

Bendigo Mining
Limited
ABN 61 005 674 073

Corporate Details:

ASX Code: BDG

Issued capital:
425.2M ord. shares
5.5M unlisted options

Substantial Shareholders:
APS Asset Management
51.0M (12.0%)
Merrill Lynch Investment
44.7M (10.5%)
Jardine Fleming Cap. Part.
38.7M (9.1%)

Site Office:
66 Ham St
Kangaroo Flat
Victoria 3555
Australia

Tel: +61 (0)3 5447 1834
Fax: +61 (0)3 5447 1835

Directors:
Non-Executive Chairman
Peter McCarthy
Managing Director
Douglas Buerger
Non-Executive Directors:
Ronald Beever
Richard Guy OAM
Roy Woodall AO

For further details:

Tim Churcher
General Manager
Corporate Development
Bendigo Mining Limited
Tel: +61 (0)3 5447 1834
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Email: tchurcher@bendigomining.com.au

Website:
www.bendigomining.com.au

Financial Results

For the six months ending December 2005

COMMENTARY

Bendigo Mining registered a net loss after tax for the interim period of \$3.6 million. The loss was generated in the run-up to production by expensing the costs of operating the underground mine, corporate and administration and a proportion of exploration (ore delineation) expenditure.

Revenue of \$3.6 million was derived from interest earned on the cash balance. Revenue from gold production is not planned until after June 2006.

Cash on hand increased in the half-year to \$177.9 million after the addition of net proceeds from the October 2005 capital raising of \$133.6 million, less net cash outflow in the half of \$45.3 million. The increase in accounts payable of \$14 million reflects the high level of construction activity on the site.

Expenditure on mine development, exploration (ore delineation) and plant and equipment of \$52 million was capitalised in the six months to December 2005. Full year capital expenditure is planned to total around \$115 million.

Process plant expenditure in the half year totalled \$23 million, taking cumulative expenditure to \$30 million, with the remaining \$27 million planned to be spent over the remainder of the financial year.

The Company made significant progress in project development in the six months to December 2005. High levels of underground mine development activity have been accompanied by an active exploration campaign, process plant construction and numerous surface infrastructure projects. In addition, the company has purchased new mine equipment, secured sufficient tyre stocks and is proceeding with the transition to owner mining by retaining a skilled and motivated underground workforce.

These activities have occurred in a challenging operating environment for developing a major underground mine. Cost inflation continues to affect most aspects of the Company's business. Despite these pressures, forecast operating margins could be higher than previously planned due to a higher A\$ gold price. The current spot A\$ gold price is around 35% above the Company's A\$550/oz budget price and as the Company is unhedged, the operating margin will be strongly influenced by the spot gold price.

The project remains on track for the first gold pour by June 2006. The main risks to achieving this objective are adverse weather and continuity of plant construction labour.

INCOME TAX

An income tax benefit of \$1.2 million is brought to account under A-IFRS which increased the Company's deferred tax asset on the balance sheet to \$45.6 million (comprising \$42.1 million of previous tax losses and \$3.5 million of temporary tax differences that will reverse out over time). When in a profit-making position, the Company will account for an income tax expense and this will reduce the size of the deferred tax asset, until fully utilised, with no impact on the cash balance.

BENDIGO MINING LIMITED
CORPORATE INFORMATION
A.B.N. 61 005 674 073

Directors:

P.L. McCarthy (Chairman)
A.D. Buerger (Managing Director)
R.H. Beevor
R.A. Guy OAM
R. Woodall AO

Registered Office & Principal Place of Business:

66 Ham Street
Kangaroo Flat Vic 3555
Telephone: (03) 5447 1834
Facsimile: (03) 5447 1835
Email: info@bendigomining.com.au

Secretary:

H.L. Dusseljee

Auditors:

Deloitte Touche Tohmatsu
Chartered Accountants
180 Lonsdale Street
Melbourne Vic 3000

Share Registry:

Computershare Investor Services
Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Vic 3067
Telephone (03) 9415 4000

Shareholders' Enquiries:

Share Registry 1300 850 505
melbourne.services@computershare.com.au
OR
Company Secretary (03) 5447 1834

Stock Exchange:

Australian Stock Exchange Limited
ASX Company Security Code: BDG

Web Page

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

Directors' Report

The Directors of Bendigo Mining Limited present the financial report for the half-year ended 31 December 2005. In accordance with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of Directors of the Company in office during or since the end of the half-year are:

- **Peter L. McCarthy (Chairman)**
- **A. Douglas Buerger (Managing Director)**
- **Ronald H. Beevor**
- **Richard A. Guy OAM**
- **Roy Woodall AO**
- **R. Bryan Davis – Resigned as a Director with effect from 1 February 2006.**

Trading Results

The operating loss after income tax for the half-year amounted to \$3,595,000 (2004: Loss \$2,547,000).

Auditors' Independence Declaration

The auditors have provided the Board of Directors with a signed Independence Declaration in accordance with s307C of the Corporations Act 2001. This declaration is included on page 4 of this Half-Year Report.

Rounding off of Amounts

The Company is a company of the kind referred to in Australian Securities and Investments Commission Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Review of Operations

The results from a major project review were released during the half-year. The Bendigo Project Development Strategy Study indicated a total project capital cost of \$375 million, with a capital cost estimate of \$128 million for the south mine and \$247 million for the north mine. The total funding requirement was estimated at \$338 million, including contingency. The funding requirement (at 30 June 2005) was planned to be met by available cash of \$78 million, additional equity of \$140 million and an assumed debt raising of \$120 million in 2010.

During the half year the Company finalised the equity component of the funding requirement by raising \$140 million by way of a pro-rata 3 for 5 entitlement issue at \$0.80 per share and an accompanying placement at \$0.91 per share. A total of \$103 million was raised from the institutional component of the equity issue with the balance of \$37 million raised through a Retail Entitlement Offer.

During the half-year:

- Construction of the south mine processing plant continued under the management of Ausenco, the Company's engineering, procurement and construction manager. Construction commenced in late May and by December 2005 was 57% complete and on schedule for commissioning by June 2006.
- Increased labour costs and minor scope changes are likely to cause a small increase in the initial \$53 million process plant capital estimate of around \$2 to 4 million.
- Underground mine development of 2,163 metres was completed.
- Mine development of the Shywolup reef has commenced with stockpiling of ore.
- Transition to owner-mining status is underway with the change over planned to occur in the June quarter of 2006.
- Exploration diamond drilling of 16,374 metres was completed.
- Drilling intersected strong mineralisation from the Alexandria reef, S4 ribbon. Extensions to the McDermott reef, D4 ribbon, are indicated as is a potential new zone intersected some 800 m north of existing drilling in the D4 ribbon.
- Four drilling rigs are engaged in the exploration programme.

Signed in accordance with a resolution of the Directors made on 14 March 2006.



P. L. McCarthy
Chairman

14 March 2006.



A.D. Buerger
Managing Director & Chief Executive
Officer

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Melbourne VIC 3000
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The Board of Directors
Bendigo Mining Limited
66 Ham Street,
Kangaroo Flat,
VIC 3555

14 March 2006

Dear Board Members

Re: Bendigo Mining Limited - Auditors' Independence Declaration

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 review of the financial statements of Bendigo Mining Limited for the half-year ended 31 December 2005, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely


DELOITTE TOUCHE TOHMATSU



Ian Sanders
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

Bendigo Mining Limited
Balance Sheet
as at 31 December 2005

	31 December 2005	30 June 2005
	\$'000	\$'000
CURRENT ASSETS		
Cash Assets	177,910	89,599
Receivables	4,073	1,469
Inventories	474	305
Other	382	113
TOTAL CURRENT ASSETS	182,839	91,486
NON CURRENT ASSETS		
Deferred tax asset	45,610	42,421
Other financial assets	2,486	1,335
Property, mine development, plant and equipment	78,443	26,834
TOTAL NON CURRENT ASSETS	126,539	70,590
TOTAL ASSETS	309,378	162,076
CURRENT LIABILITIES		
Payables	22,453	8,464
Provisions	887	565
TOTAL CURRENT LIABILITIES	23,340	9,029
NON CURRENT LIABILITIES		
Provisions	1,854	1,337
TOTAL NON CURRENT LIABILITIES	1,854	1,337
TOTAL LIABILITIES	25,194	10,366
NET ASSETS	284,184	151,710
EQUITY		
Contributed equity	368,791	232,722
Accumulated losses	(84,607)	(81,012)
TOTAL EQUITY	284,184	151,710

Bendigo Mining Limited
Income Statement
For the Half - Year Ended 31 December 2005

	Note	31 December 2005 \$'000	31 December 2004 \$'000
Revenue from funds investment activities		3,554	2,627
Other revenue from ordinary activities		559	53
Ore delineation expenses	5	(1,606)	(2,528)
Mining expenses	5	(4,647)	(3,674)
Corporate & administration expenses	5	(2,689)	(1,952)
		<hr/>	<hr/>
Loss before income tax expense		(4,829)	(5,474)
Income tax benefit		1,234	2,927
		<hr/>	<hr/>
Net loss		(3,595)	(2,547)
		<hr/>	<hr/>
Earnings Per Share:			
Loss Per Share - Basic (cents per share)		1.1	1.1
- Diluted (cents per share)		1.1	1.1

***Bendigo Mining Limited
Statement of Changes in Equity
For the Half - Year Ended 31 December 2005***

	Share Capital \$'000	Retained earnings \$'000	Total \$'000
Balance At 30 June 2005 brought forward	232,722	(81,012)	151,710
<u>Changes in Equity</u>			
Transaction costs incurred on issuance of shares	(6,516)	-	(6,516)
Tax on items taken directly to or transferred from equity	1,955	-	1,955
Net income recognised directly in equity	(4,561)	-	(4,561)
Loss for the period	-	(3,595)	(3,595)
Total recognised income and expense for the period	(4,561)	(3,595)	(8,156)
Issue of share capital	140,118	-	140,118
Share option expense	512	-	512
Balance At 31 December 2005	368,791	(84,607)	284,184

	Share Capital \$'000	Retained earnings \$'000	Total \$'000
Balance At 1 July 2004 brought forward	123,077	(76,977)	46,100
<u>Changes in equity</u>			
Transaction costs incurred on issuance of shares	(7,068)	-	(7,068)
Tax on items taken directly to or transferred from equity	1,627	-	1,627
Net income recognised directly in equity	(5,441)	-	(5,441)
Loss for the period	-	(2,547)	(2,547)
Total recognised income and expense for the period	(5,441)	(2,547)	(7,988)
Issue of share capital	115,004	-	115,004
Share option expense	19	-	19
Balance At 31 December 2004	232,659	(79,524)	153,135

Bendigo Mining Limited
Statement of Cash Flows
For the Half - Year Ended 31 December 2005

	31 December 2005 \$'000	31 December 2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other revenue received	3,536	2,408
Payments to suppliers and employees	<u>(9,539)</u>	<u>(8,054)</u>
Net cash used in operating activities	<u>(6,003)</u>	<u>(5,646)</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments for property, mine development, plant and equipment	(39,309)	(2,455)
Proceeds from sale of property, plant and equipment	<u>21</u>	<u>-</u>
Net cash provided by investing activities	<u>(39,288)</u>	<u>(2,455)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	140,118	115,004
Capital raising expenses	<u>(6,516)</u>	<u>(7,068)</u>
Net cash provided by financing activities	<u>133,602</u>	<u>107,936</u>
Net increase / (decrease) in cash held	88,311	99,835
Cash at the beginning of the half-year	<u>89,599</u>	<u>6,477</u>
CASH AT THE END OF THE HALF-YEAR	<u>177,910</u>	<u>106,312</u>

The accompanying notes form part of the financial report.

Notes to and forming part of the Financial report
For the Half – Year Ended 31 December 2005

1. Statement of Accounting Policies

Basis of Preparation

The general purpose half-year financial report of the Company has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 Interim Financial Reporting. The half-year Financial Report does not include notes of the type normally included in an annual report and should be read in conjunction with the 2005 Annual Report and any public announcements made by Bendigo Mining Limited during the half-year in accordance with continuous disclosure obligations arising under the Australian Stock Exchange Limited Listing Rules.

The Company changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standards AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has effected the Companies financial position, financial performance and cash flows is discussed in note 5. The accounting policies set out below have been applied in preparing the financial statements for the half-year ended 31 December 2005, the comparative information presented in these financial statements and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 7), the Companies date of transition.

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

Significant accounting policies

- (a) **Cash** - Cash includes cash on hand and in banks and investments in money market instruments. Money market instruments comprise short term bank deposits, commercial paper, bank bills, floating rate notes and bonds which have a maturity profile of less than 90 days after balance date. The money market instruments are recorded at cost and interest is brought to account on an accrual basis.
- (b) **Financial instruments** – The Company has financial investments in the form of Commonwealth and State Government instruments that are usually short dated and held to maturity in the normal course of business. The investments are recorded at cost and interest is brought to account on an accrual basis.
- (c) **Exploration and Evaluation Expenditure** - Costs arising from exploration and evaluation related to an area of interest are written off as incurred. (refer to note 5)
- (d) **Mine development** - The costs of successful ore delineation and access and capital development are classified as mine development. Costs arising from mine development are capitalised as incurred and are depreciated according to the accounting policy. Any remaining value for drives that support areas of interest that have been mined out or are barren will be written off when the mined-out or barren status is confirmed. This policy was introduced during the 2004/05 financial year after the Company decided to commence construction and mine development activities. (refer to note 5)

- (e) **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.
- (f) **Life of operations** – The directors regularly review the estimated economic life of the operations considering both the physical and economic factors relating to the target material that is planned to be mined and make adjustments to the estimates as required. The life of the mine has been established on the basis of target material that is considered economical to recover and takes account of current mine development and production plans for the exploitation of the target material. A number of assumptions regarding the availability of target material for mining, capital and operating costs, gold prices, income tax rates and other production and economic factors underlie the production plans and changes in these factors may impact upon the life of operations. The maximum life of mine for accounting purposes is 25 years.
- (g) **Depreciation** - Depreciation is provided on all property, mine development, 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 will be written off in proportion to the ounces recovered from the area of interest that the mine development support or in proportion to the ounces recovered from the entire mine if the mine development is useful for the life of the mine. Items of plant and equipment that are considered to have a useful life that equates to the mine life will be written off on an ounce recovered basis if they are used in the mine or a tonne produced basis if they are used in the processing mill. Other plant and equipment with estimated useful lives of between 1 and 15 years are written off using the straight-line method. Buildings are written off using the straight-line method over their estimated useful lives. The estimated useful lives, residual value and depreciation methods are reviewed at the end of each reporting period.
- (h) **Impairment of assets** – At the end of each annual reporting period the Company reviews assets with the objective to ensure 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. The directors have determined that the area of interest relating to the Bendigo Gold Project constitutes one CGU and consequently all the assets in that CGU are tested collectively for impairment. The Company assess the 'fair value less costs to sell' test by discounting expected future cash flows to arrive at a net present valuation for the project. 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 profit or loss immediately.

- (i) **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 remeasured 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 will be recognised as additions or changes to the corresponding asset and rehabilitation liability. Changes in rehabilitation costs for exploration and evaluation will be expensed.

Long dated Government fixed coupon rates are used to discount the projected expenditure back to a net present value.

- (j) **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.

(k) **Income Tax –**

Current tax – is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. 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.

In principle, 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 neither 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.

(k) Income Tax – (cont.)

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.

(m) Goods and Services Tax - Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i) Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from the taxation authority is included as part of 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.

(n) 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 annual leave 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.

(o) 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.

(p) Receivables - Receivables are recorded at amortised cost less impairment.

(q) 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 the control and title has passed from the Company and the amount of revenue can be measured reliably.

(r) Inventory –

- 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.
- Consumables and spare parts are valued at cost on a first in first out basis with due allowance for obsolescence.

- (s) Share based payments -** Equity-settled share-based payments granted after 7 November 2002 are measured at fair value at the date of grant. Fair value is measured by use of the extended binomial and Black Scholes option pricing models. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period.

2. Earnings Per Share

The 31 December 2005 half-year Loss Per Share is 1.1 cents.

3. Contingent Liabilities

Bank guarantees - Bank guarantees totalling \$25,000 have been lodged in favour of Vic Roads and The Bendigo Trust. These guarantees are in regard to the Company's obligations on a Vic Roads pipeline agreement and use of facilities controlled by The Bendigo Trust. The Company has lodged term deposits of \$25,000 as security for these bank guarantees.

4. Issue of Capital

The company has raised \$ 140.12 million in share capital during the 6-month period ended 31 December 2005, through a combination of 3:5 rights issue, Institutional and Retail book build and private placement. The average share price realised ranged from \$0.80 (rights offer) to \$0.91 per share (private placement). A total of 172.3 million ordinary shares were issued in this regard. The cost of the issue amounted to \$6.52 million.

5. Expenses

Exploration expenses - Until the end of the 2004 financial year the Company was in an exploration phase and pursuant to the Company's accounting policy all costs arising from exploration and evaluation were expensed (refer to note 1d). No exploration expenses were incurred during the half year ending 31 December 2005.

Ore delineation expenses - Having completed the exploration phase the Company commenced mine development in July 2004. Any further work that successfully defines the location and dimensions of the mineralisation within the Bendigo Goldfield is treated as mine development and capitalised (refer to note 1d). The cost of ore delineation work that does not lead to new economic deposits is not capitalised as mine development and is expensed as incurred.

Mining expenses - Mining expenses are the costs of operating the underground mine and includes activities such as dewatering, ventilation, mining services, power supply, supervision and associated services.

6. Subsequent Events

Mr R. Bryan Davis resigned as a director with effect from 1 February 2006.

No other matters or circumstances have arisen subsequent to the reporting date which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the company in subsequent financial years.

7. Impacts of the adoption of Australian Equivalents to International Financial Reporting Standards

The Company changed its accounting policies on 1 July 2005 to comply with Australian Equivalents to International Financial Reporting Standards (A-IFRS). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected the Companies financial position, financial performance and cash flows is set out in the following tables and notes.

Impacts of the adoption of Australian equivalents to A-IFRS
Balance sheet as at 1 July 2004

	Note	Superseded policies* \$'000	Effect of transition to A-IFRS \$'000	A-IFRS \$'000
CURRENT ASSETS				
Cash assets		6477	-	6,477
Receivables		406	-	406
Inventory		-	-	-
Other		136	-	136
TOTAL CURRENT ASSETS		7,019	-	7,019
NON CURRENT ASSETS				
Deferred tax asset	ii	-	36,497	36,497
Other financial assets		950	-	950
Property, mine development, plant and equipment		4,817	-	4,817
TOTAL NON CURRENT ASSETS		5,767	36,497	42,264
TOTAL ASSETS		12,786	36,497	49,283
CURRENT LIABILITIES				
Payables		1,991	-	1,991
Provisions	iv	407	(46)	361
TOTAL CURRENT LIABILITIES		2,398	(46)	2,352
NON CURRENT LIABILITES				
Provisions	iv & v	1,690	(859)	831
TOTAL NON CURRENT LIABILITIES		1,690	(859)	831
TOTAL LIABILITIES		4,088	(905)	3,183
NET ASSETS		8,698	37,402	46,100
EQUITY				
Contributed equity	ii & v	122,938	139	123,077
Accumulated losses	vi & vii	(114,240)	37,263	(76,977)
TOTAL EQUITY		8,698	37,402	46,100

* Reported financial position for the financial Year ended 30 June 2004.

Impacts of the adoption of Australian equivalents to A-IFRS continued
Balance sheet as at 31 December 2004

	Note	Superseded policies*	Effect of transition to A-IFRS	A-IFRS
		\$'000	\$'000	\$'000
CURRENT ASSETS				
Cash assets		106,312	-	106,312
Receivables		605	-	605
Inventory		117	-	117
Other		398	-	398
TOTAL CURRENT ASSETS		107,432	-	107,432
NON CURRENT ASSETS				
Deferred tax asset	ii	-	41,051	41,051
Other financial assets		950	-	950
Property, mine development, plant and equipment		7,247	-	7,247
TOTAL NON CURRENT ASSETS		8,197	41,051	49,248
TOTAL ASSETS		115,629	41,051	156,680
CURRENT LIABILITIES				
Payables		2,115	-	2,115
Provisions	iv	545	(69)	476
TOTAL CURRENT LIABILITIES		2,660	(69)	2,591
NON CURRENT LIABILITES				
Provisions	iv & v	1,756	(802)	954
TOTAL NON CURRENT LIABILITIES		1,756	(802)	954
TOTAL LIABILITIES		4,416	(871)	3,545
NET ASSETS		111,213	41,922	153,135
EQUITY				
Contributed equity	ii & iii	230,874	1,785	232,659
Accumulated losses	vi & vii	(119,661)	40,137	(79,524)
TOTAL EQUITY		111,213	41,922	153,135

* Reported financial position for the financial Year ended 31 December 2004.

Impacts of the adoption of Australian equivalents to A-IFRS continued
Balance sheet as at 30 June 2005

	Note	Superseded policies* \$'000	Effect of transition to A-IFRS \$'000	A-IFRS \$'000
CURRENT ASSETS				
Cash Assets		89,599		89,599
Receivables		1,469		1,469
Inventories		305		305
Other		113		113
TOTAL CURRENT ASSETS		91,486	-	91,486
NON CURRENT ASSETS				
Deferred tax asset	ii	-	42,421	42,421
Other financial assets		1,335	-	1,335
Property, mine development, plant and equipment	i	27,025	(191)	26,834
TOTAL NON CURRENT ASSETS		28,360	42,230	70,590
TOTAL ASSETS		119,846	42,230	162,076
CURRENT LIABILITIES				
Payables		8,464		8,464
Provisions	iv	631	(66)	565
TOTAL CURRENT LIABILITIES		9,095	(66)	9,029
NON CURRENT LIABILITIES				
Provisions	iv & v	2,216	(879)	1,337
TOTAL NON CURRENT LIABILITIES		2,216	(879)	1,337
TOTAL LIABILITIES		11,311	(945)	10,366
NET ASSETS		108,535	43,175	151,710
EQUITY				
Contributed equity	iv & v	230,874	1,848	232,722
Accumulated losses	vi & vii	(122,339)	41,327	(81,012)
TOTAL EQUITY		108,535	43,175	151,710

* Reported financial position for the financial Year ended 30 June 2005.

Impacts of adopting Australian Equivalents to IFRS Continued
Pro forma Income Statement for the 6 months ended 31 December 2004

	Note	Superseded policies* \$'000	Effect of transition to A-IFRS \$'000	A-IFRS \$'000
Revenue from funds investment activities		2,627	-	2,627
Other revenue from ordinary activities		53	-	53
Exploration expenses		-	-	-
Ore delineation expenses	iv & v	(2,521)	(7)	(2,528)
Mining expenses	iv & v	(3,664)	(10)	(3,674)
Corporate & administration expenses	iii & v	(1,916)	(36)	(1,952)
Loss before income tax expense		(5,421)	(53)	(5,474)
Income tax benefit	ii	-	2,927	2,927
Net loss		(5,421)	2,874	(2,547)

* Reported financial results under previous Australian GAAP.

Impacts of adopting Australian Equivalents to IFRS Continued
Pro forma Income Statement for the year ended 30 June 2005

	Note	Superseded policies* \$'000	Effect of transition to A-IFRS \$'000	A-IFRS \$'000
Revenue from funds investment activities		5,340	-	5,340
Other revenue from ordinary activities		180	-	180
Exploration expenses		-	-	-
Ore delineation expenses	iv & v	(2,857)	(31)	(2,888)
Mining expenses	iv & v	(7,223)	(80)	(7,303)
Corporate & administration expenses	iii & v	(3,539)	(122)	(3,661)
		<hr/>	<hr/>	<hr/>
Loss before income tax expense		(8,099)	(233)	(8,332)
Income tax benefit	ii	<hr/> -	<hr/> 4,297	<hr/> 4,297
Net loss		(8,099)	4,064	(4,035)
		<hr/>	<hr/>	<hr/>

* Reported financial results under previous Australian GAAP.

Impacts of adopting Australian Equivalents to IFRS Continued

Effect of A-IFRS on the cash flow statement for the period ended 31 December 2005.

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

Notes to the reconciliations of income and equity

- i) **Property, plant and equipment** – On initial adoption of A-IFRS, the directors elected to use the true A-IFRS historical cost of plant and equipment at 1 July 2004 to be cost for accounting purposes, as permitted by the first-time adoption provisions of AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'. Under this election, no adjustment was required to property, plant and equipment values upon adoption of A-IFRS at 1 July 2004.

When an asset is initially recognised, A-IFRS requires the capitalisation of the cost of dismantling and removing the asset and restoring the site on which the asset was created. The Company provides for the cost of restoration works at the time that activities that necessitate future restoration works are performed (refer Note 1i). All exploration and evaluation expenditure that was incurred before 30 June 2004 was expensed as incurred and a provision of \$1,600,000 was made for rehabilitation works. As a result, there were no assets with values that needed to be increased by future rehabilitation costs upon adoption of A-IFRS as at 1 July 2004.

During 2005, under AGAAP, \$445,000 was capitalised for the estimated current cost of future restoration works that resulted from disturbances that occurred during the 2005 financial year.

Under A-IFRS the effect of the time value of money is taken into account and consequently the present value of the estimated future cost of the restoration works is capitalised at \$254,000, giving rise to an adjustment of \$191,000.

Impacts of adopting Australian Equivalents to IFRS Continued

- ii) **Income Taxes** – Under A-IFRS, the criteria for the recognition of carried forward tax losses and deferred tax balances is ‘probable’ as compared to the AGAAP ‘virtually certain’ test for tax losses and ‘beyond reasonable doubt’ test for deferred tax assets arising from timing differences. Tax balances are determined under A-IFRS using a ‘balance sheet’ approach which significantly differs from the AGAAP methodology whereby income tax expense was calculated on pre-tax accounting profits after adjustments for permanent differences. On adoption of A-IFRS, deferred tax assets increased by \$35,980,000 as a result of the recognition of previously unrecognised tax losses and a further \$517,000 deferred tax asset (net of deferred tax liabilities of \$468,000) relating to temporary differences. Accordingly, accumulated losses were reduced by \$35,980,000 for previously unrecognised tax losses and \$378,000 for temporary differences. Contributed equity was increased by \$139,000 for temporary differences due to fundraising expenditure incurred in 2002.

The impact on the profit and loss, under A-IFRS, for the half-year ended 31 December 2004 and financial year ended 30 June 2005 was an increase in tax benefit of \$2,927,000 and \$4,297,000 respectively resulting from an increase in deferred tax assets. Contributed equity was increased by \$1,627,000 for temporary differences due to fundraising expenditure incurred in 2002 and 2005.

The cumulative impacts on the financial position at 31 December 2004 and 30 June 2005 of the different criteria to be applied are increases were deferred tax assets of \$38,572,000 and \$40,878,000 respectively for previously unrecognised tax losses and \$2,479,000 and \$1,543,000 (net of deferred tax liabilities of \$458,000 and \$1,500,000) respectively relating to temporary differences. Contributed equity was increased by \$1,766,000 for temporary differences due to fundraising expenditure incurred in 2002 and 2005.

The effect of the above adjustments on the deferred tax balances were as follows:

	30 June 2004 \$'000	31 December 2004 \$'000	30 June 2005 \$'000
Net increase in deferred tax balances	36,497	41,051	42,421

Impacts of adopting Australian Equivalents to IFRS Continued

- iii) **Share-based payments** – Under A-IFRS, the fair value of share options is determined at grant date and expensed over the expected vesting period of the options. As permitted under A-IFRS first time adoption, the Company has not retrospectively recognise share-based payments that had vested before 1 January 2005.

For the half-year ended 31 December 2004 and the financial year ended 30 June 2005 under A-IFRS, contributed equity increased by \$19,000 and \$82,000 respectively and an additional employee benefit expense of the same amount was recognised in profit and loss in relation to the options issued during the year.

- iv) **Annual leave provision** – Under AGAAP the provision for leave that is expected to be taken beyond the current reporting period is not discounted to present value. Under A-IFRS, the effect of the time value of money is taken into account and as a consequence the provision was decreased by \$46,000 at 1 July 2004, and accumulated losses was similarly adjusted. Under A-IFRS the annual leave provision expense for the 31 December 2004 half-year was reduced by \$23,000 and the leave provision was decreased by the same amount at 31 December 2004. Also, the annual leave provision expense in the 30 June 2005 financial year was reduced by \$21,000 and the leave provision was decreased by the same amount at 30 June 2005.

- v) **Rehabilitation provision** – Under AGAAP, rehabilitation provisions are valued at the current cost of expected restoration works whereas A-IFRS requires that the estimated future costs be discounted to its present value. As a result the rehabilitation provision upon adoption of A-IFRS decreased from \$1,600,000 to \$741,000 at 1 July 2004.

Under A-IFRS, the rehabilitation provision is remeasured at each reporting period to take account of changes in the time value of money (recognised as an expense and an increase in provision), and additional disturbances or changes in the rehabilitation costs (recognised as additions or changes to the corresponding asset and rehabilitation liability).

For the half-year ended 31 December 2004 and the financial year ended 30 June 2005, \$22,000 and \$44,000 respectively was recognised in profit and loss for changes in the time value of money under A-IFRS. Changes in rehabilitation costs of \$35,000, for the half year period ended 31 December 2004, and \$128,000, for the financial year ended 30 June 2005, relating to the \$1,600,000 rehabilitation provision as at 30 June 2004, were recognised in profit and loss. \$254,000, being the present value of the estimated future cost of the restoration works for disturbances that occurred during the 30 June 05, was recognised as an asset and an increase to the rehabilitation liability. At 31 December 2004 and 30 June 2005, the above entries resulted in the rehabilitation provision being recorded at \$798,000 and \$1,166,000 respectively under A-IFRS, compared to \$1,600,000 and \$2,045,000 respectively under AGAAP.

Impacts of adopting Australian Equivalents to IFRS Continued

- vi) Accumulated losses** – Adjustments required on first-time adoption of A-IFRS were recognised directly in accumulated losses at the date of transition to A-IFRS. The effect of these adjustments for the Company was to decrease accumulated losses by \$37,263,000 as at 1 July 2004. Details are as follows:

	\$'000
1. Deferred tax asset – carried forward tax losses	35,980
2. Deferred tax asset – temporary differences	378
3. Annual leave provision – reduction	46
4. Rehabilitation provision – reduction	<u>859</u>
	37,263

- vii) Operating loss** – The combined effect of A-IFRS adjustments reduced the AGAAP reported operating loss as at 31 December 2004 and 30 June 2005 by \$2,874,000 and \$4,064,000 respectively. Details of the adjustments to accumulated losses are as follows:

	Note	31 December 2004 \$'000	30 June 2005 \$'000
Income tax benefit	iii	2,927	4,297
Option expense	iv	(19)	(82)
Annual leave expense	v	23	21
Rehabilitation expense	vi	(35)	(128)
Time value of money expense	vi	(22)	(44)
Total adjustment to accumulated losses		<u>2,874</u>	<u>4,064</u>

Bendigo Mining Limited
Directors' Declaration
For the Half - Year Ended 31 December 2005

The Directors declare that:

- (a) The attached financial statements and notes thereto comply with accounting standards,
- (b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company.
- (c) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to Section 303(5) of the Corporations Act 2001.



P. L. McCarthy
Chairman

14 March 2006.



A.D. Buerger
Managing Director & Chief Executive
Officer

Independent review report to the members of Bendigo Mining Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, summary of significant accounting policies and other explanatory notes and the directors' declaration for Bendigo Mining Limited for the half-year ended 31 December 2005 as set out on pages 5 to 25.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review Approach

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001 and Accounting Standards AASB 134 "Interim Financial Reporting" and AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards", so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations, its changes in equity and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bendigo Mining Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" and the Corporations Regulations 2001.



DELOITTE TOUCHE TOHMATSU



Ian Sanders
Partner
Chartered Accountants
Melbourne

14 March 2006