

“Building a profitable
mid-tier gold mining business”

NEWSLETTER

Chief Executive Officer's Report



Since the June 2008 Newsletter, we have made excellent progress with our trial mining program. Over the same time, the external environment has changed significantly with financial institution instability, major stock market corrections and volatile commodity prices.

On the trial mining front, our activities in Gill reef, 1000 metres below Bendigo, have confirmed our geological interpretation of the reef and allowed us to collect a large amount of quality data on gold grades and gold distribution in the reef. From late June into August, we have produced over 2500 ounces of gold valued at more than \$2.5 million at today's prices. Further details on the initial stages of our Gill reef trial mining are provided below.

The Company is well placed to weather the current financial turbulence with a \$48.6 million bank balance as at 30 June 2008. This situation sets us apart from many of our mining industry peers who have limited cash reserves and will find equity fund raising very challenging over the coming months and perhaps years. The external

uncertainty is having a positive impact on the gold price with it now running at around A\$1050 per ounce.

I was very pleased that our Emergency Response Team was able to compete in the recent Victorian Mines Rescue Competition. The formation of a team has been a personal objective of mine and it was good to see our members doing so well in many elements of the competition.



Rod Hanson
Managing Director
& CEO

Trial Mining at Gill reef

The first four mining blocks from Gill reef have been processed and analysed as part of the trial mining program at Kangaroo Flat. Managing Director & CEO Rod Hanson said, “The trial mining phase is continuing successfully in a careful and methodical manner. It is too early to make any judgement on the visual grade estimation technique based on the limited data we have received. Further samples from other parts of the reef are required, particularly the deeper portions which we refer to as legs”.

“During the current phase of trial mining we are recovering the direct mining and processing costs and as we have significant cash reserves, of some \$48 million at the end of June 2008, we have the financial strength to carefully continue with the trial program.” he said.

All four ore blocks were extracted from a horizontal drive along the central section of the northern end of Gill reef.

Trial mining has confirmed that the geology has been accurately interpreted for the small part of the reef that has been extracted and that the actual block grades are lower than the visual grade estimate derived from drilling for most of these blocks. The trial program will continue to investigate gold distribution along the length and vertical extent of Gill reef.

As there is insufficient information, it is too early yet to vary the visual grade estimation method, or to revise the Company's view of the economic potential of Gill reef. Important information on the styles of mineralisation are being collected and analysed. Selective mining of some of the wider zones of Gill reef is underway to investigate the



distribution of gold between the central core and the outer margins of the reef. In addition, the mining of narrower higher grade leg material is planned over the next few months to provide information on the vertical distribution of gold within the reef.

Fosterville too good!

The Victorian Mine Rescue Competition was held in Bendigo during August and showcased the great skill of the local mine rescue teams. Competing for the overall trophy were teams from Bendigo Mining, Stawell, Fosterville and Ballarat Goldfields in Victoria, Cadia Valley, CSA Mine, North Parkes and Cowal in New South Wales and Henty and Rosebery Mines from Tasmania. The various emergency skill exercises were held at many different sites around Bendigo including the Central Deborah Gold Mine. The exercises were based on possible real life, mining incidents. Whilst the Bendigo Mining team gave their all, Fosterville was too strong and took out the winner's cup. Congratulations Fosterville and to all who participated! There's always next year!



The BML team don breathing apparatus for the competition.

Sponsorship

The Bendigo Mining Sponsorship Program is aimed at providing funding for projects that deliver a clear community benefit for Bendigo. Sponsorships may include financial and/or in-kind support such as the contribution or transfer of skills, expertise and knowledge. The August round of funding went to the following worthy applicants.



Above; Bart and Genevieve deliver 75 blankets into the storerooms at St Vincent de Paul.

Candles for Eaglehawk Carols

The Eaglehawk Carols Committee requested a sponsor to cover the costs of the Christmas candles and the cardboard holders which are distributed free of cost to the community members who attend the service. The founding principle of the Carols is that there is no cost to those who attend thereby allowing everyone to participate.

Kids Congress

Specimen Hill Primary School is hosting the annual Loddon Mallee Kids Congress. The Congress is a two day series of workshops relating to IT and multimedia (music, blogging, artwork, engineering, mapping and webpage construction). Over 150 students will attend the Victory College hall from all over the region and work with presenters who excel in their field. Funding will help cover catering, materials, travel expenses and the hire of equipment and the venue.

St Vincent de Paul – Kangaroo Flat

St Vincent de Paul received 75 blankets and \$500 towards the Christmas Dinner.

Education partnerships

Bart King is a 3rd Year Environmental Management (Natural Systems and Wildlife) student from the University of Queensland.

Bart is undertaking an industry based practicum for four months at Bendigo Mining as part of his studies.

Bart's research project is to investigate methods of affecting change to reduce emissions from the mine's operations. His studies will also provide a foundation for the creation and implementation of the new Environment and Resource Efficiency Plans (EREP's) now required by Government. "It's great to be able to see how the things I've learnt at university can be applied in a real mine site setting. I like the fact that the work I'm doing is meaningful and that it could have a positive influence on the way things are done" he said. "The new EREP regulations encourage efficiency and that can only be good for the environment".



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 Mary Markey and Peter Foreman (Kangaroo Flat) and Rose Walsh (Woodvale). Several vacancies currently exist. 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; Leighton Rawlings, Quarry Hill; Leon Scott, Eaglehawk, and Maurie Sharkey, Goornong.

Need to contact us?

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New Arrivals

To mine smaller areas underground naturally requires smaller equipment. To this end Bendigo Mining has purchased two new pieces of equipment; the H104 Single Boom jumbo (pictured) and an R1300 loader.



The H104 jumbo has only one boom rather than the two fitted to the Company's other jumbos. This enables the machines to access smaller spaces. The jumbo is said to be responsive, highly manoeuvrable and powerful. The R1300 loader can also access tighter spaces and has the capacity to carry almost seven tonnes of rock. The smaller size of the new equipment allows underground miners to access the smaller reefs without having to break large quantities of rock normally required to accommodate the larger equipment. Using smaller equipment makes economic sense. It results in less removal of waste rock and also less grade dilution. Underground operators have been specifically trained in the use of the new equipment which is now in operation at the Gill reef, 1000 metres below the town.

Who's Who at the Mine

Wally Morrison

What exactly does your role entail at BML? Development/stope design, mine dewatering - monitoring and planning, ventilation design/simulation, contract management, helping Bisho!

How long worked here? 3 years in July

What do you most enjoy about working at BML? The people and the fact it's a residential job (ie: no fly in/fly out)

Favourite movie? Don't really have one but Pulp Fiction comes to mind.

Music? Jack Johnson

Where did you grow up? Swan Hill

School? Swan Hill High

Uni? Uni of Ballarat

First job? Apart from the Mining Industry as a Graduate Engineer, paper boy in Swan Hill.

What can you tell me about your family? Wife Joanna, boys Clancy and Charlie, only girl Maggie.

Pets? Boys dog - Snoofy (Chavlier Charles)

Star sign? Leo

Footy team? How are you going in the footy tipping? Carlton. Middle of the field!



Employee Advisory Group

As part of the Company's commitment to engaging with all stakeholders an Employee Advisory Group (EAG) has been established on site to engage more fully with our employees. Employees are a very important section of our stakeholders and the Advisory Group offers an opportunity for employees to introduce new ideas and initiatives or voice concerns to management. The Group has been meeting for over twelve months and in that time they have identified measures to improve the health, safety and environment on site as well as general business performance. Issues discussed have ranged widely and have included such topics as the best boots for underground, safety alarm systems and even the preferred contents of the site vending machines.

Environment and Resource Efficiency Plans (EREP's)

The Victorian Government has initiated a new, innovative regulatory program to help businesses to reduce water, energy and waste generation. This program is designed to support business efforts to improve the way resources are used and importantly, save businesses money.

From 1 January 2008 all commercial and industrial sites in Victoria that use more than 100 TJ of energy and/or 120 ML of water in a financial year need to prepare a plan that identifies actions to reduce energy and water use and waste generation.

The EREP program covers all industry sectors, including manufacturing, shopping centres and sporting facilities. At Bendigo Mining we are currently undertaking initial investigations into areas of the operation where we can reduce waste generation and increase our energy efficiency. You may have read in the last Newsletter about our bioremediation trial. If feasible and successful, the trials could pave the way for a permanent bioremediation facility which will enable us to deal with hydrocarbon waste on site rather than transporting it to outside landfill. Initiatives like this can help to reduce waste generation significantly. Another stage of the EREP initiative is to look for opportunities to improve resource efficiency. The new regulations are an exciting step towards reducing water, waste and energy generation in all industries.



Bioremediation trial is monitored by environmental team members.



Central Deborah

As many visitors to Bendigo ask the Central Deborah tourist guides about the Kangaroo Flat Mine site it was time for them to take a trip underground to learn first hand about what really goes on down there!



Mine visit

Above: Deputy Leader of the Opposition Julie Bishop, accompanied by Senator Michael Ronaldson, talks to Jillian Mannix, Mark Mooney and Rod Hanson during her visit to the Kangaroo Flat Mine site.

Surface Drilling at New Moon

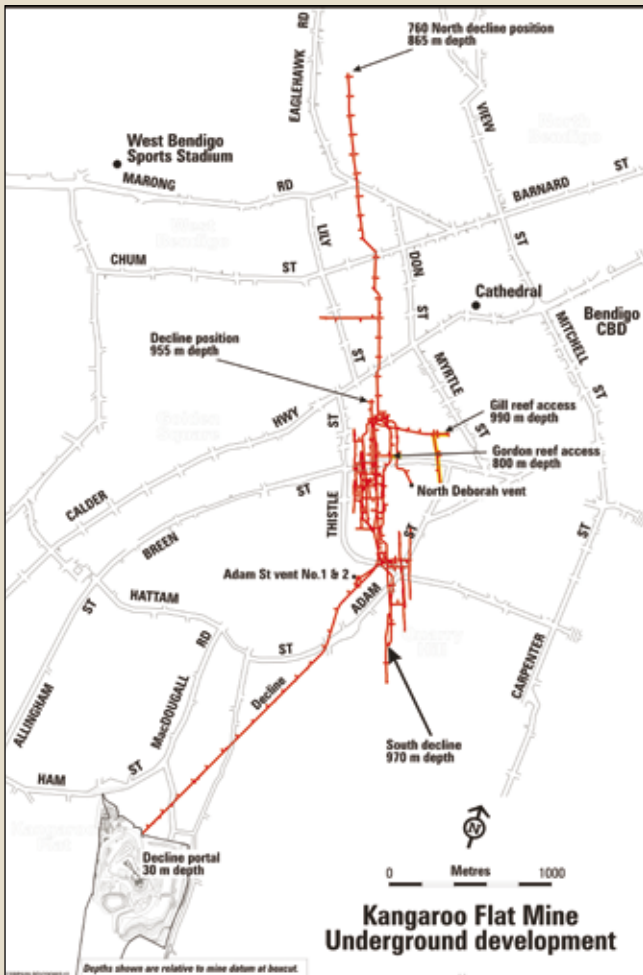
Surface drilling at North Eaglehawk in the Bendigo Regional Park, near the New Moon water treatment plant is continuing. The purpose of the drilling is to locate mineralisation at depths down to 500 metres at the northern end of the goldfield along the New Chum line; parallel to a section of the Garden Gully line. Drill core is produced at a rate of 50 metres per 24 hour day and transported to the Kangaroo Flat site on a daily basis for analysis. The current site is the third site in the drilling schedule for New Moon.

Bendigo Mining is very aware of minimising any impact on the community and the surrounding environment. If you require more information or would like discuss any matter please do not hesitate to call the Community Affairs Coordinator on 5444 9232.



Above: The noise attenuation shed is erected to house the drill rig at New Moon.

Underground development



So what do the community really think about us?

This year Bendigo Mining is undertaking a Community Attitudes Survey as part of its commitment to communicating effectively with community members.

BML has engaged La Trobe University Bendigo, School of Public Health to carry out a series of focus group workshops, to learn more about community views in relation to Bendigo Mining's operations and our interaction and communication with the local community. The focus group provides an opportunity for close neighbours of our mining operations to provide valuable feedback about any issues. The facilitator will ask questions about residents' interaction with BML and also for feedback they may have received from other community members about the BML community consultation processes. BML personnel are not taking an active part in the survey and will not be present during the focus group interviews. Community Affairs Coordinator Genevieve Bowyer said this year's survey would be different due to the nature of the data collected. Previously data was of a quantitative nature, collected through random phone surveys over Bendigo. "This year the survey will target the communities closest to our operations and will be discussion based. This will offer the Company the opportunity to understand more about the attitudes and communication needs of our near neighbours in relation to the mine. It's all about maintaining our social licence to operate by acknowledging and meeting the communication needs of our stakeholders" she said.

Shayla Razga, a Bachelor of Public Environmental Health student, together with lecturers from the School of Public Health at La Trobe University, will spend ten weeks collecting and analysing the information received. A report will be produced at the end of the project for future discussion with all stakeholders. Residents will be invited by letter to participate and each focus group will include approximately ten participants.