$551,664.

## DIRECTORS' REPORT *continued*

### Remuneration Report – Audited *continued*

An Employee Share Plan (ESP) was introduced on 1 July 2008 for all employees excluding Executive Officers. 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 Other Key Management Personnel received 125,000 share rights. If each of the Other 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 Other 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 \$0.60 per share the value would be \$75,000. 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.

Executive Officers and Other 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.

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. No dividends have been declared in the past four financial years or the current financial year. As the Company remains in the growth phase of its life cycle, 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 2004, 2005 and 2006, was negative 52%, positive 18% and positive 87% respectively, and improved as a result of reduced financial risk through successful equity raisings in 2004, 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 is reflective of the weak and volatile equity markets and the uncertainty inherent in the Company's current exploration and trial mining phase.

### **Company Executive and Other Key Management Personnel Contracts**

Termination payments equal to 12 months remuneration for the Executive Officers and 6 months remuneration for the Other 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 Other Key Management Personnel to terminate their contracts.

### **Director and Executive Details**

The Directors, Executive Officers and Other 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 appointed on 23 November 2007)
- Roy Woodall (Non-executive retired on 23 November 2007)

#### **Other Executive Officers**

- Tim Churcher (Chief Financial Officer & Company Secretary)

#### **Other Key Management Personnel**

- Richard Buerger (Geology Manager)
- Lance Faulkner (Operations Manager)
- Rod Lester (Finance & Administration Manager)

## DIRECTORS' REPORT *continued*

### Remuneration Report – Audited *continued*

#### Director and Executive Remuneration

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

	Year	Short-term Employee Benefits		Post Employment	Termination Benefits	Share-based Payment	Total
		Salary & fees	Non-monetary <sup>(1)</sup>	Super-annuation		Amortised value of equity securities	
		\$	\$	\$	\$	\$	
<b>Current Directors</b>							
R H Beevor	2008	63,220	-	-	-	-	63,220
	2007	54,500	-	-	-	-	54,500
R A Guy	2008	58,000	-	5,220	-	-	63,220
	2007	50,000	-	4,500	-	-	54,500
R J Hanson	2008	377,792	48,208	34,001	-	95,083 <sup>(2)</sup>	555,084
	2007	344,635	48,245	31,017	-	74,608 <sup>(2)</sup>	498,505
P L McCarthy	2008	118,500	-	10,665	-	-	129,165
	2007	100,000	-	9,000	-	-	109,000
D M Ransom <sup>(3)</sup>	2008	34,278	-	3,085	-	-	37,363
<b>Other Current Executive Officer &amp; Key Management Personnel</b>							
T S Churcher	2008	296,133	33,562	26,652	-	79,825 <sup>(2)</sup>	436,172
	2007	276,037	23,513	24,843	-	71,286 <sup>(2)</sup>	395,679
R J Buerger	2008	141,500	1,160	12,735	-	7,331 <sup>(4)</sup>	162,726
L W Faulkner	2008	183,486	1,505	16,514	-	7,331 <sup>(4)</sup>	208,836
R G Lester	2008	165,138	908	14,862	-	30,788 <sup>(4)</sup>	211,696

<b>Former Directors</b>							
R Woodall <sup>(5)</sup>	2008	21,649	-	-	-	-	21,649
	2007	54,500	-	-	-	-	54,500
A D Buerger <sup>(6)</sup>	2007	231,637	13,782	20,847	153,732 <sup>(7)</sup>	(83,000) <sup>(8)</sup>	336,998
<b>Other Former Executives</b>							
H L Dusseljee <sup>(9)</sup>	2007	155,763	13,298	14,019	320,000 <sup>(10)</sup>	(49,898) <sup>(11)</sup>	453,182
G F Johansen <sup>(12)</sup>	2007	138,585	15,918	12,473	300,000 <sup>(10)</sup>	(49,898) <sup>(13)</sup>	417,078

- (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 (refer to Share Option section below for further details).
- (5) R Woodall (Non-executive), retired on 23 November 2007.
- (6) A D Buerger (Managing Director and Chief Executive Officer), resigned on 8 January 2007.
- (7) The Board agreed to pay a three month notice period provided by Mr Buerger plus motor vehicle and minor benefits as a termination benefit in recognition of 12 years of service.
- (8) These options lapsed on 8 March 2007 as a consequence of Mr Buerger's resignation on 8 January 2007.
- (9) H L Dusseljee (Chief Financial Officer), ceased employment on 19 January 2007.

## DIRECTORS' REPORT *continued*

### Remuneration Report – Audited *continued*

- <sup>(10)</sup> Termination benefits represent the contractual entitlements paid to the Executive Officers in accordance with the provisions contained in the executive contracts.
- <sup>(11)</sup> These options lapsed on 19 March 2007 as a consequence of Mr Dusseljee ceasing employment on 19 January 2007 (Refer to Option Series 9 in the Share Options section below for further details).
- <sup>(12)</sup> G F Johansen (General Manager Geology), ceased employment on 12 January 2007.
- <sup>(13)</sup> These options lapsed on 12 March 2007 as a consequence of Mr Johansen ceasing employment on 12 January 2007 (Refer to Option Series 9 in the Share Options section below for further details).

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 equal \$17,134 for Mr Hanson, \$6,646 for Mr Churcher, \$10,250 for Mr Faulkner, \$4,377 for Mr Lester and \$1,619 for Mr R Buerger.

#### Performance Rights

Executive Officers participated in the following Performance Rights series that were issued during the 2008 financial year:

Performance Right Series	Number	Grant date	Expiry date	Exercise price	Grant date share price	Fair value at grant date
2008 Grant	630,473	2/4/08	1/4/11	Nil	\$0.27	\$0.27

**2008 Grant:** These Performance Rights will vest in full on 1 April 2011 if performance hurdles are met. The Performance Rights convert to shares for nil cost. At the deemed grant date, 2 April 2008, the share price was \$0.27 and the value of the Performance Rights at that date was estimated at \$0.27.

#### 2008 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 2008 financial year is \$0.27 being the share price on the grant date of 2 April 2008, (2007: \$0.38).

#### Share Options

No options were issued to Executive Officers, Other Key Management Personnel or other employees pursuant to the Bendigo Mining Share Option Plans during the 2008 financial year.

Executive Officers and Other 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 vest 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 \$1.39 per share. The exercise price of the options was set at the VWAP during the first ten trading days in July 2005, plus 30%. 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 Other 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 Other 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 Other 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.

## DIRECTORS' REPORT *continued*

### Remuneration Report – Audited *continued*

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.

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

The following table discloses the value of performance rights and options granted, exercised and lapsed during the year.

	Performance Rights and Options Granted	Performance Rights and Options Exercised	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 performance rights and options
	Value at grant date	Value at exercise date	Value at time of lapse		
	\$	\$	\$		
<b>Directors</b>					
R H Beevor	-	-	-	-	-
R A Guy	-	-	-	-	-
R J Hanson	95,753	-	-	95,083	17.1
P L McCarthy	-	-	-	-	-
D Ransom	-	-	-	-	-
R Woodall	-	-	-	-	-
<b>Other Executive Officer &amp; Key Management Personnel</b>					
T S Churcher	74,475	-	-	79,825	18.3
R J Buerger	-	-	-	7,331	4.5
L W Faulkner	-	-	-	7,331	3.5
R G Lester	-	-	-	30,788	14.5

The total value of the performance rights and options granted, exercised and lapsed are calculated based on the following:

- Fair value of the performance rights and options at grant date multiplied by the number of performance rights and options granted during the year; plus
- Fair value of the performance rights and options at the time it its exercised multiplied by the number of performance rights and options exercised during the year; plus
- Fair value of the performance rights and options at the time of lapse multiplied by the number of performance rights and options lapsed during the year.

The value of the 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

Bendigo, 26 August 2008.

26 August 2008

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 2008, 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



Clive Mottershead  
Partner  
Chartered Accountants

**BENDIGO MINING LIMITED**  
**BALANCE SHEET**  
AS AT 30 JUNE 2008

	Note	2008 \$'000	2007 \$'000
<b>CURRENT ASSETS</b>			
Cash	3	48,612	71,778
Receivables	4	973	1,353
Inventories	5	2,383	1,881
Other	6	166	246
<b>TOTAL CURRENT ASSETS</b>		<b>52,134</b>	<b>75,258</b>
<b>NON CURRENT ASSETS</b>			
Other financial assets	7	2,440	2,440
Property, plant & equipment and mine development	8	16,814	21,658
<b>TOTAL NON CURRENT ASSETS</b>		<b>19,254</b>	<b>24,098</b>
<b>TOTAL ASSETS</b>		<b>71,388</b>	<b>99,356</b>
<b>CURRENT LIABILITIES</b>			
Payables	9	2,921	7,425
Provisions	10	925	903
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,846</b>	<b>8,328</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	11	4,620	3,974
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>4,620</b>	<b>3,974</b>
<b>TOTAL LIABILITIES</b>		<b>8,466</b>	<b>12,302</b>
<b>NET ASSETS</b>		<b>62,922</b>	<b>87,054</b>
<b>EQUITY</b>			
Issued capital	14	419,472	419,472
Reserves	16	1,434	1,355
Accumulated losses		(357,984)	(333,773)
<b>TOTAL EQUITY</b>		<b>62,922</b>	<b>87,054</b>

Notes to the financial statements are included on pages 17 to 34.

# BENDIGO MINING LIMITED

## INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	2008 \$'000	2007 \$'000
<b>SALES REVENUE</b>	17	-	<b>22,019</b>
<b>COST OF SALES</b>			
Mining, processing and administration costs		-	(26,459)
Depreciation and amortisation		-	(8,452)
<b>TOTAL COST OF SALES</b>		<b>-</b>	<b>(34,911)</b>
<b>GROSS (LOSS) / PROFIT</b>		<b>-</b>	<b>(12,892)</b>
Interest and other Revenue	17	7,755	6,140
Exploration expenses		(10,240)	(5,500)
Mining expenses		(18,776)	(14,976)
Corporate expenses		(2,950)	(5,048)
Impairment of non current assets	8	-	(161,704)
<b>LOSS BEFORE TAX</b>		<b>(24,211)</b>	<b>(193,980)</b>
Income tax (expense) / benefit	20	-	(45,794)
<b>LOSS FOR THE PERIOD</b>		<b>(24,211)</b>	<b>(239,774)</b>
 EARNINGS PER SHARE:			
Basic and Diluted Earnings Per Share - (cents per share)		(4.9)	(51.1)

Notes to the financial statements are included on pages 17 to 34.

**BENDIGO MINING LIMITED**  
**STATEMENT OF CASHFLOWS**  
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	2008 \$'000	2007 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		-	24,093
Interest and other revenue received		7,845	5,078
Payments to suppliers and employees		(33,226)	(45,390)
Net cash used in operating activities	19	<u>(25,381)</u>	<u>(16,219)</u>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
Payments for property, plant & equipment and mine development		(131)	(69,445)
Proceeds from sale of property, plant & equipment and mine development		2,346	6,526
Net cash provided by/(used in) investing activities		<u>2,215</u>	<u>(62,919)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	56,115
Capital raising expenses		-	(2,079)
Net cash provided by financing activities		<u>-</u>	<u>54,036</u>
Net (decrease) / increase in cash held		(23,166)	(25,102)
Cash at the beginning of the Financial Year		71,778	96,880
<b>CASH AT YEAR END</b>	3	<b><u>48,612</u></b>	<b><u>71,778</u></b>

Notes to the financial statements are included on pages 17 to 34.

**BENDIGO MINING LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
 FOR THE YEAR ENDED 30 JUNE 2008

	Note	Share Capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
<b>Balance at 30 June 2007 Brought Forward</b>		<b>419,472</b>	<b>1,355</b>	<b>(333,773)</b>	<b>87,054</b>
<b>Changes in Equity</b>					
Net income recognised directly 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	15	-	79	-	79
<b>Balance at 30 June 2008</b>		<b>419,472</b>	<b>1,434</b>	<b>(357,984)</b>	<b>62,922</b>

	Note	Share Capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
<b>Balance at 30 June 2006 Brought Forward</b>		<b>368,272</b>	<b>1,064</b>	<b>(93,999)</b>	<b>275,337</b>
<b>Changes in Equity</b>					
Transaction costs incurred on issuance of shares		(2,079)	-	-	(2,079)
Tax on items taken directly to or transferred from equity	20	(2,836)	-	-	(2,836)
Net income recognised directly in equity		(4,915)	-	-	(4,915)
Loss for the period		-	-	(239,774)	(239,774)
Total recognised income and expense for the period		(4,915)	-	(239,774)	(244,689)
Issue of share capital		56,115	-	-	56,115
Recognition of share based payments	15	-	291	-	291
<b>Balance at 30 June 2007</b>		<b>419,472</b>	<b>1,355</b>	<b>(333,773)</b>	<b>87,054</b>

Notes to the financial statements are included on pages 17 to 34.

# BENDIGO MINING LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

### 1 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Company has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period.

The company has adopted the following Standards as listed below which only impacted on the Company's financial statements with respect to disclosure

- AASB 101 'Presentation of Financial Statements' (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### Statement of Compliance

The financial report is a general purpose financial report of the Company which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 26 August 2008.

#### Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The Company is a Company of the kind referred to in ASIC Class Order 98/0110, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated. All amounts are presented in Australian dollars, unless otherwise noted.

#### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

#### Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the AASB 101 'Presentation of Financial Statements' (revised September 2007) Standard was in issue but not yet effective. Initial application of the Standard will not effect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Company's financial report. The Standard is effective for annual reporting periods beginning on or after 1 January 2009.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### Significant Accounting Policies

- Cash** - Cash includes cash on hand and in banks, and investments in money market instruments. Instruments comprise highly liquid short term bank bills with a credit rating of AA or higher.
- Other Financial Assets** - The Company has financial investments in the form of short term bank deposits that are usually short dated and held to maturity in the normal course of business. The investments are recorded at amortised cost.
- Exploration and Evaluation Expenditure** - Costs arising from exploration and evaluation related to an area of interest are expensed as incurred, except when an area reaches the stage of evaluation that such expenditure is considered to be capable of being recouped through successful development, or at the reporting date the exploration and evaluation activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources. Costs that are not expensed as incurred are capitalised as Mine Development.
- Mine Development** - The costs of mine development are capitalised to the extent that these costs are expected to be recouped through commercially viable extraction of resources. Costs arising from mine development are depreciated according to the depreciation accounting policy.
- Property, Plant and Equipment** - Property, plant and equipment are stated at cost less accumulated depreciation and impairment. The cost of the assets includes the net present value of expected future costs of decommissioning, restoration and rehabilitation.

BENDIGO MINING LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008

2 SIGNIFICANT ACCOUNTING POLICIES *continued*

- (f) **Depreciation** - Depreciation is provided on all mine development, property, plant and equipment, with the exception of freehold land, so as to write off the value of the assets over their estimated useful lives. Mine development costs are written off on a units of production basis for the units recovered from an area of interest or from the expected units from the entire mine life. Property, plant and equipment costs are written off on a unit of production basis from the expected units from the entire mine life or between 2 and 25 years on a straight line basis.
- (g) **Impairment of Assets** - At the end of each reporting period the Company reviews assets with the objective of ensuring that the assets are carried at no more than their recoverable amount. The recoverable amount of an asset or cash generating unit ('CGU') is defined as the higher of its fair value less costs to sell and its value in use. If the recoverable amount of the CGU is estimated to be less than its carrying value, the carrying value of the CGU will be reduced to its recoverable amount. An impairment loss will be recognised in the income statement.
- (h) **Rehabilitation Provision** - The net present value of the expected future cost of restoration works is provided for at the time the Company performs activities that necessitate rehabilitation works. If the rehabilitation is associated with exploration and evaluation activities, the expected costs are expensed and, if the works are associated with mine development activities, the expected costs are added to the asset value and depreciated.

The rehabilitation provision will be reviewed at each reporting period to take account of changes in the time value of money (recognised as an expense in the income statement and an increase in provision), and additional disturbances or changes in rehabilitation costs for mine development (recognised as additions or changes to the corresponding asset and rehabilitation liability). Long dated Government fixed coupon rates are used to discount the projected expenditure back to a net present value.

- (i) **Payables** - Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.
- (j) **Inventory** -
- i) Gold in ore stockpiles, in the process of being recovered, or in unsold doré bars are valued at the lower of cost and net realisable value, provided that the amount of gold can be physically measured or reliably estimated. Cost represents the weighted average cost and includes direct costs and an appropriate proportion of fixed and variable direct costs and an appropriate proportion of fixed and variable direct overhead expenditure, including depreciation and amortisation.
  - ii) Costs for consumables and spare parts are valued at the lower of cost and net realisable value on a first in first out basis.

(k) **Income Tax** -

**Current Tax** - is calculated by reference to the amount of income tax payable or recoverable at the applicable tax rates in respect of the taxable profit or tax loss for the period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

**Deferred Tax** - is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, which effect either the taxable income or accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

**Current and Deferred Tax for the Period** - is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

- (l) **Segment Accounting** - The Company operates within the gold mining industry in Australia.

**BENDIGO MINING LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2008

**2 SIGNIFICANT ACCOUNTING POLICIES** *continued*

- (m) **Share Based Payments** - Equity-settled share-based payments granted after November 2002 that vested after 1 January 2005, are measured at fair value at the date of grant by use of the Black-Scholes option pricing model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will ultimately vest. Further details on how the fair value has been determined can be found in Note 15.
- (n) **Goods and Services Tax** - Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority, it is then recognised as part of the cost of acquisition of an asset or as part of an item of expense, or for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from the taxation authority is included in receivables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

- (o) **Employee Benefits** - Provision is made for benefits accruing to employees in respect of annual and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to reporting date.
- (p) **Transaction Costs on the Issue of Equity Instruments** - Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.
- (q) **Receivables** - Receivables are recorded at amortised cost less impairment.
- (r) **Revenue Recognition –**
- i) Interest revenue – Interest from investments is recognised on an accrual basis.
  - ii) Gold sales – Revenue from the sale of gold is recognised when control and title has passed from the Company and the amount of revenue can be measured reliably.
  - iii) Other revenue – revenue from ancillary works contracts is recognised by reference to the percentage of completion of the works contract. Revenue from the sale of miscellaneous items is recognised when title has passed from the Company in accordance with the sale contract.

**3 CASH**

	2008 \$'000	2007 \$'000
Cash at bank	65	212
Bank term deposits	2,392	7,471
Bank bills, Commonwealth and State Government securities	46,155	64,095
	<b>48,612</b>	<b>71,778</b>

Bank bills have been purchased to yield interest at rates ranging from 7.20% to 7.90% with a weighted average interest rate of 7.75% (2007: 6.32%). Due to the nature of the investments and the maturity profile of less than 90 days, the Company's exposure to interest rate risk is considered to be low. Investments are only made with banks with a Standard & Poors long term rating of AA or higher. A change of 50 basis points in the weighted average interest rate throughout the reporting period would have decreased (increased) the loss for the period by \$298,000 (2007: \$360,000) and cash holdings would increase or decrease by \$298,000 (2007: \$360,000). Included in the cash holdings used to calculate the variances associated with movements in interest rates is the \$2,440,000 bank term deposits that are classified as Other Financial Assets (see Note 7).

The investment profile provides access to funds to meet cash drawdown requirements and it is anticipated that all of the instruments will be held to maturity at which time their face value will be realised. The net fair value approximates the carrying value of these instruments.

**BENDIGO MINING LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2008

**4 CURRENT RECEIVABLES**

	2008 \$'000	2007 \$'000
Accounts receivable	460	1,066
Interest receivable	513	287
	<b>973</b>	<b>1,353</b>

The average credit period on accounts receivable is less than 60 days, and consequently no interest charges are applied. The Company has a history of 100% collection of accounts receivable amounts, and therefore no provision for doubtful debts is provided. Interest receivable is always received on the maturity of the investment security.

**5 CURRENT INVENTORIES**

Stores of consumables and spare parts	1,659	1,881
Gold and ore stocks	724	-
	<b>2,383</b>	<b>1,881</b>

**6 OTHER CURRENT ASSETS**

Prepayments	166	246
	<b>166</b>	<b>246</b>

**7 OTHER FINANCIAL ASSETS**

Bank term deposits – non current asset	2,440	2,440
	<b>2,440</b>	<b>2,440</b>

Bank Term Deposits to the value of \$2,440,000 (2007: \$2,440,000) have been lodged as security for certain commitments of the Company to the Department of Primary Industries, Vic Roads and The Bendigo Trust (see Note 11).

**8 PROPERTY, PLANT & EQUIPMENT AND MINE DEVELOPMENT (AT COST)**

2008	Property \$'000	Plant & equipment \$'000	Mine development \$'000	Work in progress \$'000	Total \$'000
<b>Gross Carrying Amount</b>					
Balance at 30 June 2007	7,493	98,274	94,049	327	200,143
Additions	-	-	-	-	-
Transfers	(115)	248	194	(327)	-
Disposals	(2,950)	(1,277)	-	-	(4,227)
Balance at 30 June 2008	<b>4,428</b>	<b>97,245</b>	<b>94,243</b>	<b>-</b>	<b>195,916</b>
<b>Accumulated Depreciation/Amortisation and Impairment</b>					
Balance at 30 June 2007	(1,576)	(83,360)	(93,549)	-	(178,485)
Transfers	115	79	(194)	-	-
Disposals	59	1,245	-	-	1,304
Depreciation expense <sup>(1)</sup>	(76)	(1,845)	-	-	(1,921)
Balance at 30 June 2008	<b>(1,478)</b>	<b>(83,881)</b>	<b>(93,743)</b>	<b>-</b>	<b>(179,102)</b>
<b>Net Book Value</b>					
As at 30 June 2007	5,917	14,914	500	327	21,658
As at 30 June 2008	<b>2,950</b>	<b>13,364</b>	<b>500</b>	<b>-</b>	<b>16,814</b>

**BENDIGO MINING LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2008

**8 PROPERTY, PLANT & EQUIPMENT AND MINE DEVELOPMENT (AT COST)**  
*continued*

2007	Property \$'000	Plant & equipment \$'000	Mine development \$'000	Work in progress \$'000	Total \$'000
<b>Gross Carrying Amount</b>					
Balance at 30 June 2006	5,389	28,574	53,113	68,767	155,843
Additions	-	-	-	52,348	52,348
Transfers	2,174	77,678	40,936	(120,788)	-
Disposals <sup>(2)</sup>	(70)	(7,978)	-	-	(8,048)
Balance at 30 June 2007	<u>7,493</u>	<u>98,274</u>	<u>94,049</u>	<u>327</u>	<u>200,143</u>
<b>Accumulated Depreciation</b>					
Balance at 30 June 2006	(176)	(5,680)	(2,125)	-	(7,981)
Disposals <sup>(2)</sup>	2	2,859	-	-	2,861
Impairment <sup>(3)</sup>	(1,251)	(76,284)	(84,169)	-	(161,704)
Depreciation expense <sup>(1)</sup>	(151)	(4,255)	(7,255)	-	(11,661)
Balance at 30 June 2007	<u>(1,576)</u>	<u>(83,360)</u>	<u>(93,549)</u>	<u>-</u>	<u>(178,485)</u>
<b>Net Book Value</b>					
As at 30 June 2006	<u>5,213</u>	<u>22,894</u>	<u>50,988</u>	<u>68,767</u>	<u>147,862</u>
As at 30 June 2007	<u>5,917</u>	<u>14,914</u>	<u>500</u>	<u>327</u>	<u>21,658</u>

<sup>(1)</sup> Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

	2008 \$'000	2007 \$'000
Land and buildings	76	151
Plant and equipment	1,845	4,255
Mine development	-	7,255
	<u>1,921</u>	<u>11,661</u>

<sup>(2)</sup> The gross carrying amount, accumulated depreciation / amortisation and impairment on plant & equipment disposed during the 2007 financial year were misstated in Note 8 of the 2007 financial statements. The correct allocation is shown in the above table. The effect on Net Book Value at 30 June 2007 was nil.

<sup>(3)</sup> The strategy change in January 2007 prompted an impairment to non current assets at 31 December 2006 due to the uncertainty on the recoverability of non current assets. Upon resumption of commercial production, the impairments will be assessed and where appropriate reversed to the extent that they would not have been depreciated had they been in use.

The impairment asset type and amounts were:

Mine development	-	62,534
Process plant	-	61,797
Infrastructure and plant & equipment	-	35,658
Underground mobile equipment	-	1,715
	<u>-</u>	<u>161,704</u>

**BENDIGO MINING LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$'000	2007 \$'000
<b>9 CURRENT PAYABLES</b>		
Unsecured trade creditors	<u>2,921</u>	<u>7,425</u>

The Company's payment policy and system ensures that all creditors are paid within payment terms, and consequently no discounts or penalty payments arise.

**10 CURRENT PROVISIONS**

Employee benefits – annual leave	876	848
– long service leave	49	55
	<u>925</u>	<u>903</u>

**11 NON CURRENT PROVISIONS**

Employee benefits – long service leave	44	22
Provision for rehabilitation	4,576	3,952
	<u>4,620</u>	<u>3,974</u>

Bank guarantees totalling \$2,415,000 have been lodged in favour of the Department of Primary Industries for the rehabilitation obligations. The Company has lodged term deposits of \$2,415,000 as security for these bank guarantees.

**12 PROVISIONS**

	Employee benefits \$'000	Rehabilitation \$'000	Total \$'000
Balance at 30 June 2007	925	3,952	4,877
Additional provisions recognised	729	-	729
Unwinding of discount and effect of changes in the discount rate	-	624	624
Payments made	(685)	-	(685)
<b>Balance at 30 June 2008</b>	<u>969</u>	<u>4,576</u>	<u>5,545</u>
Current (Note 10)	925	-	925
Non-current (Note 11)	44	4,576	4,620
<b>Balance at 30 June 2008</b>	<u>969</u>	<u>4,576</u>	<u>5,545</u>

**BENDIGO MINING LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2008

**13 FINANCIAL INSTRUMENTS**

**Overview** – The Company has exposure to various risks from the use of financial instruments. The Company's principal financial instruments comprise receivables, payables, cash and other financial assets. This note presents information about the Company's exposure to risk from the use of financial instruments. Further quantitative disclosures are included throughout this financial report.

- (a) **Financial Risk Management** – Financial risks including credit risk, liquidity risk, and market risk (interest rate risk, commodity risk and foreign currency risk) are managed such to maintain an optimal capital structure. The Company does not enter into derivative transactions to manage financial risks. In the current period, the Company's financial risk arises principally from cash financial assets. The Company invests its cash to obtain market interest rates. The Company has appointed Bendigo and Adelaide Bank Limited as a treasury service provider to manage the investment of cash in accordance with the Company's investment policy. The objective of the investment policy is to provide appropriate security of capital, market competitive returns, and access to funds, by investing in a restricted range of prime quality, short and medium term securities. Investments are only made with selected counterparties with a Standard & Poors long term rating of AA or higher. The investment policy also provides for strict counterparty exposure according to the level of funds under management. Adherence to the investment policy is monitored on a monthly basis.
- (b) **Credit Risk** – Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment of its cash balances. Credit risk exposure on Company receivables is not considered significant as the Company invests in counterparties with a Standard & Poors long term rating of AA or higher.
- (c) **Liquidity risk** – Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity involves monthly cash flow forecasting such to ensure that sufficient funds are always available to undertake planned activities.
- (d) **Market risk** – Market risk is the risk that changes in market prices, such as commodity prices and interest rates will affect the Company's income. The Company has a policy of maintaining full exposure to changes in key market variables being gold price, interest rates and the US dollar exchange rate. The Company does not undertake gold forward selling and hence is exposed to commodity price risk. The Company is exposed to interest rate risk arising from its cash and other financial assets held in the form of bank term deposits and bank bills. The Company had no gold sales during the 2008 financial year therefore there was no effect of commodity price movements on the results of the Company. The Company regularly reassesses market conditions and market risks so as to optimise return on capital. There has been no material change to the company's exposure to market risks or the manner in which it manages and measures the risk from the previous financial reporting period.
- (e) **Capital Risk Management** – The Company has equity financed the majority of all historical expenditure. The capital structure consists of no debt, cash and other financial assets and equity attributable to equity holders as disclosed in Notes 3, 7, 14, 15 and 16 respectively. The Company is not subject to externally imposed capital requirements.
- (f) **Fair value of financial instruments** – The fair values of cash and other financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Cash and other financial assets include bank bills and bank term deposits. Other financial assets, trade receivables and payables have been excluded from the table below as the fair values of these financial assets and liabilities are the same as the recorded carrying value.

The fair values of cash together with the carrying amounts shown in the balance sheet, are as follows:

	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2008	2008	2007	2007
	\$'000	\$'000	\$'000	\$'000
Cash	48,612	48,611	71,778	71,776

**BENDIGO MINING LIMITED**  
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**14 ISSUED CAPITAL**

	2008 Shares	2007 Shares
Issued shares – fully paid ordinary shares	495,433,780	495,433,780
<b>Movement for the year:</b>	<b>2008 Shares</b>	<b>2007 Shares</b>
Balance at beginning of year	495,433,780	425,290,255
Ordinary share issues	-	70,143,525
<b>Balance at End of Year</b>	<b>495,433,780</b>	<b>495,433,780</b>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

**Share Options**

As at the end of the financial year the Company had 2,375,000 options on issue to Executive Officers (including the Managing Director) and employees for the purchase of ordinary shares. Further details of the employee share option plans are contained in Note 15. All options carry no rights to dividends and no voting rights.

**Performance Rights**

As at the end of the financial year the Company had 2,101,577 performance rights on issue to Executive Officers (including the Managing Director). The performance rights will not vest until the performance date and performance hurdle have been achieved. Further details of the Executive Officers long term incentive plan are contained in Note 15.

**15 EMPLOYEE SHARE OPTION AND PERFORMANCE RIGHTS PLANS**

**Share Options**

No options were issued during the 2008 financial year. Options that were issued in previous periods had been issued pursuant to Bendigo Mining Share Option Plans and other specific issues as approved by shareholders. The options were provided to certain employees (including the Managing Director & CEO) to assist in the reward, motivation and retention of those employees. Other than tenure, there are no performance conditions or hurdles to allow the options to vest.

The following share-based payment arrangements were in existence during the period:

Option Series	Number	Grant date	Expiry date	Exercise price	Average fair value at grant date
9	2,950,999	10/10/05	25/7/11	\$1.26	\$0.32
11	930,332	28/5/06	27/4/12	\$2.81	\$0.47

**Option Series Notes**

**Option Series 9:** These options vest 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 \$1.39 per share. The exercise price of the options was set at the VWAP during the first ten trading days in July 2005, plus 30%. 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).

**Option Series 11:** These options vest in three equal portions on 28 April 2007, 28 April 2008 and 28 April 2009 and may be exercised during the three-year period following each vesting date at the price of \$2.81 per share. The exercise price of these options was set at the VWAP of the last ten trading days in March 2006, plus 30%. At the grant date, 24 May 2006, the share price was \$2.16 and the average value of the options at that date has been estimated at \$0.47. (28 April 2007 vesting options being \$0.38, 2 April 2008 vesting options being \$0.47 and 28 April 2009 options being \$0.56)

**BENDIGO MINING LIMITED**  
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 FOR THE YEAR ENDED 30 JUNE 2007

**15 EMPLOYEE PERFORMANCE RIGHTS AND SHARE OPTION PLANS** *continued*

Share Options continued

**Fair Value Calculations**

The weighted average fair value of the Option Series 9 and 11 granted during the 2006 financial year was \$0.40 using the Black-Scholes option pricing model. A volatility of 30% has been utilised in all fair value calculations. It was deemed inappropriate to use past share price volatility to establish future share price volatility because of the history of various exploration phases, the mine development and construction phase and fundraising impacts on the Company's share price.

The Black-Scholes model input details for the option series that were included in the option expense during the 2008 and 2007 financial years are shown in the following table:

Option Series	Grant date share price	Exercise price	Expected volatility	Average option life	Dividend yield	Risk-free interest rate
9	\$1.14	\$1.26	30%	5 years	Nil	5.36%
11	\$2.16	\$2.81	30%	5 years	Nil	5.86%

**Information on How Incremental Fair Value Granted was Calculated**

The exercise price of Option Series 9 that were included in the option expense during the 2008 and 2007 financial years were reduced by \$0.13, as a result of the 3:5 Rights Issue on 8 November 2005. The incremental fair value as a result of the 3:5 Rights Issue was increased for Option Series 9 by \$0.04. The key inputs into the Black-Scholes model for the incremental fair value calculation were a 30% volatility, 4.7 year remaining term, 5.3% risk-free interest rate, nil dividends, \$1.26 exercise price and 3:5 Rights Issue date share price of \$1.04.

**Reconciliation of Outstanding Share Options**

The following reconciles the outstanding share options granted under the Bendigo Mining Share Option Plans at the beginning and end of the financial year:

Employee share options	2008 Number of options	2008 Weighted average exercise price	2007 Number of options	2007 Weighted average exercise price
Balance at beginning of the financial year	3,881,331	\$1.63	6,483,002	\$1.60
Granted during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Lapsed during the financial year	(1,506,331)	\$1.82	(2,601,671)	\$1.55
<b>Balance at the End of the Financial Year</b>	<b>2,375,000</b>	\$1.51	<b>3,881,331</b>	\$1.63
<b>Exercisable at the End of the Financial Year</b>	<b>1,629,975</b>	\$1.50	<b>2,104,628</b>	\$1.70

The weighted average remaining contractual life of the 2,375,000 share options outstanding at the end of the period was 2.1 years (2007: 3.2 years).

Share options carry no rights to dividends or voting.

**BENDIGO MINING LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2008

**15 EMPLOYEE PERFORMANCE RIGHTS AND SHARE OPTION PLANS** *continued*

**Performance Rights**

A total of 630,473 Performance Rights (2007: 840,631) were granted during the 2008 financial year pursuant to the Bendigo Mining 2007 Executive Long Term Incentive Plan ('LTIP'). The LTIP was introduced during the 2007 financial year for the Managing Director & CEO and the Chief Financial Officer. No short term incentive plan is currently in operation for Executive Officers.

Under the LTIP the Company has made or will make an annual grant 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 following Performance Rights were in existence during the period:

Performance Right series	Number	Grant date	Expiry date	Exercise price	Grant date share price	Fair value at grant date
2007 Grant	840,631	2/4/07	1/4/10	Nil	\$0.38	\$0.38
2008 Grant	630,473	2/4/08	1/4/11	Nil	\$0.27	\$0.27

**2007 Grant:** These Performance Rights will vest in full on 1 April 2010 if performance hurdles are met. The Performance Rights convert to shares for nil cost. At the deemed grant date, 2 April 2007, the share price was \$0.38 and the value of the Performance Rights at that date was estimated at \$0.38.

**2008 Grant:** These Performance Rights will vest in full on 1 April 2011 if performance hurdles are met. The Performance Rights convert to shares for nil cost. At the deemed grant date, 2 April 2008, the share price was \$0.27 and the value of the Performance Rights at that date was estimated at \$0.27.

**2008 Fair Value Calculations**

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 2008 financial year is \$0.27 being the share price on the grant date of 2 April 2008, (2007: \$0.38).

**Reconciliation of Outstanding Performance Rights**

The following reconciles the outstanding Performance Rights granted under the Bendigo Mining 2007 Executive Long Term Incentive Plan at the beginning and end of the financial year:

Employee Performance Rights	2008 Number of Performance Rights	2008 Weighted average exercise price	2007 Number of Performance Rights	2007 Weighted average exercise price
Balance at beginning of the financial year	840,631	Nil	-	-
Granted during the financial year	630,473	Nil	840,631	Nil
Exercised during the financial year	-	-	-	-
Lapsed during the financial year	-	-	-	-
<b>Balance at the End of the Financial Year</b>	<b>1,471,104</b>	Nil	<b>840,631</b>	Nil
<b>Exercisable at the End of the Financial Year</b>	<b>-</b>	-	<b>-</b>	-

The weighted average remaining contractual life of the 1,471,104 performance rights outstanding at the end of the period was 2.2 years.

Performance Rights carry no rights to dividends or voting.

**BENDIGO MINING LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**15 EMPLOYEE PERFORMANCE RIGHTS AND SHARE OPTION PLANS** *continued*

**Recognition of Share Based Payments Expense**

The total value of performance rights and options included in remuneration for the year is calculated in accordance with Accounting Standard AASB 2 'Share-based Payment'. The Standard requires the value of the performance rights and options to be determined at grant date and to be recognised as an expense in the income statement over the vesting period, consequently a performance rights and share option expense of \$79,000 was incurred during the 2008 financial year (2007: \$291,000).

**16 RESERVES**

	2008 \$'000	2007 \$'000
<b>Equity Compensation Reserve</b>		
Balance at beginning of financial year	1,355	1,064
Share-based payment expense	79	291
Transfer to share capital	-	-
<b>Balance at End of the Financial Year</b>	<b>1,434</b>	<b>1,355</b>

The performance rights and share option expense incurred during the 2008 and 2007 financial years relates to the fair value of performance rights and share options as determined at grant date and expensed over the vesting period (refer to Note 15). Amounts are transferred out of the reserve and into issued capital when the options are exercised.

**17 LOSS FROM ORDINARY ACTIVITIES**

Loss from ordinary activities before income tax expense includes the following items of revenue and expense:

**(a) Operating Revenue**

Gold sales	-	22,019
	<u>-</u>	<u>22,019</u>

**(b) Interest and Other Revenue**

Profit/(loss) on sale of property, plant & equipment	(316)	1,338
Interest received	4,316	4,673
Ancillary work contracts	2,525	-
Other	1,230	129
	<u>7,755</u>	<u>6,140</u>

**(c) Expenses**

Cost of sales	-	34,911
Impairment of non-current assets	-	161,704
Depreciation expense	1,921	1,932
Employee benefits		
Post employment employee benefits:		
Superannuation contributions	687	689
Equity-settled share-based payments	79	291
Transfer to provision for employee entitlements:		
Annual leave	698	746
Long service leave	31	9
Salary and wages and other employee benefits	7,875	9,004
Total employee benefits	<u>9,370</u>	<u>10,739</u>

**BENDIGO MINING LIMITED**  
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**18 REMUNERATION OF AUDITORS**

	2008 \$	2007 \$
Audit or review of the financial reports	85,000	115,000
Other non-audit services	-	-
	<b>85,000</b>	<b>115,000</b>

The auditor of Bendigo Mining Limited is Deloitte Touche Tohmatsu.

**19 NOTES TO THE STATEMENT OF CASH FLOWS**

	2008 \$'000	2007 \$'000
<b>(a) Reconciliation of Loss After Income Tax to Net Cash Provided for Operating Activities</b>		
Loss after income tax	(24,211)	(239,774)
Impairment	-	161,704
Depreciation	1,921	10,384
Option expense	79	291
Transfer of land <sup>(b)</sup>	234	-
(Profit)/loss on sale of non current assets	316	(1,338)
<b>(Increase)/Decrease in Asset:</b>		
Receivables	380	3,848
Other Financial Assets	-	71
Inventories	(502)	(387)
Deferred Tax Asset	-	45,794
Other	80	(18)
<b>Increase/(Decrease) in Liabilities:</b>		
Trade creditors	(4,346)	2,083
Provisions	668	1,123
<b>Net Cash Used in Operating Activities</b>	<b>(25,381)</b>	<b>(16,219)</b>

**(b) Non-Cash Financing and Investing Activities**

During the current financial year, the Company transferred property to the Crown with a written down value of \$234,000 for nil consideration, to acquire additional net gain offset credits for rehabilitation requirements. This disposal was a non-cash transaction and is not reflected in the cash flow statement. No non-cash financing and investing transactions occurred during the 2007 financial year.

**BENDIGO MINING LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2008

**20 INCOME TAX**

a) The prima facie income tax expense on pre-tax accounting losses is reconciled to the income tax expense in the financial statements as follows:

	2008 \$'000	2007 \$'000
<b>Income Tax Recognised in Loss</b>		
Loss from ordinary activities	(24,211)	(193,980)
Income tax benefit calculated at 30% of loss from ordinary activities	(7,263)	(58,194)
Add tax effect of permanent differences:		
Non deductible items	101	122
Research and development allowance	-	(337)
Capital raising expenses	(940)	(935)
Income tax benefit attributable to operating loss	(8,102)	(59,344)
Over / (under) provision in previous year	(651)	81
Effect of expenses that are not deductible / (deductible items not expenses) in determining taxable profit	(3,373)	47,516
Reversal of previously recognised DTA	-	45,794
Current year tax losses not brought to account as a DTA	12,126	11,747
<b>Income Tax Expense/(Benefit) Recognised in Loss</b>	<b>-</b>	<b>45,794</b>
Future income tax benefits attributable to tax losses and timing differences not brought to account as a deferred tax asset. <sup>(1)</sup>	<b>73,728</b>	<b>61,602</b>
<b>Income Tax (Expense) / Benefit for the Year Comprises: <sup>(1)</sup></b>		
Current tax (expense) / benefit	-	(49,855)
Deferred tax benefit / (expense) (see Note 20b)	-	4,061
	<b>-</b>	<b>(45,794)</b>
<b>Income Tax Recognised Directly in Equity</b>		
Tax on transaction costs incurred on issuance of shares (see Note 20b)	-	2,836
	<b>-</b>	<b>2,836</b>

<sup>(1)</sup> The previously recognised deferred tax asset was de-recognised at 31 December 2006 due to the uncertainty of timing in relation to when taxable profits will be derived. As the level of confidence in deriving taxable profits increases, the deferred tax asset will be re-recognised.

**BENDIGO MINING LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2008

**20 INCOME TAX** *continued*

b) Taxable and deductible temporary differences arise from the following:

2007	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
<b>Gross Deferred Tax Liabilities:</b>				
Property, mine development and plant & equipment	(4,809)	4,809	-	-
Inventories	(448)	448	-	-
Interest	(166)	166	-	-
	<b>(5,423)</b>	<b>5,423</b>	<b>-</b>	<b>-</b>
<b>Gross Deferred Tax Assets:</b>				
Fundraising indirect costs	235	(235)	-	-
Provisions	1,127	(1,127)	-	-
Fundraising direct costs	2,836	-	(2,836)	-
	<b>4,198</b>	<b>(1,362)</b>	<b>(2,836)</b>	<b>-</b>
<b>Net Deferred Tax /(Liability)</b>	<b>(1,225)</b>	<b>4,061</b>	<b>(2,836)</b>	<b>-</b>

There are no taxable and deductible temporary differences that have been recognised during the 2008 financial year.

**21 EARNINGS PER SHARE**

	2008	2007
<b>Basic and Diluted Loss Per Share</b>	(4.9 cents)	(51.1 cents)

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

	2008 \$'000	2007 \$'000
Net loss	(24,211)	(239,774)

	2008 No.	2007 No.
Weighted average number of ordinary shares	495,433,780	469,506,845

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted loss per share:

Options	3,881,331	6,483,002
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No performance rights or options were exercised after the end of the financial year.

BENDIGO MINING LIMITED  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2008

22 COMMITMENTS FOR EXPENDITURE

	2008 \$'000	2007 \$'000
<b>(a) Operating Expenditure</b>		
Not later than 1 year	2,652	1,924
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	<b>2,652</b>	<b>1,924</b>
<b>(b) Capital Expenditure</b>		
Not later than 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	-	-

23 CONTINGENT LIABILITIES

Nil

24 RELATED PARTY DISCLOSURES

(a) **Key Management Personnel Compensation**

The aggregate compensation of the key management personnel of the Company is set out below:

	2008 \$	2007 \$
Short-term employee benefits	1,523,390	1,631,127
Post-employee benefits	123,734	116,699
Other long-term benefits	-	-
Termination benefits	-	773,732
Share-based payments	220,358	(36,902)
<b>Total</b>	<b>1,867,482</b>	<b>2,484,656</b>

**BENDIGO MINING LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2008

**24 RELATED PARTY DISCLOSURES** *continued*

(b) **Ordinary Shares Issued by Bendigo Mining**

The following tables provide details of the shareholdings of related parties.

2008	Balance 1/7/07	Granted as compensation	Received on exercise of options	Net other change	Balance 30/6/08
	No.	No.	No.	No.	No.
<b>Directors</b>					
R H Beavor	286,936	-	-	-	286,936
R A Guy	106,250	-	-	-	106,250
R J Hanson	204,250	-	-	-	204,250
P L McCarthy	65,728	-	-	-	65,728
D M Ransom	-	-	-	-	-
R Woodall	72,173	-	-	-	Note (1)
<b>Other Executive Officer &amp; Key Management Personnel</b>					
T S Churcher	73,250	-	-	-	73,250
R J Buerger	1,000	-	-	-	1,000
L W Faulkner	-	-	-	-	-
R G Lester	-	-	-	-	-
<b>Total</b>	<b>809,587</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>737,414</b>

(1) R Woodall retired on 23 November 2007 and is no longer a related party.

2007	Balance 1/7/06	Granted as compensation	Received on exercise of options	Net other change	Balance 30/6/07
	No.	No.	No.	No.	No.
<b>Directors</b>					
R H Beavor	280,686	-	-	6,250	286,936
R A Guy	100,000	-	-	6,250	106,250
R J Hanson	48,000	-	-	156,250	204,250
P L McCarthy	32,728	-	-	33,000	65,728
R Woodall	65,923	-	-	6,250	72,173
A D Buerger	699,874	-	-	-	Note (1)
<b>Other Executive Officers</b>					
T S Churcher	12,000	-	-	61,250	73,250
H L Dusseljee	112,234	-	-	-	Note (2)
G F Johansen	214,656	-	-	-	Note (3)
<b>Total</b>	<b>1,566,101</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>808,587</b>

(1) A D Buerger resigned on 8 January 2007 and was no longer a related party.

(2) H L Dusseljee ceased employment on 19 January 2007 and was no longer a related party.

(3) G F Johansen ceased employment on 12 January 2007 and was no longer a related party.

**BENDIGO MINING LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2008

**24 RELATED PARTY DISCLOSURES** *continued*

(c) **Share Options Issued by Bendigo Mining**

The following tables provide details of the option holdings of related parties.

2008	Balance 1/7/07 No.	Granted as compensation No.	Exercised No.	Lapsed No.	Balance 30/6/08 No.	Balance vested 30/6/08 No.	Vested but not exercisable No.	Vested and exercisable No.
<b>Directors</b>								
R H Beevor	-	-	-	-	-	-	-	-
R A Guy	-	-	-	-	-	-	-	-
R J Hanson	520,000	-	-	-	520,000	346,666	-	346,666
P L McCarthy	-	-	-	-	-	-	-	-
D M Ransom	-	-	-	-	-	-	-	-
<b>Other Executive Officer &amp; Key Management Personnel</b>								
T S Churcher	520,000	-	-	-	520,000	346,666	-	346,666
R J Buerger	50,000	-	-	-	50,000	33,333	-	33,333
L W Faulkner	50,000	-	-	-	50,000	33,333	-	33,333
R G Lester	210,000	-	-	-	210,000	140,000	-	140,000
<b>Total</b>	<b>1,350,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,350,000</b>	<b>899,998</b>	<b>-</b>	<b>899,998</b>

2007	Balance 1/7/06 No.	Granted as compensation No.	Exercised No.	Lapsed No.	Balance 30/6/07 No.	Balance vested 30/6/07 No.	Vested but not exercisable No.	Vested and exercisable No.
<b>Directors</b>								
R H Beevor	-	-	-	-	-	-	-	-
R A Guy	-	-	-	-	-	-	-	-
R J Hanson	520,000	-	-	-	520,000	173,333	-	173,333
P L McCarthy	-	-	-	-	-	-	-	-
R Woodall	-	-	-	-	-	-	-	-
A D Buerger <sup>(1)</sup>	690,000	-	-	(690,000)	-	-	-	-
<b>Other Executive Officers</b>								
T S Churcher	520,000	-	-	-	520,000	173,333	-	173,333
H L Dusseljee <sup>(2)</sup>	520,000	-	-	(520,000)	-	-	-	-
G F Johansen <sup>(3)</sup>	520,000	-	-	(520,000)	-	-	-	-
<b>Total</b>	<b>2,770,000</b>	<b>-</b>	<b>-</b>	<b>(1,730,000)</b>	<b>1,040,000</b>	<b>346,666</b>	<b>-</b>	<b>346,666</b>

<sup>(1)</sup> A D Buerger resigned on 8 January and was no longer a related party. These options lapsed on 8 March 2007.

<sup>(2)</sup> H L Dusseljee ceased employment on 19 January 2007 and was no longer a related party. These options lapsed on 19 March 2007.

<sup>(3)</sup> G F Johansen ceased employment on 12 January 2007 and was no longer a related party. These options lapsed on 12 March 2007.

Further details of options are provided in the Directors Report and Note 15 to the financial statements.

**BENDIGO MINING LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2008

**24 RELATED PARTY DISCLOSURES** *continued*

(d) **Performance Rights Issued by Bendigo Mining**

The following tables provide details of the Performance Rights holdings of related parties.

2008	Balance 1/7/07 No.	Granted as compensation No.	Exercised No.	Lapsed No.	Balance 30/6/08 No.	Balance vested 30/6/08 No.	Vested but not exercisable No.	Vested and exercisable No.
<b>Directors</b>								
R H Beevor	-	-	-	-	-	-	-	-
R A Guy	-	-	-	-	-	-	-	-
R J Hanson	472,855	354,641	-	-	827,496	-	-	-
P L McCarthy	-	-	-	-	-	-	-	-
R Woodall	-	-	-	-	-	-	-	-
D M Ransom	-	-	-	-	-	-	-	-
<b>Other Executive Officer &amp; Key Management Personnel</b>								
T S Churcher	367,776	275,832	-	-	643,608	-	-	-
R J Buerger	-	-	-	-	-	-	-	-
L W Faulkner	-	-	-	-	-	-	-	-
R G Lester	-	-	-	-	-	-	-	-
<b>Total</b>	<b>840,631</b>	<b>630,473</b>	<b>-</b>	<b>-</b>	<b>1,471,104</b>	<b>-</b>	<b>-</b>	<b>-</b>

2007	Balance 1/7/06 No.	Granted as compensation No.	Exercised No.	Lapsed No.	Balance 30/6/07 No.	Balance vested 30/6/07 No.	Vested but not exercisable No.	Vested and exercisable No.
<b>Directors</b>								
R H Beevor	-	-	-	-	-	-	-	-
R A Guy	-	-	-	-	-	-	-	-
R J Hanson	-	472,855	-	-	472,855	-	-	-
P L McCarthy	-	-	-	-	-	-	-	-
R Woodall	-	-	-	-	-	-	-	-
A D Buerger	-	-	-	-	-	-	-	-
<b>Other Executive Officers</b>								
T S Churcher	-	367,776	-	-	367,776	-	-	-
H L Dusseljee	-	-	-	-	-	-	-	-
G F Johansen	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>840,631</b>	<b>-</b>	<b>-</b>	<b>840,631</b>	<b>-</b>	<b>-</b>	<b>-</b>

Further details of options are provided in the Directors Report and Note 15 to the financial statements.

(e) **Other Transactions with Related Parties**

Chairman of the Board, Peter McCarthy, is the Managing Director of AMC Consultants Pty Ltd. During the financial year no amount was incurred (2007: \$230,431) or is outstanding at the end of the financial year to AMC Consultants Pty Ltd for consultancy work. Consultancy fees are paid based on a commercial rate commensurate with the services provided.

**25 SUBSEQUENT EVENTS**

No matters or circumstances have arisen since the end of the financial year 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.

**BENDIGO MINING LIMITED**  
**DIRECTORS' DECLARATION**  
FOR THE YEAR ENDED 30 JUNE 2008

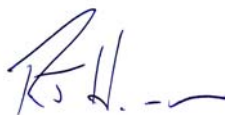
The Directors declare that:

- 1) a) The financial report of the Company and the additional disclosures included in the Directors' report designated as audited are in accordance with the Corporations Act 2001, including:
    - i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of the Company's performance for the year ended on that date; and
    - ii) complying with Accounting Standards and Corporations Regulations 2001; and
  - b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2) This declaration has been made after receiving the declarations required to be made to Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2008.

Signed in accordance with a resolution of Directors made pursuant to Section 295(5) of the Corporations Act 2001.



**Peter McCarthy**  
Chairman



**Rod Hanson**  
Managing Director & CEO

Bendigo, 26 August 2008.

## **Independent Auditor's Report to the members of Bendigo Mining Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Bendigo Mining Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration as set out on pages 13 to 35.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

## *Auditor's Opinion*

In our opinion:

- (a) the financial report of Bendigo Mining Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 6 to 11 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Auditor's Opinion*

In our opinion the Remuneration Report of Bendigo Mining Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Clive Mottershead  
Partner  
Chartered Accountants  
Melbourne, 26 August 2008

# SHAREHOLDER INFORMATION

## Shareholdings

At 26 August 2008 the issued share capital of the Company was held as follows:

a) Size of Shareholding	Number of Ordinary Shareholders
1 – 1,000	3,634
1,001 – 5,000	4,920
5,001 – 10,000	2,230
10,001 – 100,000	3,341
100,001 and over	400
Total number of shareholders	14,525

b) Number of shareholders with holdings of less than a marketable parcel - \$500. (2,703 shares) 6,307

c) As at 26 August 2008 the register of substantial shareholders disclosed the following information:

Holders giving notice	Date of notice	Ordinary shares as at date of notice	% Holding as at date of notice
St. Barbara Limited	10.1.07	49,534,000	10.00
Orbis Investment Management	24.7.08	36,658,717	7.40
State Teachers Retirement System of Ohio	29.8.07	32,114,188	6.48

d) Of the issued ordinary capital, 53.22% was held by or on behalf of the 20 largest shareholders.

e) All shares carry voting rights of one vote per share.

f) As at 26 August 2008, 53 option holders hold 1,489,975 unquoted options, 2 performance right holders hold 1,471,104 unquoted performance rights and 94 share right holders hold 3,235,000 unquoted share rights. Unquoted options, performance rights and share rights do not carry a right to vote.

## List of Mining Tenements

	Interest
MIN 5344	Bendigo 100%
MIN 4878	Bendigo 100%
EL 3327	Bendigo 100%
EL 5035	Outer Bendigo 100%
MIN 5364	Outer Bendigo 100%

## Shareholder Information

Top 20 Holders as at 26 August 2008:	Ordinary Shares	%
National Nominees Limited	57,388,996	11.58
St Barbara Limited	49,534,000	10.00
ANZ Nominees Limited	39,891,693	8.05
HSBC Custody Nominees (Australia) Limited	35,617,191	7.19
HSBC Custody Nominees (Australia) Limited – GSCO ECSA	19,334,219	3.90
JP Morgan Nominees Australia Limited	12,366,184	2.50
HSBC Custody Nominees (Australia) Limited – A/C 2	8,937,989	1.80
Citicorp Nominees Pty Ltd	8,689,792	1.75
Berne No. 132 Nominees Pty Ltd – A/C 376804	5,242,540	1.06
Mleq Nominees Pty Ltd	4,792,086	0.97
Nefco Nominees Pty Ltd	4,191,783	0.85
Berne No. 132 Nominees Pty Ltd – A/C 115180	2,290,116	0.46
Napla Pty Ltd	2,259,500	0.46
Ceramic Oxide Fabricators Pty Ltd	2,226,623	0.45
Mr Geoffrey Knight Morgan	2,186,000	0.44
Mr J Rumble & Mr M J B Giraud	2,000,000	0.40
Chemical & Microanalytical Services Pty Ltd	1,965,194	0.40
CS Fourth Nominees Pty Ltd	1,673,588	0.34
Mr E W K & Mrs E S L Cheung	1,650,000	0.33
Ms L W Fung & Mr K F Chung	1,450,000	0.29
<b>Total</b>	<b>263,687,494</b>	<b>53.22</b>
Total issued ordinary share capital	495,433,780	