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Bendigo Mining NL
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Title : Open Briefing. Bendigo Mining NL. MD on \$50M Placement

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Bendigo Mining NL recently announced it had raised \$50 million in equity to fund its New Bendigo Gold Project (subject to shareholder approval). Bendigo Mining's implied market cap will be \$150 million after it issues 294.1 million new shares, equal to 31.1 percent of issued capital after the placement, to Harmony Gold Mining Company of South Africa. How did you determine the successful bidder?

MD Doug Buerger

A number of companies visited our data room and expressed interest in investing. Obviously price was a key issue in determining the winning bidder but, like us, Harmony has a long-term view of the project. They aren't so concerned about what's happening immediately other than how it might impact the end game, which is to produce close to 500,000 ounces of gold and EBITDA of over \$160 million per annum.

Indicative of that long-term view, Harmony was prepared to pay a premium of 17 percent to the then prevailing share price for their initial \$50 million investment.

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In addition to the \$50 million placement, Bendigo Mining is granting Harmony 360 million options at 30 cents, exercisable by December 2003. If the options are exercised, Harmony would hold 50.1 percent of the company. Why have you granted the option when your cash flow modeling indicates you may not need equity funding beyond the initial \$50 million?

MD Doug Buerger

Our cash flow modeling indicates we can fund the project from retained earnings plus a certain amount of debt. However, having the option of additional equity gives us flexibility on how we fund the project. That, once again, reflects Harmony's focus on the longer-term potential of the project.

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Are there any agreements concerning future Harmony share purchases or sales?

MD Doug Buerger

Harmony requested there be no standstill on further share purchases. In other words, they want to be free to purchase shares on the market under the creep provisions of the Corporations Act.

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What will be the board structure?

MD Doug Buerger

Harmony will be invited to appoint one representative to Bendigo Mining's board and that's likely to be Executive Director, Ted Grobicki.

The board will also include Peter Philip as our Chairman and myself as Managing Director. Peter was previously the President of Newmont Mining Corporation. Toby Brown, Managing Director of General Oriental Investments, represents our second largest shareholder. Then there's John McLeod, the nominee for UniSuper, Arnold Offenbergl previously exploration manager for Newcrest and Andy Plumber from Eureka Capital Partners (previously Resource Finance Corporation.) Our most recent addition to the board is Roy Woodall, who was the Exploration Director at WMC for many years. Roy is also on our Peer Review Panel.

The board has wide experience in the development and financing of major mining projects.

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Given you've secured equity funding, what are Bendigo Mining's current priorities?

MD Doug Buerger

Firstly, we have to agree with Harmony the detail of our short-term objectives, including developing the decline to a level where we can further assess and expand our 700,000 ounce resource base. We will have to finalise the mine development plan and production profile. We aim to recommence declining in December after the shareholders have voted on Harmony's offer at a meeting on November 27.

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Harmony produces approximately 2.5 million ounces of gold per annum predominantly from its mines in the Witwatersrand complex of South Africa including approximately 220,000 ounces of gold from its operations in Western Australia. What strategic value does Harmony add to Bendigo Mining?

MD Doug Buerger

Bendigo Mining's main strength is currently in exploration. Harmony boosts our operational expertise now that we are approaching the mine planning and building stage. Harmony has proven to be a very capable miner in South Africa and Australia. South African gold mines are the deepest and most challenging in the world. Harmony recently acquired New Hampton Goldfields and is currently operating the Big Bell and Jubilee mines in Western Australia.

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So obviously Harmony will be taking an active role in the development of the project?

MD Doug Buerger

Yes. We'll make a senior appointment to the management team to provide operational focus. Harmony will be involved in the appointment and that person might be recruited from Harmony. We'll also invite some Harmony executives to sit on our Peer Review Panel, where aspects of our business are independently reviewed on a regular basis.

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What attracted Harmony to Bendigo Mining and what concerns did they raise in negotiations?

MD Doug Buerger

Harmony's major attraction to Bendigo Mining was our large endowment of gold. They recognised the New Bendigo Gold Project as the biggest undeveloped gold field in Australia.

Harmony's main concern was how we could accurately determine the gold grade due to the nuggety nature of the resource. That has also been our primary concern, so it wasn't a surprise. We'll be addressing that issue in the next phase of project development. Both parties are convinced that the project will be profitable but we won't know how profitable until we understand more about the grade. Harmony didn't have any concerns on the social or environmental impact of the project.

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Your conceptual mine plan is for production over more than 25 years, at a cash cost of between \$150/oz and \$200/oz, with production ramping up to 450,000 ounces of gold per annum by 2007. Will your approach to developing the project change now that you've secured equity funding?

MD Doug Buerger

No, our approach should remain the same although there might be some adjustments after we sit down with Harmony over the next few weeks. We will also know more after we access the resources and do some trial mining to determine the conversion ratio between the resources and gold recovered. We can then update our development plans and financial forecasts.

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The current project NPV of \$370 million was determined using a flat gold price of \$485/oz and a discount rate of 11 percent. The current gold price is around \$590/oz. Can you hedge some of your future gold production to protect your capital?

MD Doug Buerger

The project NPV of \$370 Million and IRR of 31% are compelling financial indicators, which further improve at the higher gold prices we are now seeing. Exposure to higher gold prices make it attractive not to be hedged. Harmony's CEO Bernard Swanepoel on commenting on the deal said part of Bendigo's attraction was the single project focus, no debt and being unhedged. I agree.

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Thank you Doug.

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