

"Building a great gold mining business
for the benefit of everyone involved"

NEWSLETTER



First gold: team members with the \$200,000 gold bar that marks the beginning of modern-day gold production from the Bendigo field.

Golden moment for Bendigo

You could sense it the moment you walked through the Bendigo Mining gates on July 14. There was a buzz in the air, and smiles all around.

In the board room, under heavy guard, lay the cause of all the excitement: a \$200,000 solid gold bar weighing approximately 7.5 kg (about 250 ounces) and stamped 'BML 00001'. The first gold produced by Bendigo Mining.

It was a significant day not just for our team, many of whom have carried the project

through the highs and lows of taking the project to production, but for the Bendigo community and the collective thousands of local, national and international investors who have invested money and faith in the project.

A lot of people have waited a long time for this moment.

At 10am, the muster room – normally reserved for the mining crews' safety and shift change meetings - became a sea of orange overalls as employees and guests

gathered for the unveiling. And it was managing director Doug Buerger, the man who has steered the project from a mere vision to a reality, who did the honours.

"Today we join the ranks of Australian gold producers," Doug said. "Many people thought it would never happen, but this is just the beginning."

The Company has come a long way since first listing on the stock exchange in 1985.

Development of the Swan Decline began in late 1998 and since then, millions of man-hours of work, many millions of dollars of capital and eight years of development and exploration work has been invested in taking the project to production stage.

With a market capitalization (share value) of A\$680M, Bendigo Mining is currently among the top five gold companies in Australia.

In the next 12 months, gold production from the Kangaroo Flat Mine is expected to be between 70,000 and 90,000 ounces. Production is then forecast to ramp up to a design rate of 200,000 ounces a year over the next three years, making us Victoria's largest gold producer.

So, what will happen to the Number One gold bar? Will it stay in Bendigo?

"I'm afraid not," says Doug. "It will go to the Australian Gold Refinery in Perth and the proceeds of its sale will be used for further development of the project, so it's still a happy ending for Bendigo."

Tearing up the Track!

When young BMX fans from across Australia gather in Eaglehawk in September for a national meet, they can look forward to a thrilling ride thanks to an overhaul of the Bendigo BMX Club track sponsored by Bendigo Mining. Full story inside.



Did You Know?

- We currently employ 235 people, 130 of these in the mining department. A further 105 work in the process plant; geology and exploration; health, safety and environment; administration and other areas.
- More than 65 per cent of our employees have been sourced from Bendigo.
- The average age of our workforce is 30-35 years.

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Chief Operating Officer's Report



Into production! Last month after all the permitting, fundraising, mine development and construction, we poured our first bar of gold, representing the true restart of commercial production from the Bendigo goldfield after a break of 52 years. The gold for this 250 ounce bar was sourced from ore treated during the commissioning of the crushing circuit and parts of the gravity circuit. Initial commissioning took place during the night hours in order to allow construction to continue during daylight. From 7th August, commissioning of the full plant commenced on a 24 hour basis. Inevitably, commissioning is stop-start in nature, however, it is anticipated that the plant will be fully commissioned by the end of September.

It is very pleasing to report that noise monitoring to date indicates that the plant complies with the limits set under our operating conditions. As yet, not all circuits have been run concurrently, however, it appears that our plant design is more than up to the task. The few high noise levels which we have recorded related to minor adjustments of misaligned equipment. We have implemented additional night time monitoring to ensure that any issues are addressed promptly and effectively.

At the time of publication, construction is 99% complete. The last part of the plant to be commissioned will be the flotation and leach circuits. We anticipate that gold pours will become more routine from late August onwards as the plant moves to steady state operation.

Mining operations continue to expand with three mining fleets operational and a fourth to be commissioned by late August. The focus has been on mine development in order to access orebodies and on mine infrastructure such as diamond drill sites, ventilation shafts, pump stations, explosives magazines, etc. Ore production will now accelerate in order to meet the demands of the processing plant. We plan to mine and treat about 330,000 tonnes of ore by June 2007 to produce 70,000 to 90,000 ounces of gold.

Activities at the Eaglehawk mine site are on hold pending confirmation of planning permission through various government departments and instrumentalities. We know that the overwhelming majority of Eaglehawk residents are supportive of the project, recognising the benefits that it will bring to the Borough, whilst having confidence that the company will operate to high environmental standards. Our track record at Kangaroo Flat confirms that the regulatory standards expected of us are achievable. We remain hopeful that significant works will recommence before year end.

The Kangaroo Flat and Eaglehawk Mines together provide the optimum means for development of the Bendigo field which will become one of the largest underground gold mines in Australia.

Rod Hanson

Kangaroo Flat: the place to be

It's official: property prices in Kangaroo Flat are booming – thanks in no small part to the influx of families and workers associated with the Bendigo Mining project, according to one local real estate agent.

A recent article in the Bendigo Advertiser stated that Kangaroo Flat house prices have risen by 11.5% in the last quarter and 17.5% annually. This rapid growth is based on figures provided by the Real Estate Institute of Victoria.

Real estate agent Rod Devlin, of Jens Gaunt, says the soaring property prices in the suburb come as no real surprise.

"The level of direct and indirect business generated by Bendigo Mining seems to be attracting people into the Kangaroo Flat area," Mr Devlin says.

Bendigo Mining accounts officer Anna McGee can attest to that. Anna and her partner Sam bought a three bedroom home in Kangaroo Flat last year after renting in central Bendigo for 12 months.

They spent 4-5 months 'shopping around' before settling on Kangaroo Flat as the place to call home. Proximity to Anna's work was a big factor in making such a major decision.

"I work at the mine and Sam works in town," she says. "We looked at other suburbs but living here cuts travel time to a minimum, which is great with petrol prices being so high now.

"I just don't like driving long distances after living in Melbourne and spending 45 minutes every day driving to work."

Chief Operating Officer Rod Hanson says the REIV figures, although based on a fairly small sample, were encouraging.

"You will always get a few people who move out of an area initially because they don't want to live near a mine, but there seems to be a balancing out of that trend and a net positive impact over time," he said.

"I know of many young workers or families who have moved to Bendigo because of the mine, settled in the region and bought houses. It's good for Bendigo and good for the local real estate industry."



Location, location: proximity to work was a factor in Anna McGee's decision to buy a house in Kangaroo Flat.



Swan Decline - Where are we now?

Development in the north drive and the south decline has been pushing ahead at approximately 80 metres each per month. The north drive is currently 750 metres below Violet Street, just north of MacKenzie Street.

The South Decline is moving deeper towards the Alexandria Reef and is currently at a depth of approximately 900 m below Griston Street, Quarry Hill.



Unearthing Catherine's secrets: archaeologists at work recently on the Catherine Reef United site in Eaglehawk.

Eaglehawk Mine News

As we develop the site, there has been a continuing focus on community issues. To manage dust from our activities, we have lowered a pump into the Catherine Reef United South shaft and established a large water tank and standpipe on site. This gives our water tankers access to water from the historic workings to suppress dust.

More recently, site drainage and the connection of services such as water, sewerage and power has been a focus along with dewatering of the New Chum line of reef via the Ellenborough shaft, near Caldwell's Rd. The historic workings must be fully dewatered well in advance of mining activity to guarantee worker safety from possible water inrush.

Preparations for dewatering have included the placement of pump line casing within the Ellenborough shaft, establishment of dewatering lines within the site boundary and investigations of the Sailor's Gully Rd pipeline which will transport water to the New Moon water treatment plant.

One of the activities which generated quite a lot of excitement in the Borough was a month-long archaeological dig at the Catherine Reef United site. This was completed in May and enabled us to reveal, preserve and document the wonderful story of this historic site prior to preparations for modern mining activity in Eaglehawk. More than 120 people, mostly locals including a group from

the Eaglehawk Heritage Society, took up the chance to attend a viewing session when the dig was complete. All seemed to enjoy the opportunity to view a rare and fascinating reflection of Eaglehawk history.

Plans for the Eaglehawk Mine decline have now begun to take shape. Geotechnical drilling has identified geological characteristics of the rock formations and helped us to determine the location of the decline and box cut. Initial planning and design of the ventilation rise is also underway.

"These initial works have taken some time, but they have set the groundwork for what's ahead as we firm up plans for developing the box cut and decline," says Northern Decline Engineer Wally Morrison.

What's ahead?

Excavation of the box cut is expected later this year pending final confirmation of planning permission. Until then, there will be limited activity on site other than ongoing planning for dewatering of the underground workings, screen planting and revegetation works.

Chief Operating Officer Rod Hanson says there is a clear process in place under section 42A of the Minerals Resources Development Act 1990 to confirm planning permission for the mine's 2006 proposal. This states that an additional planning permit is not required if the Minister is "satisfied that the new work will not cause any significant additional environmental impacts" when compared to the proposal that was approved in 1997.

The second stage of activities at the site will begin once planning permission is confirmed.

Rehabilitation Report



Revegetation work has begun in earnest at our various sites. **At Woodvale**, 2,600 plants have been planted this season and 5 kg of seed has been direct-seeded. Revegetation works at the ponds have included:

- Planting of salt tolerant groundcover on the islands.
- The pond 7 boundary has been planted with farm forestry trees, interspersed with understorey shrubs, to provide screening. We have also direct seeded with indigenous grasses and other small herbaceous plants
- A fence line in the paddock north of the pond 1-6 complex has been planted with farm forestry and screening shrubs to encourage bio-diversity.
- The small holding dam near the railway line has been planted and seeded.

At East Carshalton, the bund wall facing Diamond Hill Road will be direct seeded and planted with tube stock this week. Wetland plants such as *Carex appressa* will be planted along the realigned drainage line.

At South Carshalton, seed collection, plant recovery, weed eradication and salvaging of rocks for rehabilitation have been the main activities. Many small herbaceous plants and orchids have been recovered and potted. They will eventually be re-planted in the revegetation program.

At the Eaglehawk Mine site, screen planting around the fence line in the Williams United head frame area is now complete. More than 530 indigenous trees and shrubs were planted, along with extra screen planting along the railway line. Bring on the rain!

Supporting Eaglehawk

Water for Eaglehawk North Primary School

Work was completed recently to establish a pipeline from our New Moon Water Treatment Plant to the Eaglehawk North Primary School. The pipeline will connect to the school's dormant sprinkler system to provide treated mine water for use on ovals and gardens.

The school is expected to start using the water in the near future.

With strict controls in place to carefully monitor water quality, assistant principal John Morton is looking forward to a greener outlook on the school ovals.

"Our oval used to be one of the best in Bendigo," he says.

"These days it goes bone dry over summer and with the current water restrictions in place, it's certainly far from its best.

"The reaction from the school community overall has been very positive and hopefully we'll start to see some results very soon."



No place to play: the Eaglehawk North PS oval.



Test run: young riders test out the new competition ramps at the Bendigo BMX Club in Eaglehawk.

BMX Blitz

Life is a bumpy ride at the Bendigo BMX Club these days – and they're loving every minute of it.

In June, Bendigo Mining teamed up with Dale Arthur, of Bendigo's *Profile Earthmoving*, to revamp the Bendigo BMX Club track, based in Victoria Street, Eaglehawk. The track was built about 15 years ago and was badly in need of a makeover for an 'Australian Open' national BMX meet in September.

With membership numbers dropping to an all-time low this year and the club struggling for funds, public relations officer Chris Castleton approached Bendigo Mining for help. Mr Arthur donated clean fill for the upgrade, while Bendigo Mining provided the machinery to reshape the 520 m track and modify competition jumps.

"It's great to have a top-class track in place for the meet and the kids love it," Ms Castleton says.

"With the modified jumps, it's more of a challenge to the little ones and more of a thrill to the bigger ones. We've even had some of the Dads testing it out."

Putting the three R's into practice

Reduce, reuse, recycle has become a popular motto at Victorian schools – and one Eaglehawk school is leading by example.

In a project funded by the Bendigo Mining Environmental Fund, Eaglehawk Primary School students have turned the school's garden shed into a 'paper brick making factory' where they gather each week to recycle disused papers into paper bricks. The 20cm x 9cm bricks are sold to the school community to burn in wood fires.

Funding from the Environmental Fund enabled the school to purchase the brick presses, tables, buckets, drying racks, aprons and cleaning materials required for the project.

"The kids love it and it's a project that is contributing to us becoming an environmentally sustainable school," project coordinator Lyn Maher says.

"Our first advertisement in the school newsletter resulted in 135 bricks being sold. The kids are struggling to keep up with demand."



Hard at work: students with the brick presses purchased through the Bendigo Mining Environmental Fund.

Kangaroo Flat Update

East Carshalton

Construction of the first stage of the East Carshalton tailings facility, in the area adjacent to Diamond Hill Rd, is almost complete. This area has been used to build a series of dams which will store rock, fine tailings, leach residue and sand. The sand will ultimately be used for commercial purposes such as concrete, packing sand and other construction uses.

In the last few months, we have been progressively raising the height of the bund wall around the site to provide a noise and visual barrier for residents. This work is not yet finished and we will continue to lift areas of the wall to expand the storage capacity in line with our approvals.

Revegetation has begun in preparation for planting in Spring.

The leach residue dam on the existing site is complete. A high density polyethylene plastic liner has been used on the walls and base of the dam to contain the contents.

A permanent perimeter fence is now being installed.

South Carshalton

Clearing, grubbing and topsoil removal in this area is complete. Shallow historical mine workings have been progressively excavated and backfilled with compacted rock.

Installation of the impermeable clay base has begun.

Vent Shafts

Development of the second vent shaft in the Bencon Council Yard in Adam Street is now complete. A chimney style evase (exhaust funnel) and head frame are in place over the vent shaft, which is 334 m deep and connects to the main decline tunnel. This shaft can also be used as an emergency egress point.

At Eve Street, construction of the North Deborah vent shaft is underway. We have drilled the pilot hole and reaming has begun to create a 4 m-diameter shaft that will be 442 m deep.

Who's Who at Bendigo Mining?



Ross Johns, Mill Hand

Ross joined Bendigo Mining four years ago after working at the Central Deborah Gold Mine for several years. Ross and his family live in Diamond Hill Rd, Kangaroo Flat, just a short walk from the mine.

Family? Wife Julie; daughters Amy, 18, Jessica, 16, Elishia, 3, and Damien, 9.

Education? Completed form five at Broadmeadows West Technical School...but that was a long time ago.

Community Clipboard

ERC Representatives

The Environment Review Committee (ERC) meets regularly to review current and proposed mining activities and all environmental monitoring results.

Community representatives are Ray Leerson, Michael McKern and Pamela Hancock (Eaglehawk), Mary Markey and Peter Foreman (Kangaroo Flat) and Rose Walsh and Aleta Kilner (Woodvale). For contact numbers, please phone 5447 1834.

Community Advisory Board

Three new faces joined the Community Advisory Board recently. They are Murray Oakes, a close neighbour of the Kangaroo Flat Mine, David Richards, Eaglehawk resident and Dahlia and Arts Festival president, and Billy Allen, from Bendigo Catholic College.

They join existing members Dennis Demeo (Raywood), Cr Rod Fyffe (City of Greater Bendigo), Anne Jones (Kangaroo Flat), Daryl McClure (Bendigo), Marika McMahan (Bendigo), Faye Buerger (Golden Square), Leighton Rawlings (Quarry Hill), Leon Scott (Eaglehawk), and Maurie Sharkey (Goornong). We welcome Murray, David and Billy to the Board.

Community Attitudes Survey

Interviewing for Bendigo Mining's annual Community Attitudes Survey was completed recently. The survey involved random phone interviews with 150 people, mostly in neighbourhoods near Bendigo Mining's activities, to gauge community attitudes towards our operations. Since starting the surveys, we have received a lot of valuable comments, ideas and feedback on the way in which we conduct our operations and communicate with neighbours. We thank those who took part.

Favorite drink? Jim Beam

Favorite food? BBQ.

Last CD you bought? John Fogarty, Blue Moon Swamp.

Last book you read? The Miner's Right, printed in 1920.

Typical weekend? Scouring garage sales or working in the garden.

If you had 24 hours to live, how would you spend it? Throw a fishing line in the river, somewhere up the Murray.

Central Deborah, now Bendigo Mining. What's the fascination with mining? I'm not sure but I have a huge collection of mining memorabilia, mostly Bendigo-based stuff such as crucibles, general paperwork, old newspaper articles, miner's rights. My collection is getting bigger and bigger every day – there's stuff in the shed, the house, wardrobes...luckily my wife loves it too.

Where do you find this stuff? Clearance sales, deceased estates, garage sales, eBay, the Trading Post. I'm a scavenger.

Most interesting item in your collection? Two Miner's Rights held by brothers and dating back to 1909 and 1918. They're very rare.

What have you done at work today? Delivered 44-gallon drums of steel balls to the process plant for the ball mill. I had to forklift each drum down there one by one and it's taken me all day.

Is that a typical day? Not really, but I tend to be the mine 'roustabout' who gets allocated odd jobs. Once the mill is up and running full time, I'll be the reagents man, mixing process chemicals to recover the gold as it moves through the more intensive leaching process of the plant. The material I mix helps to purify the gold. The theory is the gold should come out the other end – otherwise I've mixed it wrong!



Above: the new pond at Woodvale has a tiered design to maximise the evaporation area.

What's happening at Woodvale?

Dewatering of the goldfield continues as we push ahead with underground development to the north and develop plans to dewater the New Chum line. As most locals would be aware, the new pond area (pond 7) is now fully operational and offers additional capacity for water pumped from the underground workings. We have been pumping water to this pond since March.

Prior to the pond being used, independent consultants conducted permeability tests at 55 different locations. This confirmed that the clay liner met or exceeded the required specifications.

New clay liners have been installed in ponds 1-3 and were subject to comprehensive permeability testing prior to operation. We are now also using these ponds.

Why is the new pond different to the others?

The Woodvale evaporation facility contains six evaporation ponds plus the newly completed cascading pond 7, occupying 90 hectares combined. Pond seven was designed by a dam specialist and was completed this year. The tiered design – similar to a rice paddy field – minimizes water depth and maximizes the surface area of the water leading to increased evaporation rates.

Recent publicity implied there is arsenic and cyanide in the water pumped to Woodvale. Is this correct?

There is no cyanide in the water pumped to Woodvale and never has been. The water we pump from Bendigo's historic mine workings is brackish and contains elevated levels of various salts and heavy metals, including arsenic. These substances are naturally occurring in the rock and have dissolved into the water over time. The water is not used in any ore treatment processes and is simply water pumped from the historic underground workings. Prior to Bendigo Mining's dewatering program, this water naturally overflowed from the old mines into the Bendigo Creek.

How do you ensure groundwater is not adversely affected?

The ponds have been constructed with a low permeability clay base

to contain the water within the facility. Monitoring of a series of bores along the site boundary enables the detection of any potential impact on groundwater quality.

The monitoring program we have in place allows action to be taken to prevent any long-term impacts (groundwater moves extremely slowly. It could take up to forty years to move fifty metres).

The monitoring program includes monitoring of standing water levels and water quality. An independent hydrogeological review of the monitoring results is also undertaken annually and reported to regulatory authorities as well as the Environment Review Committee.

Some localised seepage was identified in 2001 and rectified by stopping the discharge of water to the pond concerned and drying it out. Approximately \$2 million of capital was committed last year to upgrade three of the five ponds built by Western Mining in the 1980s and to construct pond 7. All of these ponds have a clay lining on the pond bases. The remaining two ponds built by Western Mining are currently not in use.

What can be done about odour from the ponds?

From time to time, we get reports from residents of a noticeable odour from the ponds. Most recently, this occurred in April and over the Easter break.

Recent investigations have shown this has been a problem at the outlet point for pond 7 (new pond area). The odour occurs when the water is aerated, for example by turbulence, which then releases hydrogen sulphide and produces a 'rotten egg gas' smell.

Based on feedback from residents, we have implemented a short term measure to control odour by switching the water discharge point based on weather forecasts. The aim of this is to redirect any odour away from residences and an on-site weather station has been established to assist in selecting the discharge point.

A longer term and more effective solution will be implemented when the new water treatment plant is completed, enabling us to remove the hydrogen sulphide from the water when it is extracted from the New Moon shaft. This will permanently eliminate the source of the odour.

The water treatment plant upgrade is expected to be completed by February 2007.

Water seepage detected at Woodvale

Bendigo Mining has recently detected some minor seepage of water on the western side of pond 6 at its Woodvale evaporation facility. Pond 6 is some 550 m square and is around one to three metres deep. The seepage was detected by the Company's monitoring and is confined to an area well within the pond facility.

There has been no damage to wildlife or vegetation and there is no risk to the stability of the pond wall.

A small trench will be installed outside the pond wall to collect any water and return it to the pond. Our geotechnical and hydro-geological consultants are collecting and analysing data to determine the cause of the seepage and how best to resolve it.

Whilst the seepage is disappointing, our monitoring quickly identified the problem and fixing it is expected to be relatively straight-forward. No long term effects are anticipated.

Any residents wishing to discuss this issue or arrange a personal visit with staff should phone our Community Affairs Coordinator on 5447 1834.