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**MEDIA RELEASE**

## **Bendigo Mining commits to new strategy: focus moves to exploration whilst production deferred**

Bendigo Mining Limited (ASX: BDG or the "Company") today released its quarterly report for the three months ending 31 December 2006.

Findings from a review undertaken at the end of this period by the Company and the outcome of the initial three months of production have resulted in the Board committing the Company to a major shift in strategy.

The change will result in Bendigo Mining deferring production whilst it focuses on exploration activities to build reserves in more productive areas of the goldfield.

Production during November and December achieved a grade of 4.7 g/t gold, with the full quarter generating production of 9,218 ounces of gold at a grade of 4.1 g/t gold. The significantly lower than expected results are attributable to a general overestimate of the potential of the historically less productive Sheepshead and Deborah Lines.

Bendigo Mining Chairman Mr Peter McCarthy said, "We are obviously very disappointed with having to implement this change in strategy, but the existing growth strategy which relied on the strong performance of the Sheepshead and Deborah Lines, which were two historically weak lines of mineralisation, has proved to be fraught with difficulty and high risk. Changes had to be made."

"We remain confident of the rich endowment of the Bendigo system and our ability to deliver high rates of production in the future, but we need to access more productive lines of mineralisation to be able to demonstrate this ability."

The revised exploration strategy is planned to test a 2 million ounce Inferred Resource target to a depth of 1,200 m over the next 18 months. Within six months, drilling is planned to target areas beneath historic mines which produced 500,000 oz at a grade of 23 g/t gold.

“Bendigo Mining remains committed to the goal of delivering reliable production of 150-200,000 ounces a year from the Kangaroo Flat Mine, however we will defer production and future plant expansion until we have built reserves in more productive and commercially viable parts of the goldfield.”

Other significant changes outlined by the Company in its report to shareholders for the quarter include the resignation of the Managing Director & CEO Mr Doug Buerger. For personal and health reasons, Mr Doug Buerger has decided to resign and allow the Company to move forward under new stewardship. Mr Rod Hanson, currently Chief Operating Officer, will be appointed Managing Director and CEO with immediate effect. The Board thanked Doug for his efforts in advancing the Bendigo Project over the past decade.

Mr Garry Johansen, General Manager Geology, has ceased employment with the Company. Mr Hanson is taking responsibility for exploration and managing a team of experienced geologists.

Mr Tim Churcher will become Chief Financial Officer in addition to his existing responsibilities for Corporate Development and Investor Relations.

The Company has also advised shareholders that as a result of the decision to defer production, and the underperformance of the initial period of production, a major write down in the value of the Company's non current assets, in the order of \$90 million to \$210 million subject to audit opinion, is required. This will generate a significant loss for the current financial year..

“Despite this setback to moving into commercial production, the Company is in a strong position to rebuild value over the next 18 months. We have cash in bank to fund the new exploration strategy and we have some very exciting exploration targets to test over the coming months. We also have a process plant, mine equipment and underground mine access to explore, and then exploit any successful future discovery.” Mr McCarthy said.

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