

DIRECTORS' REPORT

The Directors present their report together with the financial report of the Company for the year ended 30 June 2008.

Directors

The names and relevant details of Directors of the Company in office during or since the end of the financial year are as follows:

Current Directors



Peter McCarthy

BSc (Eng), MGeosc, FAusIMM, CP Eng, MAICD
Non - Executive Chairman

Mr McCarthy has more than 38 years experience in the mining industry. He is the Managing Director of AMC Consultants, a prominent mining consultancy group in Australia, and a Director of Castlemaine Goldfields Limited. He is currently President of the AusIMM. His principal expertise is in underground mining and project evaluation. He joined the Board in September 2004 and was appointed Chairman in January 2006.



Rod Hanson

BE (Min) (Hons), MBA, FAusIMM, MAICD
Managing Director and Chief Executive Officer

Mr Hanson is a mining engineer with more than 35 years experience in gold and base metals. Roles have included General Manager Operations with Plutonic Resources and General Manager with Sino Gold. He joined Bendigo Mining in January 2005 and was appointed to the position of Managing Director and Chief Executive Officer in January 2007.



Ronnie Beevor

BA (Hons)
Non – Executive Director

Mr Beevor is a former investment banker and was Head of Investment Banking at N M Rothschild & Sons (Australia) Limited between 1997 and 2002. He has had extensive involvement with the natural resources industry, both in Australia and overseas. He is a Director of OZ Minerals Limited, QMAG Limited, Talison Minerals Pty Ltd and Chairman of AIM listed EMED Mining Public Limited. He joined the Board in November 2002.



Richard Guy OAM

BAppSc, MSc
Non – Executive Director

Mr Guy is chairman of Bendigo-based Crystal Industries Group, Chairman of the State owned enterprise for the modernisation of irrigation in Northern Victoria since 2007, has served on national and international Boards in the cold storage industry and was a Director of Girton Grammar School Limited until April 2006. He is an engineer by training and plays a prominent role in various community and charitable organisations. He chaired the Bendigo Bank through a period of rapid growth and development including the conversion to Bank status in 1995, a number of mergers, joint ventures and the introduction of the community banking concept. He vacated the chair of Bendigo Bank in March 2006 and resigned from the Bendigo Bank Limited Board in August 2006. He joined the Board in January 2005.



David Ransom

BSc (Hons), PhD
Non - Executive Director

Dr Ransom is a resource analyst and principal of Acorn Capital Limited, a Melbourne-based microcap investment manager. He is a geologist with a BSc from Sydney University and a PhD from the Australian National University, and has over 35 years experience in the minerals industry. He has held various directorships in the resources sector, including Triako Resources Limited, and is currently a Director of TSX Venture Exchange listed Solomon Resources Limited. He joined the Board in November 2007.

Director Who Retired During the Year

Roy Woodall AO

BSc (Hons), MSc, Hon DSc, FAA, FTSE, FAusIMM
Non - Executive Director

Mr Woodall has 50 years experience in mining geology and exploration. He managed WMC's exploration program for 28 years, including 14 years as a director. He retired as a Director of Bendigo Mining on 23 November 2007.

Company Secretary

Tim Churcher

BSc, MSc, DIC, MBA (Cranfield, UK), MAusIMM

Mr Churcher has 21 years experience in the resource and finance sectors, working initially for North Limited and Gold Mines of Kalgoorlie Limited. For the past 15 years he has operated in the finance sector, working as a financial analyst in London (Mining Journal Limited), in Australia for JB Were & Son Limited and in private equity investment with Renaissance Capital Limited. He joined the Company in January 2005 as General Manager Corporate Development, was appointed Chief Financial Officer in January 2007 and Company Secretary in July 2007.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by Directors (while they were a Director or committee member).

Directors	Board of Directors		Remuneration & Nomination Committee		Audit & Risk Management Committee		HSE & Security Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
P L McCarthy	9	8	2	2	-	-	3	3
R H Beevor	9	8	2	1	4	4	3	2
R A Guy	9	9	2	2	4	4	3	3
R J Hanson	9	9	-	-	-	-	-	-
D M Ransom	4	4	-	-	1	1	1	1
R Woodall	5	5	-	-	3	3	-	-

Principal Activities

The principal activity of the Company during the course of the financial year was exploration.

Review of Operations

The Company has focussed attention on exploration activities throughout the financial year and has discovered several new reefs on the Garden Gully line of mineralisation, the most important being the Gill reef. Infill drilling has confirmed reef continuity and size. Access development to Gill reef commenced in October 2007 and intersected the reef as planned in early March 2008. Trial gold production commenced late in June 2008 with the processing of the first trial mining block from Gill reef.

Regional surface exploration drilling commenced late in the 2008 financial year at North Eaglehawk targeting the northern end of the goldfield along the New Chum line of reef.

Underground mine development of 2260 metres and exploration drilling of 46,911 metres were completed during the year.

The Company has reviewed a number of external corporate opportunities.

State of Affairs

During the 2008 financial year the Company expended funds primarily on underground development and exploration. The balance sheet reflects the drawdown on cash resources to leave a balance of \$48.6 million at 30 June 2008. The cash drawdown has been less than budgeted due to cost savings across the business as well as the sale of surplus assets. The state of the Company's affairs is disclosed in detail in the Financial Statements and the notes thereto.

Other than the above, no significant changes in the state of affairs of the Company occurred during or since the end of the financial year.

Future Developments

The Company is focused on continuing the trial mining phase of operations during the 2009 financial year to confirm its new approach to grade estimation at Bendigo. Further exploration of the southern and central parts of the goldfield from the underground workings will continue, as well as the surface drilling programs to the north and south of the goldfield. The Company has a permitted operation and a large underground mine developed to 1000 metres depth and over 3 km in length. A new process plant rated at 600,000 t/y, along with mining equipment and necessary infrastructure (ventilation, dewatering pumps, water treatment plant and pipelines), is in place to capitalise on future exploration success.

The Company has commenced looking beyond Bendigo at opportunities to expand and grow the business. The Company is seeking select opportunities where it can leverage its 10 years of underground mining and exploration experience.

Subsequent Events

No matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the Company's operations, the result of those operations or the state of affairs in subsequent financial years.

Directors' Shareholdings

Particulars of ordinary shares, options and performance rights to purchase or receive ordinary shares in the Company, in which Directors have a relevant interest at the date of this report, are as follows:

Director	Ordinary Shares	Share Options	Performance Rights
R H Beevor	286,936	-	-
R A Guy	106,250	-	-
R J Hanson ⁽¹⁾	204,250	520,000	827,496
P L McCarthy	65,728	-	-
D M Ransom	-	-	-

⁽¹⁾ Refer to the remuneration report contained within the Directors' Report for full details of the share options and performance rights.

Directorships of Other Listed Companies

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year were for R H Beevor, OZ Minerals Limited (formerly Oxiana Limited) from 2002 to date, EMED Mining Public Limited (AIM) from 2004 to date and Northern Gold N.L. from 2005 to 2006, for R A Guy, Bendigo Bank Limited from 1981 to 2006, for R J Hanson, nil, for P L McCarthy, Castlemaine Goldfields Limited, 2006 to date and for D M Ransom, Solomon Resources Limited (TSX-V), 2001 to date and Triako Resources Limited from 1991 to 2006.

Performance Rights

Under the Company's long term incentive plan, the Company's Executive Officers, (R J Hanson and T S Churcher) will be granted a maximum of 2,101,577 performance rights. The Performance Rights provide the opportunity to receive fully paid ordinary shares for nil cost, contingent on achieving a performance hurdle over a three-year performance period.

Refer to the remuneration report contained within the Directors' Report and to Note 15 to the financial statements for full details of the performance rights.

Share Plan

Under the Company's short term incentive plan an Employee Share Plan has been introduced for all employees (excluding Executive Officers and Directors) effective 1 July 2008. The Share Plan provides the opportunity to receive fully paid ordinary shares for nil cost, contingent on the employees remaining employed by the Company.

Refer to the remuneration report contained within the Directors' Report for full details of the Employee Share Plan.

Share Options

No options were issued to Executive Officers or key management personnel pursuant to the Bendigo Mining Share Option Plans during the 2008 financial year.

Refer to the remuneration report contained within the Directors' Report and to Note 15 to the financial statements for full details on share options issued in prior financial years.

Indemnification

The Company has entered into a Deed of Access, Insurance and Indemnity with each of the Directors and Officers to indemnify each Director and Officer to the extent permitted by law against certain liabilities and legal costs incurred whilst acting in his or her capacity as a Director or Officer.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 29.

Dividend

No dividend has been paid or declared during the year and no recommendation is made as to dividends.

Non-audit Services

No non-audit services were provided by the external auditors during the financial year.

Environmental Performance

The Company conducts its operations in strict accordance with regulatory requirements, standards and codes of practice particularly those relating to noise, air quality, blast vibration, odour and water treatment, and in line with current community expectations for responsible and sustainable practice.

During the financial year, limits prescribed as part of the environmental monitoring program were exceeded on eight occasions. These limits related to air quality, tank water quality and evaporation pond levels. In all cases, investigations were carried out and corrective actions taken to prevent recurrence.

There were no incidents that resulted in penalties being imposed by regulatory authorities.

Remuneration Report – Audited

It is the Board's policy that remuneration packages reflect market conditions and the duties and responsibilities of the positions. The remuneration packages also recognise and reward performance, and provide an incentive to pursue the long term growth objectives of the Company within an appropriate control framework.

Non-Executive Directors

Non-executive Directors' fees reflect the responsibilities and demands made of the Directors. Guidance is obtained from independent industry surveys to ensure that Directors' fees are appropriate and in line with the market. The Chairman's fees reflect the increased responsibility of the role and are based on comparative positions in the industry.

Non-executive Directors currently receive \$50,000 a year and the Chairman \$125,000 a year for Board fees. Committee fees are paid to Non-executive Directors with the Chairman of each committee receiving an annual fee of \$8000, and each member receiving \$4000. Statutory superannuation contributions are also paid on Board and Committee fees. The maximum total Directors' fee approved by shareholders which may be paid by the Company to all the non-executive Directors is \$500,000 per year.

Company Executives

Executive Officers of the Company are the Chief Executive Officer and the Chief Financial Officer. Other Key Management Personnel of the Company are the Operations Manager, Geology Manager, and Finance and Administration Manager.

Remuneration Report – Audited *continued*

The remuneration structure for Executive Officers and Other Key Management Personnel comprises fixed and variable remuneration. Fixed remuneration includes base salary, superannuation and any applicable fringe benefits. Variable remuneration includes short term and long term incentive payments which are typically share-based and contingent on achieving share price and or performance hurdles. To retain and attract executives and managers of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the Remuneration and Nomination Committee seeks external advice in connection with the structure of remuneration packages. The Committee has reviewed the results of an industry remuneration survey for comparable positions and has given recognition to the challenges inherent in developing the Bendigo Project optimally when setting the executive and manager remuneration levels.

A long term incentive plan ('LTIP') was introduced during the 2007 financial year for the Executive Officers. No short term incentive plan is currently in operation for Executive Officers. Under the LTIP the Company will make annual grants to Executive Officers of conditional Performance Rights to receive ordinary fully paid shares in the Company by way of issue for nil cost. The vesting of Performance Rights is contingent on the Company achieving a performance hurdle over a three year performance period.

The annual grant of Performance Rights as a percentage of the total number to be granted (2,101,577) is 40% on 2 April 2007, 30% on 2 April 2008 and 30% on 2 April 2009. The allocation to the Managing Director & CEO was approved at the General Meeting held in November 2007.

The Performance Rights are granted from the Pool as follows:

Title	Year 1 & 2 Grants 2 April 2007 & 2008 40% & 30% of pool	Year 3 Grant 2 April 2009 30% of pool	Total Performance Rights
Managing Director & CEO	827,496	354,641	1,182,137
CFO	643,608	275,832	919,440

Once granted, the Performance Rights will not vest until the Performance Date and Performance Hurdle have been achieved. The Performance Date is set at three years from the date of each grant.

In addition to the performance period of three years, the vesting of Performance Rights is subject to performance hurdles which if not satisfied at the Performance Date, will cause the entitlements to lapse unless the Remuneration and Nomination Committee reduce or waive in whole or in part the performance hurdles. There is no ability to re-test whether or not the Performance Right has satisfied the performance hurdle or hurdles after the performance period has ended.

The number of Performance Rights which vest is determined by assessing the performance of the Company, as measured by Total Shareholder Return (TSR) at the Performance Date relative to a comparator group of Companies (the "Performance Hurdle"). The Volume Weighted Average Price (VWAP) of the Company shares in the one-month preceding the Performance Date compared to VWAP of the Company in the one-month preceding the grant date, will be used in calculating TSR over the three-year period. The TSR incorporates capital returns as well as dividends notionally reinvested and is considered the most appropriate means of measuring Company performance.

The broad comparator group chosen on which to compare Company performance is the S&P/ASX All Ords Gold sub-industry index. The average index level in the one-month preceding the Performance Date compared to the average index level in the one-month preceding the grant date will be used in calculating the comparator group performance over the three-year period.

Performance Rights will only convert to shares subject to the Performance Period being met and subject to the Company's TSR being 10% above the comparator group performance. The entire annual allocation will convert if Company TSR is 20% or higher than the comparator group performance. The detailed breakdown of the relationship between Company performance and the conversion of Performance Rights is:

- Zero percent converting if the Company TSR performance is below the threshold 10 percent out-performance of the comparator group.
- 50 percent converting if the Company TSR performance is at the threshold 10 percent out performance of the comparator group.
- 100 per cent converting when 20 percent out performance is achieved.
- Straight line pro-rata conversion between 10 percent and 20 percent out performance.

In addition to the performance period and performance hurdle, the vesting of Performance Rights is subject to the continuing employment of the Executive Officer. Performance Rights will generally lapse on an Executive Officer's resignation or dismissal.

The value of the shares that the Executive Officers will receive if the performance hurdles are met depends on the share price at the Performance Date. For example, in the case of the Chief Executive Officer, assuming all Performance Rights are converted to shares at a price of \$0.20 per share, the value would be \$236,427 or at a share price of \$0.60 per share the value would be \$709,282. Using the same example share prices for the Chief Financial Officer, the value would be \$183,888 and \$551,664.

Remuneration Report – Audited *continued*

An Employee Share Plan (ESP) was introduced on 1 July 2008 for all employees excluding Executive Officers. To create a retention mechanism under the ESP, eligible employees received share rights on 1 July 2008 which vest over a two year period. Forty percent of the share rights vest into restricted shares on 1 July 2009 and the remaining sixty percent vest on 1 July 2010. The employees must remain in the employ of the Company for the share rights to vest. Each of the Other Key Management Personnel received 125,000 share rights. If each of the Other Key Management Personnel remain employed by the Company then 50,000 of the share rights will vest on 1 July 2009 and 75,000 on 1 July 2010. The value of the shares that the Other Key Management Personnel will receive depends on the share price at the vesting dates. For example if the Share Rights are converted to shares at a price of \$0.20 per share, the value would be \$25,000 or at a share price of \$0.60 per share the value would be \$75,000. There is no performance condition linked to the vesting of the Share Rights as the primary aim of the Share Rights is to act as a retention mechanism.

Executive Officers and Other Key Management Personnel who receive part of their remuneration in securities of the Company are prohibited from trading in any form of derivative that limits their exposure to losses that would result from share price decreases.

The Total Shareholder Return (TSR) of Bendigo Mining shares is the movement in share price from the start to the end of each financial year. No dividends have been declared in the past four financial years or the current financial year. As the Company remains in the growth phase of its life cycle, the TSR does not correlate with revenues and losses reported in any of the financial years. The TSR is more dependent on the future expectation of Company performance rather than Company earnings. The TSR has been volatile over the past four years reflecting the various stages of the Company's evolving strategy. The TSR in 2004, 2005 and 2006, was negative 52%, positive 18% and positive 87% respectively, and improved as a result of reduced financial risk through successful equity raisings in 2004, 2005 and 2006, and an improved gold price and the start of construction of the Bendigo Gold project. The 2007 year was particularly poor with a TSR of negative 81% reflecting the operational difficulties which necessitated a shift in strategy from producer back to explorer. Poor performance in 2007 meant that no STI payments were made to executives or LTI incentives exercised by executives. Significant changes were made to the executive team in 2007 with a reduction in number from five to two. A new long term incentive plan was introduced in 2007 for the restructured Executive Officers as detailed above. The TSR in 2008 was negative 17% and is reflective of the weak and volatile equity markets and the uncertainty inherent in the Company's current exploration and trial mining phase.

Company Executive and Other Key Management Personnel Contracts

Termination payments equal to 12 months remuneration for the Executive Officers and 6 months remuneration for the Other Key Management Personnel are required upon termination by the Company, unless the termination occurs because the Executive Officer or Other Key Management Person engages in conduct that warrants the summary termination of the contract or the Executive Officer or Other Key Management Person commits a material breach of the contract that is not remedied within a specified time or cannot be remedied. Three months notification is required by the Executive Officers and Other Key Management Personnel to terminate their contracts.

Director and Executive Details

The Directors, Executive Officers and Other Key Management Personnel of Bendigo Mining Limited during the financial year were:

Directors

- Peter McCarthy (Non-executive Chairman)
- Ronnie Beevor (Non-executive)
- Richard Guy OAM (Non-executive)
- Rod Hanson (Managing Director & CEO)
- David Ransom (Non-executive appointed on 23 November 2007)
- Roy Woodall (Non-executive retired on 23 November 2007)

Other Executive Officers

- Tim Churcher (Chief Financial Officer & Company Secretary)

Other Key Management Personnel

- Richard Buerger (Geology Manager)
- Lance Faulkner (Operations Manager)
- Rod Lester (Finance & Administration Manager)

DIRECTORS' REPORT CONTINUED

Remuneration Report – Audited *continued*

Director and Executive Remuneration

The following tables disclose the compensation of the Directors, Executive Officers and Other Key Management Personnel of the Company.

	Year	Short-term Employee Benefits		Post Employment	Termination Benefits	Share-based Payment	Total
		Salary & fees	Non-monetary ⁽¹⁾	Super-annuation		Amortised value of equity securities	
		\$	\$	\$	\$	\$	
Current Directors							
R H Beevor	2008	63,220	-	-	-	-	63,220
	2007	54,500	-	-	-	-	54,500
R A Guy	2008	58,000	-	5,220	-	-	63,220
	2007	50,000	-	4,500	-	-	54,500
R J Hanson	2008	377,792	48,208	34,001	-	95,083 ⁽²⁾	555,084
	2007	344,635	48,245	31,017	-	74,608 ⁽²⁾	498,505
P L McCarthy	2008	118,500	-	10,665	-	-	129,165
	2007	100,000	-	9,000	-	-	109,000
D M Ransom ⁽³⁾	2008	34,278	-	3,085	-	-	37,363
Other Current Executive Officer & Key Management Personnel							
T S Churcher	2008	296,133	33,562	26,652	-	79,825 ⁽²⁾	436,172
	2007	276,037	23,513	24,843	-	71,286 ⁽²⁾	395,679
R J Buerger	2008	141,500	1,160	12,735	-	7,331 ⁽⁴⁾	162,726
L W Faulkner	2008	183,486	1,505	16,514	-	7,331 ⁽⁴⁾	208,836
R G Lester	2008	165,138	908	14,862	-	30,788 ⁽⁴⁾	211,696

Former Directors							
R Woodall ⁽⁵⁾	2008	21,649	-	-	-	-	21,649
	2007	54,500	-	-	-	-	54,500
A D Buerger ⁽⁶⁾	2007	231,637	13,782	20,847	153,732 ⁽⁷⁾	(83,000) ⁽⁸⁾	336,998
Other Former Executives							
H L Dusseljee ⁽⁹⁾	2007	155,763	13,298	14,019	320,000 ⁽¹⁰⁾	(49,898) ⁽¹¹⁾	453,182
G F Johansen ⁽¹²⁾	2007	138,585	15,918	12,473	300,000 ⁽¹⁰⁾	(49,898) ⁽¹³⁾	417,078

- (1) Non-monetary benefits include the provision of motor cars, salary continuance insurance and fringe benefit taxation where applicable.
- (2) Performance Rights Series 1 and Option Series 9 (refer to Performance Rights and Share Options section below for further details).
- (3) D M Ransom (Non-executive), appointed on 23 November 2007.
- (4) Option Series 9 (refer to Share Option section below for further details).
- (5) R Woodall (Non-executive), retired on 23 November 2007.
- (6) A D Buerger (Managing Director and Chief Executive Officer), resigned on 8 January 2007.
- (7) The Board agreed to pay a three month notice period provided by Mr Buerger plus motor vehicle and minor benefits as a termination benefit in recognition of 12 years of service.
- (8) These options lapsed on 8 March 2007 as a consequence of Mr Buerger's resignation on 8 January 2007.
- (9) H L Dusseljee (Chief Financial Officer), ceased employment on 19 January 2007.

Remuneration Report – Audited *continued*

- ⁽¹⁰⁾ Termination benefits represent the contractual entitlements paid to the Executive Officers in accordance with the provisions contained in the executive contracts.
- ⁽¹¹⁾ These options lapsed on 19 March 2007 as a consequence of Mr Dusseljee ceasing employment on 19 January 2007 (Refer to Option Series 9 in the Share Options section below for further details).
- ⁽¹²⁾ G F Johansen (General Manager Geology), ceased employment on 12 January 2007.
- ⁽¹³⁾ These options lapsed on 12 March 2007 as a consequence of Mr Johansen ceasing employment on 12 January 2007 (Refer to Option Series 9 in the Share Options section below for further details).

The expected cost of accumulating annual and long service leave that increased during the reporting period as a result of the change in the unused entitlements equal \$17,134 for Mr Hanson, \$6,646 for Mr Churcher, \$10,250 for Mr Faulkner, \$4,377 for Mr Lester and \$1,619 for Mr R Buerger.

Performance Rights

Executive Officers participated in the following Performance Rights series that were issued during the 2008 financial year:

Performance Right Series	Number	Grant date	Expiry date	Exercise price	Grant date share price	Fair value at grant date
2008 Grant	630,473	2/4/08	1/4/11	Nil	\$0.27	\$0.27

2008 Grant: These Performance Rights will vest in full on 1 April 2011 if performance hurdles are met. The Performance Rights convert to shares for nil cost. At the deemed grant date, 2 April 2008, the share price was \$0.27 and the value of the Performance Rights at that date was estimated at \$0.27.

2008 Fair Value Calculations – Performance Rights

The fair value of Performance Rights, comprising the rights over unissued shares, has been determined at the grant date with regard to estimated volatility, risk-free interest rate, life of the Performance Rights, exercise price, and the performance hurdles.

The fair value of the Performance Rights granted during the 2008 financial year is \$0.27 being the share price on the grant date of 2 April 2008, (2007: \$0.38).

Share Options

No options were issued to Executive Officers, Other Key Management Personnel or other employees pursuant to the Bendigo Mining Share Option Plans during the 2008 financial year.

Executive Officers and Other Key Management Personnel participated in the following option series issued during the 2006 financial year:

Option Series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
9	4,708,000	10/10/05	25/7/11	\$1.26	\$0.32

Option Series 9: These options vest in three equal portions on 26 July 2006, 26 July 2007 and 26 July 2008 and may be exercised during the three-year period following each vesting date at the price of \$1.39 per share. The exercise price of the options was set at the VWAP during the first ten trading days in July 2005, plus 30%. At the grant date, 10 October 2005, the share price was \$1.14 and the average value of the options at that date has been estimated at \$0.32. The exercise price of the options was reduced by \$0.13 to \$1.26 and the value of the options was increased by \$0.04 to an average of \$0.36 as a result of the 3:5 Rights Issue in November 2005, (26 July 2006 vesting options being \$0.31, 26 July 2007 vesting options being \$0.36 and 26 July 2008 vesting options being \$0.42).

Fair Value Calculations - Options

Options were valued using the Black-Scholes option pricing model. An estimate of the expected number of options to vest in the 2009 or later financial years has been made and will be adjusted in the future reporting periods to equal the number of options that ultimately vest. An adjustment was made to the previously estimated number of options to vest in the 2008 financial year for the actual number of options that ultimately vested. Refer to Note 15 of the financial statements for full details on Option Series 9.

The key inputs into the Black-Scholes model for the option series that Executive Officers and Other Key Management Personnel had received during the 2006 financial year were a 30% volatility, 5 year term, 5.3% risk-free interest rate, nil dividends, \$1.26 exercise price and grant date share price of \$1.14 for Option Series 9.

Modification of Terms of Option Transactions

Options that were issued to the Executive Officers and Other Key Management Personnel during the 2006 financial year (Option Series 9) increased in value as a result of the 3:5 Rights Issue on 8 November 2005. The exercise price of the options held by each of the Executive Officers and Other Key Management Personnel decreased from \$1.39 to \$1.26 per share as a result of the rights issue. The fair value increment for each option was \$0.04.

DIRECTORS' REPORT CONTINUED

Remuneration Report – Audited *continued*

The key inputs into the Black-Scholes model for the incremental fair value calculations were 30% volatility, 4.7 year remaining term, 5.3% risk-free interest rate, nil dividends, \$1.26 exercise price and the share price at the date of the 3:5 Rights Issue of \$1.04.

Value of Performance Rights and Options Issued to Directors, Executive Officers and Other Key Management Personnel

The following table discloses the value of performance rights and options granted, exercised and lapsed during the year.

	Performance Rights and Options Granted	Performance Rights and Options Exercised	Performance Rights and Options Lapsed	Amortised value of equity securities in remuneration for the year	Percentage of total remuneration for the year that consists of performance rights and options
	Value at grant date	Value at exercise date	Value at time of lapse		
	\$	\$	\$		
Directors					
R H Beevor	-	-	-	-	-
R A Guy	-	-	-	-	-
R J Hanson	95,753	-	-	95,083	17.1
P L McCarthy	-	-	-	-	-
D Ransom	-	-	-	-	-
R Woodall	-	-	-	-	-
Other Executive Officer & Key Management Personnel					
T S Churcher	74,475	-	-	79,825	18.3
R J Buerger	-	-	-	7,331	4.5
L W Faulkner	-	-	-	7,331	3.5
R G Lester	-	-	-	30,788	14.5

The total value of the performance rights and options granted, exercised and lapsed are calculated based on the following:

- Fair value of the performance rights and options at grant date multiplied by the number of performance rights and options granted during the year; plus
- Fair value of the performance rights and options at the time it its exercised multiplied by the number of performance rights and options exercised during the year; plus
- Fair value of the performance rights and options at the time of lapse multiplied by the number of performance rights and options lapsed during the year.

The value of the performance rights and options included in remuneration for the year is based on the fair value determined at grant date and is recognised in remuneration on a proportionate basis over the vesting period.

Signed in accordance with a resolution of Directors made pursuant to Section 298(2) of the Corporations Act 2001.



Peter McCarthy
Chairman



Rod Hanson
Managing Director & CEO

Bendigo, 26 August 2008.

26 August 2008

The Board of Directors
Bendigo Mining Limited
66 Ham Street
KANGAROO FLAT VIC 3555

Dear Board Members

Bendigo Mining Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Bendigo Mining Limited.

As lead audit partner for the audit of the financial statements of Bendigo Mining Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Clive Mottershead
Partner
Chartered Accountants

BENDIGO MINING LIMITED

BALANCE SHEET

AS AT 30 JUNE 2008

	Note	2008 \$'000	2007 \$'000
CURRENT ASSETS			
Cash	3	48,612	71,778
Receivables	4	973	1,353
Inventories	5	2,383	1,881
Other	6	166	246
TOTAL CURRENT ASSETS		52,134	75,258
NON CURRENT ASSETS			
Other financial assets	7	2,440	2,440
Property, plant & equipment and mine development	8	16,814	21,658
TOTAL NON CURRENT ASSETS		19,254	24,098
TOTAL ASSETS		71,388	99,356
CURRENT LIABILITIES			
Payables	9	2,921	7,425
Provisions	10	925	903
TOTAL CURRENT LIABILITIES		3,846	8,328
NON CURRENT LIABILITIES			
Provisions	11	4,620	3,974
TOTAL NON CURRENT LIABILITIES		4,620	3,974
TOTAL LIABILITIES		8,466	12,302
NET ASSETS		62,922	87,054
EQUITY			
Issued capital	14	419,472	419,472
Reserves	16	1,434	1,355
Accumulated losses		(357,984)	(333,773)
TOTAL EQUITY		62,922	87,054

Notes to the financial statements are included on pages 34 to 51.

BENDIGO MINING LIMITED

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	2008 \$'000	2007 \$'000
SALES REVENUE	17	-	22,019
COST OF SALES			
Mining, processing and administration costs		-	(26,459)
Depreciation and amortisation		-	(8,452)
TOTAL COST OF SALES		-	(34,911)
GROSS (LOSS) / PROFIT		-	(12,892)
Interest and other Revenue	17	7,755	6,140
Exploration expenses		(10,240)	(5,500)
Mining expenses		(18,776)	(14,976)
Corporate expenses		(2,950)	(5,048)
Impairment of non current assets	8	-	(161,704)
LOSS BEFORE TAX		(24,211)	(193,980)
Income tax (expense) / benefit	20	-	(45,794)
LOSS FOR THE PERIOD		(24,211)	(239,774)
EARNINGS PER SHARE:			
Basic and Diluted Earnings Per Share - (cents per share)		(4.9)	(51.1)

Notes to the financial statements are included on pages 34 to 51.

BENDIGO MINING LIMITED

STATEMENT OF CASHFLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	2008 \$'000	2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	24,093
Interest and other revenue received		7,845	5,078
Payments to suppliers and employees		(33,226)	(45,390)
Net cash used in operating activities	19	(25,381)	(16,219)
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for property, plant & equipment and mine development		(131)	(69,445)
Proceeds from sale of property, plant & equipment and mine development		2,346	6,526
Net cash provided by/(used in) investing activities		2,215	(62,919)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	56,115
Capital raising expenses		-	(2,079)
Net cash provided by financing activities		-	54,036
Net (decrease) / increase in cash held		(23,166)	(25,102)
Cash at the beginning of the Financial Year		71,778	96,880
CASH AT YEAR END	3	48,612	71,778

Notes to the financial statements are included on pages 34 to 51.

BENDIGO MINING LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Share Capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 30 June 2007 Brought Forward		419,472	1,355	(333,773)	87,054
Changes in Equity					
Net income recognised directly in equity		-	-	-	-
Loss for the period		-	-	(24,211)	(24,211)
Total recognised income and expense for the period		-	-	(24,211)	(24,211)
Recognition of share based payments	15	-	79	-	79
Balance at 30 June 2008		419,472	1,434	(357,984)	62,922

	Note	Share Capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 30 June 2006 Brought Forward		368,272	1,064	(93,999)	275,337
Changes in Equity					
Transaction costs incurred on issuance of shares		(2,079)	-	-	(2,079)
Tax on items taken directly to or transferred from equity	20	(2,836)	-	-	(2,836)
Net income recognised directly in equity		(4,915)	-	-	(4,915)
Loss for the period		-	-	(239,774)	(239,774)
Total recognised income and expense for the period		(4,915)	-	(239,774)	(244,689)
Issue of share capital		56,115	-	-	56,115
Recognition of share based payments	15	-	291	-	291
Balance at 30 June 2007		419,472	1,355	(333,773)	87,054

Notes to the financial statements are included on pages 34 to 51.