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Bendigo Mining NL (Bendigo) today announced that a move to commercial production should start without delay. Design of a 300,000 tonne per annum plant has commenced. What are the capital requirements for stage one of the New Bendigo Gold Project assuming that size plant?

Managing Director Doug Buerger

Our conceptual plan indicates that the first stage of production will be around 300,000 tonnes per annum of ore producing 80 - 100,000 ounces per annum of gold from the reserves we've identified in the D3, upper S3 and Lower S3 ribbon. Our capital estimates are preliminary and in the ball-park of \$50 to \$60 million.

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Why have you commenced the design of a 300,000 tonne per annum plant before the feasibility study is completed at year's end? What additional information will you gather from the feasibility study?

Managing Director Doug Buerger

The plant design forms part of the feasibility study. Processing the ore from New Bendigo is pretty straight forward. We will use gravity separation with flotation and the work we do in the feasibility study won't change the basic design of the plant. We will be refining our metallurgical test work within the next couple of months in order to finalise the process flow sheet for the plant design.

The feasibility work will give us a better handle on the mine design, dewatering, ventilation requirements and secondary egress, as well as the treatment and disposal of tailings, water and mullock. We are also in the process of obtaining necessary permits.

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You've previously estimated the resource potential at the New Bendigo Gold Project to be 12.3 million ounces based on detailed historical studies on 5 of the 15 major lines of reef yet your plan is to have an initial Probable Reserve of only 200,000 ounces by December 2003. That is explained by the fact that the JORC code doesn't allow for the kind of estimations required for very nuggety deposits such as Bendigo. However, investors often value gold companies using a discounted cash flow valuation based on reserves. What do you say to investors on the subject of mine life and sustainability of peak production?

Managing Director Doug Buerger

The resource potential at the New Bendigo Gold Project stretches over an extremely large area around 17 kilometres in length and 4 kilometres in width. The 12 million ounces of resource potential is from only about 5 percent of that entire area that is directly beneath major historical workings. We plan to have about two years of production in reserves at any time. We don't plan to convert the total 12 million ounces into reserve because that would be impractical and impossible given the extent of the resource potential and the nuggety nature of the goldfield.

What I say to investors on mine life is that independent experts have confirmed that the New Bendigo project contains a resource potential of at least 12 million ounces. Once we get the project into production, I've got no doubt that it will produce gold for at least 25 years and beyond. The reserves that we require for production are going to be just that - they will be enough to support mine planning and production.

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Where are you at in planning for production stages two and three?

Managing Director Doug Buerger

The conceptual plan put together a few years ago with Australian Mining Consultants assumes two stages of production increase following commencement of mining, with a production peak of between 400,000 and 500,000 ounces of gold per annum or 1.2 to 1.5 million tonnes of ore per annum. Our current planning centres very much on stage one production, although we're also doing some long-term planning such as the expansion of our site to handle the mullock produced over the anticipated 25 year mine life.

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Since late last year, Bendigo has undertaken an exploration development and bulk sampling program to improve the accuracy of grade determination. The Probable Reserves delineated to date are 440,000 tonnes at a grade range of 7.5 g/t to 9.5 g/t Au and a best estimate of 8.5 g/t. Is stage one of the project viable if the mined grades turn out to be at the lower end of that estimated range?

Managing Director Doug Buerger

The initial Probable Reserve we've defined is from the upper part of S3 and D3. The upper part of the S3 ribbon was always expected to contain an average grade at the lower end of the grades across the field, while the lower part of S3 contains higher grades. When we commence mining we'll find that grades vary within reefs and between reefs. On average, we're expecting the mine head-grade to be in the order of 11 g/t across the project and this compares with the 17 g/t head-grade achieved by the historic miners.

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How do you estimate grade ranges or what degree of confidence do these imply?

Managing Director Doug Buerger

We've collected bulk samples of anything up to 6 percent of the reefs that we've accessed, as well as which, we have drilled hundreds of metres of test holes in the reefs. All this information gives us a good geological picture of the reefs and on the basis of that and the gold content and amount of visible gold, we are able to give a technically valid assigned grade. That gives us a fair amount of confidence in estimating the grades for the entire reef. A higher degree of confidence is signified when we've given a high/low range of only one g/t but in other cases the range is wider. It really just reflects how much sampling we've been able to do.

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You've also just announced an Indicated Resource of 415,000 tonnes at a best estimate grade of 10 g/t gold. Why does the Probable Reserves have a lower average grade than the current Indicated Resource and when do you expect to mine higher grades than the grades indicated in the Probable Reserves?

Managing Director Doug Buerger

That's explained by mining dilution. The mining engineers take the Indicated Resource and then apply their various mining factors in calculating Probable Reserves. We expect to mine higher grades when we are mining the lower part of the S3.

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Your June 2003 quarterly report detailed a significantly higher grade discovery within the Lower S3 Garrard Reef where 50kg samples are consistently assaying at more than 30 g/t gold over the 80 metres accessed to date. Are these grades within your expectation?

Managing Director Doug Buerger

The grade from Garrards is above expectation. Garrards Reef is about 4 metres wide, and currently grading over an ounce per tonne. The reef is about 450 metres long as indicated by drilling, but whether or not that high grade persists over the entire length will become clearer as we continue with our more detailed exploration and drilling of the reef. At this stage, we can't say whether the grade is that high all the way through the reef. Historically, the miners found grades of this magnitude fairly extensively over reefs and were able to mine them successfully.

We will probably achieve mined grades slightly lower than the old timers were able to mine because of our mechanised mining techniques.

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Although the exploration development and bulk sampling program to improve the accuracy of grade determination has been successful, it has also been quite extensive and presumably, expensive. What ongoing exploration development and bulk sampling do you envisage when the project is in production? In other words, will aspects of the New Bendigo project be more capital intensive than other gold projects of its size?

Managing Director Doug Buerger

The New Bendigo Gold project requires a fair amount of exploration development because the orebodies extend quite substantially in what we call the ribbon formation. However, the exploration development will form a large part of our production development, so even though it is quite expensive it's expenditure that won't be repeated. To ensure that this happens, we're going to have to be quite successful in defining the economic reefs from our wide-space drilling. We're also confident we can define Reserves through closer spaced drilling with less reliance on bulk sampling as we improve our understanding of the gold mineralisation.

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In general terms, what has your exploration drilling and bulk sampling program revealed about the structure of the reefs and ribbons within the New Bendigo project? Has it met your expectations?

Managing Director Doug Buerger

We've now accessed reefs of various types including the classic saddle reefs as we've got in the upper S3, the neck reefs that we've found in D3 and the spur zones or the stock work zones that we've found in the middle and lower part of S3. In all cases within the upper S3 and the lower S3 they've met our expectations and in some cases exceeded our expectations.

In the middle part of S3 where we've gone into a fairly diverse or wide spaced stock work zone, it's been a lot more complex than we originally thought. We don't yet have a clear understanding of the middle part of S3 but the indications are that the grade's going to be lower than we expected so we are focussing on lower S3 where the grades are higher and the reef's much more predictable along strike.

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You've made good progress with the project in the last few months, however, the plan up until recently was to be in production by the middle of 2004 and it has now been moved to the start of 2005. Why is that?

Managing Director Doug Buerger

There has been some slippage in our timetable to define the 200,000 ounce Reserves to support the start up of production from October to December. Expenditure on long lead-time items for production will only commence after

commitment to construction, which is expected early in 2004. The construction phase is expected to take about 12 months.

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As at 30 June 2003, Bendigo had just over \$17 million in available funds and funding options for the project will be studied. Harmony Gold of South Africa has options to acquire shares to the value of \$108 million exercisable by 31 December 2003 at a strike price of 30 cents. Do you know what Harmony's intentions are and what are your broad funding options?

Managing Director Doug Buerger

I'm not in a position to say whether Harmony will exercise their options. All I can say is that Harmony remain very keen on the project, they're aware of what we're doing technically and are helping to advance the project. Our Board considered it prudent to look at alternative options, including some debt finance, because we can't just assume that Harmony will exercise their option.

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What gold price are you using for reserve estimation and how sensitive is the reserve to gold prices?

Managing Director Doug Buerger

We used a gold price of A\$525 per ounce to calculate the Probable Reserves and the current spot gold price is about A\$545. As the grade of Reserves goes up the sensitivity to gold price comes down.

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Thank you Doug.

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