

“Building a profitable
mid-tier gold mining business”

NEWSLETTER

What a view!



The viewing platform is now open to the public during daylight hours at the Kangaroo Flat Mine. Access is via a dedicated path from our security office just off Ham Street. The steps are steep so reasonable fitness is required.

It's quite a view from up there!

Good Friday Egg Hunt

Bendigo Mining was pleased to partner Vision Australia for the Giant Easter Egg Hunt held on Good Friday at Lake Weeroona. Vision Australia's Bendigo Team Manager Ruth O'Connell said "Bendigo Mining played a vital role by supporting Vision Australia with sponsorship going towards the purchase of the 60,000 Easter eggs used in the many hunts and by the wonderful Bendigo Mining staff who volunteered to assist with manning different areas during the Good Friday Egg Hunt. All monies raised will remain in the Bendigo region to enable local people who are blind or have low vision to live life to the full".

Vision Australia aims to develop living partnerships between people in the community and people who are blind or have limited vision.

Chief Executive Officer's Report

I am very pleased to be able to report significant progress in our new exploration strategy as outlined in the February Newsletter. Not only did we make good progress on the exploration front, but also showed during the last few months that we can economically mine reefs and produce gold at Bendigo.

The new reefs discovered at the southern end of the Garden Gully line are modest in size, but display an intensity of gold mineralisation which appears better than anything we have seen to date. We will shortly commence testing the central Garden Gully line which has a historical endowment some four times greater than the southern section.

Our mine tunnel continues to progress northwards at a depth on about 760 metres under the city. It has now reached a point almost directly below the intersection of Eaglehawk Road and Marong Road, Long Gully.

We have a clear exploration goal, some excellent targets and the infrastructure in place to capitalise on success.

On the production front, during the quarter, we produced 12,822 ounces of gold, 39% more than the previous quarter. The head grade was 6.8 g/t gold whilst our cost of production was \$599 per

ounce. We were particularly pleased with the head grade in March which was 8.6 g/t or more than a quarter of an ounce of gold per tonne of ore.

Further details of our exploration and production performance are provided in our March 2007 Quarterly Report which is available on our website - www.bendigomining.com.au

This edition of our Newsletter contains several articles on water and the very important role that Bendigo Mining is playing in supplementing the City's water supply. I am very pleased that we are able to contribute such a valuable commodity to the people of Bendigo during this time of need.

Since the last Newsletter, we have farewelled about 100 of our workmates plus many contractors. To my knowledge, most have found new jobs either in Bendigo or further a field. I thank them for their contribution to the project and wish them well in their new endeavours.

Rod Hanson
Managing Director & CEO



Partnership Celebration

It was a great day for Bendigo and the environment with the launch of the New Moon to Epsom and Epsom to Spring Gully pipelines. The first delivery of Bendigo Mining's treated water arrived via the new pipeline to the City of Greater Bendigo's iconic Queen Elizabeth Oval to a large gathering of media and politicians.



Above: Federal Minister Malcolm Turnbull and State Minister John Thwaites join with Mayor Julie Rivendell for a kick on the QEO. Right: The Ministers meet with a media frenzy.

The Federal Minister for the Environment and Water Resources Malcolm Turnbull and State Minister for Water, Environment and Climate Change, John Thwaites joined with Bendigo Mining and Coliban Water to officially switch on the first supply of water. All agreed it was a wonderful initiative and well worth the wait!



Below is an excerpt from the speech by Managing Director and CEO Rod Hanson at the launch of the Epsom pipeline

Over a period of 103 years from 1851 to 1954 our forefathers mined 40 million tonnes of rock from under our feet to produce 18 million ounces of gold. This gold created the wealth which built the beautiful city of Bendigo and contributed substantially to the wealth of Melbourne and Victoria.

Mining this gold created the openings under the city which over the last 50 years have filled with natural groundwater and now contain some 8,000 megalitres of water.

Dewatering (removing the water) of the underground workings ahead of modern mining is a fundamental aspect of Bendigo Mining's risk management program. As a result, Bendigo Mining is probably in a unique situation in 2007 in as much as it has a surplus of water for which it had to find a home.

We are pleased to have entered into a partnership with the State Government and Coliban Water to construct the New Moon to Epsom pipeline to provide treated groundwater from Bendigo's historic mine workings for the benefit of the Bendigo community. It is also very pleasing to me that the City of Greater Bendigo is a downstream beneficiary of this water.

Of the 5 megalitres of water available each day, Bendigo Mining will distribute up to 1 megalitre directly from the New Moon plant for local community use, as we have done for the last two years, with the remaining 4 megalitres being distributed by Coliban Water to the community for non-potable use via the Epsom recycled water plant.

I would like to thank those who have worked with us and assisted us in designing, permitting, constructing and commissioning our dewatering, water treatment and pipeline project.

It must be remembered however that Bendigo Mining is not a water utility. Our primary aim is to define new gold bearing reefs under Bendigo, to implement sustainable gold production and to provide ongoing benefits to all our stakeholders. We have already made significant progress towards our ultimate goal.



Local gold inspired architecture.



Left: Federal Minister for the Environment and Water Resources Malcolm Turnbull and Bendigo Mining Managing Director and CEO Rod Hanson at the Launch.

Liquid Gold - the cost of treating water

Bendigo Mining is very pleased to be able to partner with Coliban Water and the State Government in the New Moon to Epsom Pipeline Project. However, providing the community with water does come at a significant cost. The total cost of producing just one megalitre of treated water at Bendigo Mining's water treatment plant at New Moon is approximately \$1700. Over a twelve month period this costs Bendigo Mining around \$3 million for 1,750 megalitres. The investment in the treatment plant alone cost the Company almost \$5 million to construct. In addition approximately \$2 million has been incurred for underground pumping and further infrastructure.

Rod Hanson Managing Director and CEO acknowledges that the financial costs are significant but the Company is committed to ensuring that the groundwater removed from the old workings is used to support the community whilst seeking the best environmental outcomes available. The alternative would

have been to send all of this precious resource to the ponds at Woodvale ponds to simply evaporate. Bendigo Mining is committed to meeting long term environmental, social and health & safety responsibilities and in the current climate of drought and subsequent community distress it was agreed that the best option was to treat the water and donate it to the Bendigo community.

Mr Hanson commented: "The most appropriate and environmentally sound option is to treat the mine water to produce water suitable for reuse in Bendigo" he said. When asked about the evaporation ponds Mr Hanson said that "The evaporation ponds at Woodvale are a critical part of this water treatment system and without them it would be impossible to provide any water for the Bendigo community".

Quarterly Production Summary

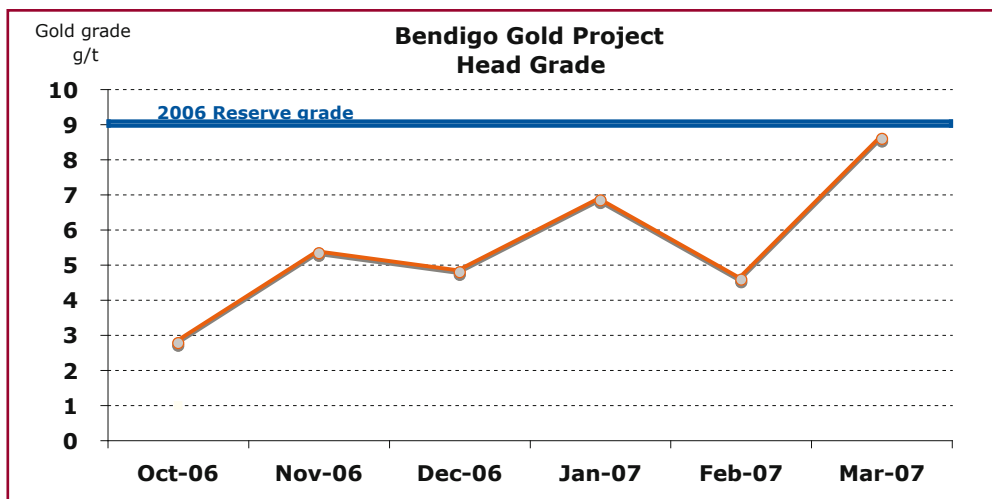
Gold production

Bendigo Gold Project - Quarterly Production Summary				
	Units	Mar 2007 Quarter	Dec 2006 Quarter	6 mths ending 31 Mar 2007
Ore mined	t	58,460	73,558	132,018
Ore treated	t	65,709	77,502	143,211
Gold grade	g/t	6.8	4.4	5.5
Gravity recovery	%	82%	73%	78%
Total recovery	%	90%	85%	88%
Gold produced	oz	12,822	9,209	22,031
Unit cost	\$/t	117	124	121
Total cash cost	A\$/oz	599	1041	784
	US\$/oz	471	801	609

Note: December quarter statistics have been adjusted to correct for an error in the metallurgical balance calculations.

Production during the quarter was 12,822 ounces at a head grade of 6.8 g/t gold. This grade is similar to the average grade anticipated following the reserve downgrade in October 2006. Performance for the month of March was pleasing with a head grade of 8.6 g/t gold.

Head grade



Results to date have been encouraging despite the disappointment with initial reserves. The improved head grade shows that Bendigo reefs can be mined and processed economically using modern methods.

Community Clipboard

ERC Representatives

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

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

Community Advisory Board

The Community Advisory Board is an important link between the community and the mine. Current members from the Bendigo community are Murray Oakes, Kangaroo Flat; David Richards, Eaglehawk; Dennis Demeo, Raywood; Cr. Rod Fyffe, City of Greater Bendigo; Anne Jones, Kangaroo Flat; Daryl McClure, Bendigo; Marika McMahan, Bendigo; Leighton Rawlings, Quarry Hill; Leon Scott, Eaglehawk, and Maurie Sharkey, of Goornong.

Need to contact us?

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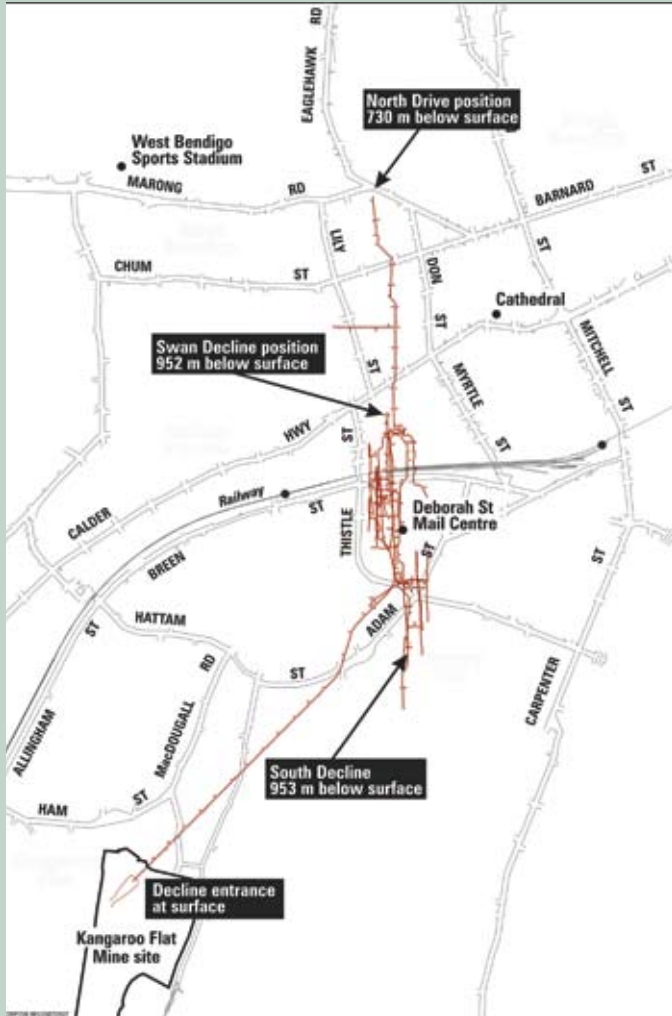
SAFETY - FRB Monitoring

At Bendigo Mining we value and strive for excellence in health and safety. Underground mining brings with it particular risks that must be carefully managed so activities and initiatives are constantly reviewed and improved. One such initiative is the installation of underground Refuge Chambers. In the event of an underground incident workers can take refuge in a Chamber for up to 48 hours. Bendigo Mining has 5 x 12 man and 3 x 20 man Refuge Chambers. They are similar to a shipping container in that they are airtight and of steel construction. Each is fitted with oxygen cylinder, food and a porta-loo. A recent test was held with volunteers spending eight hours secured underground in a Chamber to test for carbon dioxide and carbon monoxide levels. The tests provided some useful data and as Company accountant and volunteer John Westbrook commented "It was pretty humid and cramped but that's a small price to pay for the opportunity to improve health and safety by playing Uno all day!".



Cards fill in the time for volunteers and the outside a Refuge Chamber.

Underground development



Water Welcome at Lake Neangar



Of the 5 megalitres of treated water available each day, Bendigo Mining will distribute up to 1 megalitre directly from the New Moon plant for community use, with the remaining 4 megalitres being distributed by Coliban Water to the community for non-potable use via the Epsom Recycled Water Factory.

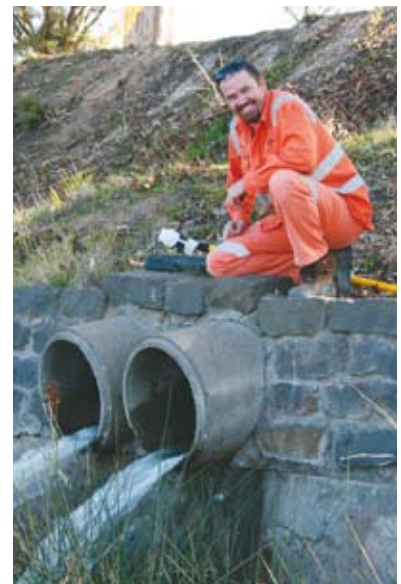
A major beneficiary of the water provided by Bendigo Mining is Eaglehawk's Lake Neangar. Recent pumping of treated water into the Lake has resulted in a dramatic increase in the water level (pictured below) and has now seen Lake Neangar overflow into Lake Tom Thumb. This will allow the Neangar Park Golf Club to pump treated water from Tom Thumb to water the parched golf course.

The Eaglehawk Golf Club also received a new lease of life following the completion of a new pipeline from Bendigo Mining's Eaglehawk Mine Site, as part of the water reuse scheme. The pipeline was partly funded by a \$44,000 Commonwealth Government Community Water Grant. Mr. Fitzgerald, spokesperson for the Club said the club's members were not the only ones to appreciate the delivery of water to the course, with native wildlife immediately taking advantage of a drink and a bath.

Bendigo Mining also provides about 1 megalitre per week of treated water to registered community users via a standpipe at New Moon. Bendigo charities and non-profit organisations have also benefited. Each day, a representative from a different local non-profit organisation is present at the standpipe to encourage gold coin donations for each 500 litres of water collected. Donations are voluntary and help support local charities. By March, over \$6000 had been raised at the standpipe, with the proceeds going to 28 different charities.

Beneficiaries of treated water

- The City of Greater Bendigo (eg. Canterbury Park and Queen Elizabeth Oval)
- Lake Neangar
- Lake Tom Thumb
- Neangar Park Golf Club
- Eaglehawk Golf Club
- Eaglehawk North Primary School
- Various Eaglehawk sporting clubs including the Bowling Club
- 700 local residents
- Bendigo charities and non-profit organisations



Overflow to Tom Thumb