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Lodgement of Open Briefing.

Bendigo Mining NL
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Title : Open Briefing. Bendigo Mining NL. Equity Timing & Outlook

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Bendigo Mining NL is intending to raise approximately A$50 million to fund its New Bendigo Gold Project. You aim to produce 485,000 ounces of gold p.a. by 2007 in a three stage expansion. The A$50 million will fund Stage One and Stages Two and Three will be funded by internal cashflow and debt. What is the current timetable for the capital raising?

MD Doug Buerger
The offers are expected by Friday 24th August at which time our board will assess them with the assistance of NM Rothschild and Sons. We will then compile a short list and final negotiations will be completed by mid September whereafter we will seek the necessary shareholder approval.

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What investors are showing interest?

MD Doug Buerger
For confidentiality reasons I can't say exactly which companies are showing interest but they include major Australian and international mining companies.

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Why are you seeking equity from one major investor and not from fund managers or existing shareholders via a placement and/or rights issue?

MD Doug Buerger
Given the stage of the project and the scale of the investment we felt it appropriate to enjoin the involvement of a major corporate with relevant experience.

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Bendigo's share price is currently around 17 cents. With 582 million shares on issue, the market capitalisation is around $100 million. What shareholder approval process will be required given you are raising $50 million?

MD Doug Buerger
Ordinary resolutions in accordance with listing rules and corporations law will be put to shareholders for approval. The major shareholders are represented on the board.

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Last month Bendigo Mining announced an Inferred Resource of 700,000 ounces for the project (as defined under the JORC code). The "resource potential" for the project has been defined as at least 12.3 million ounces. At what rate do you plan to add to the 700,000 ounce resource number?

MD Doug Buerger
Over the next few months, we won't add significantly to the resource number because we don't have access to drilling along strike. The initial resource estimate came from testing 50 percent of the strike length of the Sheepshead and Deborah reefs. They are still open but we don't have drill access to the remainder of those blocks. They will be tested once we recommence the decline and get some more drilling positions.

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What size resource or reserve (as defined under JORC code) do you require before mining can commence?

MD Doug Buerger
When we're commencing production we want to have a resource and reserve base equivalent to about five years of production, of which at least two years should be in the reserve category.

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How many lines of reef have you included in the estimate of 12.3 million resource potential and how many lines of reef could you realistically access?

MD Doug Buerger
We've focused on the five most historically productive lines of reef. The main production from the Bendigo Goldfield came from a total of fifteen lines of reef.

The decline can reasonably access all of the fifteen lines of reef so there is potential to add additional lines of reef that we haven't included in our resource potential of 12.3 million ounces.

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You engaged SRK Consulting to undertake a geological risk assessment of the project.

SRK identified three risks, all very low or low to moderate. How do you now assess these risks after more exploration drilling?

MD Doug Buerger
The first risk was that the ribbon patterns containing the gold resource do not extend with depth. Our drilling to 1,500 metres has now confirmed that the ribbon patterns containing the gold resource potential do extend with depth. And we think it will extend deeper than 1,500 metres.

The second was that the grade within the ribbons would not be sufficient to give a 12 million ounce resource. The drilling that we've done on the Sheepshead and the Deborah reefs has indicated that the grades in the New Bendigo project are in line with those applied to calculate the resource potential. The volume of mineralisation identified by the drilling is above that predicted by the ribbon repeat model indicating the New Bendigo ribbons may contain gold in excess of the 12 million ounce resource potential. In reassessing the resource potential we've removed some of the more obvious conservative factors that we applied and came up with an estimate in excess of 25 million ounces.

The final risk identified was whether we would be able to define the grade in a mineable ore body and to develop a mine plan outlined in the Conceptual Study by Australian Mining Consultants (AMC).

The work we're doing in defining the inferred resources in Sheepshead and Deborah gives us confidence that we can define mineable orebodies. The exact grade in those orebodies will only be known once we start mining and we can calculate a conversion factor from our inferred resource to produced ounces.

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You also engaged AMC to prepare a Conceptual Study which concluded a net present value of $370 million for the project at a discount rate of 11 percent (using unescalated 2001 dollars) and an IRR of 31 percent with the project becoming cash flow positive in seven years. What degree of accuracy is applied to such conceptual studies?

MD Doug Buerger
The rule of thumb in conceptual studies is that the degree of accuracy is plus or minus 30 percent. AMC state in its Conceptual Study of New Bendigo that their capital and operating cost assumptions are formulated with a higher degree of accuracy than 30 percent.

However, they applied a 30 percent accuracy regarding the assumptions relating to the geological statements. They feel that is prudent because of the level of detailed exploration that’s been done in the area.

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Has the conceptual plan been optimised?

MD Doug Buerger
No. The conceptual plan is anything but optimised. The conceptual plan was put together taking into account Bendigo Mining's capital constraints and we haven't constructed a

plan that assumes we'd have ready access to capital to fast track the project. The conceptual plan assumes that the project will become largely self-funding after the initial capital raising of $50 million.

We've also allowed for two plants in the Conceptual Study - one in the north and one in the south. The metallurgical and exploration work that we're now doing indicates that it's optimal to have a single plant in the south.

These things should have a significant impact on the project financials outlined in the Conceptual Study. The next phase will be to optimise the mine plan, which will in all likelihood improve the NPV and IRR.

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Is there scope to achieve a positive cumulative cash flow position earlier than seven years from now?

MD Doug Buerger
Yes. The financial model based on AMC's Conceptual Study and our geological assumptions is not leveraged. By applying some simple debt leveraging assumptions, the model shows that a positive cumulative cash flow position is reached 18 months to two years earlier than the unleveraged model. And that’s not taking into account any optimisation of the mining plan.

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What mine plan and mining method did AMC assume?

MD Doug Buerger
AMC assumed that we would develop five sub-mines along the five lines of reef which contain our resource potential. That is about 10 kilometres of reef. AMC propose a horizontal decline development at about 800 metres with internal declines accessing the five sub-mines.

AMC assumes we will use a mechanised retreat mining method down to the arbitrary geological depth of 1,500 metres. In optimising this mine plan we might concentrate in the southern part of the field, where the exploration results are pretty encouraging, before we have to extend the decline and the access to the north.

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How would you describe the risk associated with that mine plan and mining method, particularly on the accuracy of capital and operating costs?

MD Doug Buerger
The operating costs are based on a large database compiled by AMC who access operating cost data from throughout the industry. The unit mining costs were estimated with the help of a mining contractor who is familiar with the ground conditions. We are also able to experience the ground conditions first hand because of the 3.5km decline that we've already developed and the underground access we had into the Deborah workings. So I think the operating costs are pretty accurate.

We haven't optimised the capital costs in any way and in all likelihood they're overstated, for example our metallurgical work indicates that we shouldn't have to use cyanide and that would point to a lower capital requirement for the treatment plant than that allowed in the Conceptual Study. Similarly, some of the engineering assumptions for the mine development require a fair amount of capital investment early in the project and we may be able to reduce those in view of more geological information.

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Do you consider the geological risk or mining risk as the greatest risk to the project?

MD Doug Buerger
Probably the largest risk is whether we can define and mine an economic grade underground. So it is probably a combination of geology and mining. The geologists must be able to define the high grade zones and the miners must be able to mine those zones with as little dilution as possible. The next stage of exploration and development plans to address this issue and put Bendigo firmly on the path to large-scale, long-life, low-cost gold production

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Thank you Doug.

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