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Bendigo Mining NL
Box 2113
Bendigo Mail Centre
Victoria 3554

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In late July 2003, Bendigo Mining NL (Bendigo) announced that a move to commercial production at the New Bendigo Gold Project should start without delay. When do you expect to complete the feasibility study for Stage One production and when do you expect to receive official Board approval for the project?

Managing Director Doug Buerger

The feasibility study is underway and the definition of Reserves and Resources to support Stage One Production is due late in December. The feasibility study will be finalised by the end of January 2004. The Board will review the information as it becomes available and a decision to commit to building a commercial mine is expected in the first quarter of 2004.

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Your 31.8% shareholder, Harmony of South Africa, holds options expiring on 31 December 2003, which, if entirely exercised, will take its stake to just over 50%. Harmony need to make a decision by the end of 2003, probably before your board makes its decision. How will Bendigo deal with this situation?

Managing Director Doug Buerger

Harmony's options are at 30 cents which is some 25% above the current share price. If these options remain out-of-the money and Harmony does not exercise by

31 December, this does not necessarily mean that Harmony does not support the New Bendigo project.

To cover the contingency of Harmony not exercising its options, we are in discussion with a major investment bank to arrange alternative funding, and to ensure that we will have the necessary funds to bring New Bendigo into production.

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For how long will your cash balance fund the project, what additional funding do you need for Stage One production and what options are you considering?

Managing Director Doug Buerger

We currently have \$9.5 million cash which is sufficient to fund our current program well into next year. We're working through the feasibility study now and we're refining the capital and the operating cost numbers for Stage One production. The funding requirements can be categorised as, funds for Stage One production only, which is the process plant for 300,000 tpa. Then there is the mine infrastructure including the ventilation upgrade and installation of emergency egress which is necessary for Stage One and also serves Stages Two and Three. Finally there is a requirement to fund resource definition work to support the increase in production rate envisaged for the New Bendigo. We originally spoke about Stage One capital in the order of \$50 million to \$60 million. The feasibility work will refine those numbers and therefore the amount of capital we have to raise.

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You expect to have a Probable Reserve of 200,000 ounces by December 2003. It is only a fraction of the estimated project resource potential of at least 12 million ounces, and is a function of the nuggetty nature of the orebody. What is the attitude of potential financiers to the fact that the project will operate with a rolling two years of reserves?

Managing Director Doug Buerger

Having reserves of around two years of production is not uncommon practice for deposits with a large resource potential. It's all to do with sensible mine planning. There's no point in spending large amounts of capital well before we need to and I think that is understood by experienced financiers.

Of more importance is the confidence that we have in the overall endowment of the gold field. What we're finding with the resources and reserves we've defined so far is that the ounces per ribbon kilometre is within the range predicted by our geological model. That underpins the robustness of the 12 million ounce resource potential of the project.

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The current Probable Reserves are 440,000 tonnes at 8.5 g/t and contains 120,000 ounces of gold. That is based on the upper S3 and D3 reefs, which are lower grade

areas. Since then you've exposed a high grade zone of 15 to 30 g/t within the Greater Garrard mineralisation. This is 140 metres long but remains open to the north. Can you put this section in context? What might it mean for reserve size and reserve grade in the short term?

Managing Director Doug Buerger

The Bendigo gold bearing reefs typically have higher grade areas within an envelope of lower to medium grade material. The high grade zone in Greater Garrard is one such area and will increase the overall mined grade.

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How prevalent do you expect these high grade zones to be?

Managing Director Doug Buerger

Historically, the field delivered an average mined grade of about 14g/t, which is equal to nearly half an ounce of gold recovered for every tonne of ore mined. To get those average grades the old miners would have mined high grade zones, such as those we're seeing in Greater Garrard, in conjunction with the lower to medium grade reefs which make up the bulk of the tonnage in the Bendigo Goldfield.

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In the September 2003 quarterly, you stated that significant advances had been achieved by developing a method to assign grade from drill data. You have previously determined grade from bulk sampling. How significant is this development? What does it mean for costs and how much might it improve the accuracy of grade estimation?

Managing Director Doug Buerger

We've been working for a number of years on developing a methodology for estimating grade within the extremely nuggetty Bendigo reefs, which is both relatively easy to understand and has technical integrity. I think we're well on the way to solving that problem. The method we're developing reduces the nugget effect and allows us to determine grade distribution within a reef, allowing better mine planning. It also improves our confidence in grade estimation within a reef. Application of the method in a production environment should allow us in time to determine mining reserves from close-spaced fan drilling without the need for bulk sampling. That will have significant cost benefits.

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Are you on track to receive all necessary permitting by June 2004 in order to commence production by the March quarter 2005? Are there any significant hurdles to overcome?

Managing Director Doug Buerger

The process of obtaining the permitting required to commence Stage One production is on track and we expect to receive all of it by June 2004. We're working very closely with both the community and government and are doing everything we need to.

We're also developing plans to handle the logistical and engineering aspects of a major mining project such as New Bendigo. We're addressing issues such as the dewatering of the extensive historic workings, when it needs to be done, how we will manage the increased volumes of water and whether this will potentially impact our production schedule.

We're currently discharging this water to evaporation ponds to accommodate the increased levels of salt and we're also trialling a reverse osmosis plant for possible use of that water in the future. We're also working on sand and mullock disposal. Current plans are to co-dispose of the tailing sands with our mullock in the first two years and we are addressing disposal options thereafter. We are working on plans for the re-use of the sand which is coarse grained and of potential use in the civil engineering market. The mullock we are producing is of a quality suitable for use in road making and we are exploring that market as well.

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What about any optimisation studies or production cases being considered, apart from that base case?

Managing Director Doug Buerger

That is an important aspect of our planning that we're running in parallel with the feasibility study. These range from fine tuning the plant design to looking at the use of old mine shafts as underground ventilation opportunities; and optimising the mining schedule to reduce and defer capital expenditures.

The optimisation studies are not holding up the base case study, because they're being run in parallel, and we plan to complete the optimisation studies by the time we make the final commitment to construction.

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You've stated many times that the resource potential of the New Bendigo Gold Project is at least 12 million ounces and that the project will produce at a production peak of 400-500,000 ounces per annum for over 25 years. As you are now getting better information has your view of the project's scope changed?

Managing Director Doug Buerger

The pedigree of the gold field and its potential remains unchallenged in my view. We have made great strides in understanding the nuggetty erratic gold distribution and applying that understanding to modern mine designs. We are now on the threshold of moving into production.

All our work confirms the resource potential of at least 12 million ounces in New Bendigo. Bendigo Mining holds the entire goldfield under license and we have the opportunity to maximise gold production rates from the goldfield. Our conceptual study of a number of years ago indicated the level of production could be over 400,000 ounces per annum, likely to be sourced from two or more mines within the project. We're obviously revisiting these assumptions now that we better

understand the project but it's quite clear to me that the New Bendigo Gold Project will be a world class, long life underground gold mine.

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Thank you Doug.

In this document, the term "resource potential" is used to describe the Company's estimate of the contained ounces of gold which it believes, on the basis of a technical evaluation of available data and geological extrapolation, should occur within the New Bendigo. It is emphasised that this term is not covered by the JORC Code and is not equivalent to a Mineral Resource or Ore Reserve estimate.

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