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Title: Open Briefing. Bendigo Mining NL. MD on Fall in Share Price

Record of interview:

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Can you explain why Bendigo Mining NL's share price has suffered a dramatic fall in the past week? I notice that your market capitalisation is now just less than \$90 million.

MD Doug Buerger

Nothing has changed in terms of the project scope or risk factors to justify such a large fall in the share price. The project remains robust. Our base case model of the feasibility study values the project on an NPV basis at over A\$400 million at a 10% discount rate and an internal rate of return of more than 20% - assuming a constant A\$525 per ounce gold price and the assumptions in the feasibility study as previously announced to the ASX.

We've done a vast amount of work on the New Bendigo Gold Project, culminating in a feasibility study and funding strategy. The project development strategy has been announced and shareholders approved a A\$120M global placement, 1:10 share consolidation and change of company type and name to Bendigo Mining Limited at the General Meeting held on 6 May 2004. (It is expected that the regulatory process for the name change will be completed by the end of June). We're now executing that strategy and there has been no reason to doubt that this is the correct path to follow to bring the New Bendigo Gold Project to production.

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How have the changes in US dollar gold price affected the returns you predict from the project?

MD Doug Buerger

Movements in the A\$ exchange rate provides a natural hedge and in this instance the A\$ gold price has actually increased. The current Australian dollar gold price is in the order of A\$540 per ounce. Our project model base case uses a gold price of A\$525 per ounce and a review of the price over the last three years shows that, for 89% of the time, the A\$ gold price has been in excess of A\$525 per ounce.

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As part of the fund raising you completed a pre-roadshow visit to local and overseas fund managers and brokers on your gold project and strategy. Can you give us some feedback from that trip and also tell us how the fund raising is going?

MD Doug Buerger

In preparation for the capital raising, I visited a selection of potential investors in Canada and the United States just before Easter to make them familiar with the project. I spoke with around 17 separate potential investors. There was overwhelming interest in the project and a common reaction was that they see a great opportunity in the New Bendigo Gold Project because there are very few gold operations of its size in the development pipeline. Overall, I was very encouraged by the response from potential investors in North America. Once we have completed all the legal paper work we'll be in a position to commence the roadshow for the capital raising.

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What annual free cash flow at peak production does the project generate based on your long term gold price of A\$525 per ounce? What are the intermediate stages to reach peak production in Year 7?

MD Doug Buerger

We aim to ramp up production in stages and reach the design rate of 1.6 Mtpa of ore and over 500,000 ozpa of gold in Year 7. At that point, cash operating costs should be averaging around A\$175 per ounce.

By about Year 8, two years after we reach peak production, the cumulative project cash inflows are expected to equal the total investment and the project should then be generating after tax cash flows in the order of A\$100 to A\$150 million per annum.

Initial production is planned to commence in year 1, after a one year construction phase, at the rate of 300,000 tpa. In Year 4, we plan to increase the processing rate to 600,000 tpa of ore and in Year 6 we plan to have commissioned a new mine and plant at the northern side of the goldfield, which is planned to be capable of an additional 1 Mtpa. That is expected to bring total processing capacity to 1.6 Mtpa by the middle of Year 7.

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Your two largest shareholders, Harmony (31.6%) and General Oriental (22.1%), are not participating in the capital raising. How are you explaining that to potential investors?

MD Doug Buerger

Both Harmony and General Oriental have representatives on the Bendigo Board and support the feasibility study and our project development plans. Harmony indicated that it cannot invest additional funds because it has competing requirements for capital investments in South Africa and in projects where they are close to being in full control. General Oriental is a trust for the family of the late Sir James Goldsmith. The guidelines of that trust circumscribe the investments that it may make, and further investment by the trust in Bendigo Mining is not possible at this stage. General Oriental has reserved the right to increase its investment in Bendigo if the rules of the trust should change.

Both Harmony and General Oriental have indicated that they do not currently intend to sell their shares over the next 12 months.

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Is it fair to say that the two areas of investor concern remain the nuggetty nature of the gold and therefore whether your geological model can accurately predict tonnes and grade and, secondly, the fact that you plan to have only two to three years of reserves at any one time despite the gold endowment potentially supporting an operation of more than 25 years? How do you explain these issues?

MD Doug Buerger

Yes, that's fair to say. The geological model we've developed on New Bendigo over the last eight years is based on the vast amount of historical information covering around 100 years of mining. We now have a very good understanding of the mineralisation beneath the historic workings. Our model confirms that the gold mineralisation occurs over the entire 17km strike length of the ore body.

We've also accessed a small section of the orebody to verify the accuracy of our geological model. We predicted this section would contain 700,000 tonnes of ore at a grade of 10.9 g/t. We found that it actually contained 720,000 tonnes of ore at 10 g/t. This was a very strong endorsement of the geological model and of our estimations of grades and tonnages.

We don't get much argument once we explain why we aim to have only two to three years of reserves at any one time. This is purely because it's too expensive to prove up reserves too far ahead of mining. We aim to have a rolling two to three years of reserves right the way through the 25 years-plus life of the project. The strategy of having rolling reserves is quite common in nuggetty, underground gold mines.

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What other main areas of debate or concern have emerged from your pre-roadshow presentations?

MD Doug Buerger

An issue of concern raised by some potential investors, who were reviewing the project for the first time, was whether we could sustain the peak mining rate of 1.6 Mtpa over the long term. They were, however, comfortable with the plan once we've explained that the ore will be mined from a mine in the south and a mine in the north. Our engineering assumptions have been benchmarked against the mining industry and were found to be defensible and, in many cases, quite conservative.

Another area of concern was the fact that we'd be mining under a town with a population of 80,000. We've been operating successfully under the town for the last five years and have built up a wealth of experience. We've also received endorsement from the city council, which passed resolutions supporting our project. We have received strong support from the citizens of Bendigo.

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Can you reiterate the capital expenditures and funding flows to reach full production?

MD Doug Buerger

We plan two tranches of capital investment to reach the design rate 1.6 Mtpa of ore in Year 7. The first tranche is expected to be A\$135 million, which we're currently in the process of raising through a global institutional placement of A\$120 million, to be followed by a Share Purchase Plan where we target to raise A\$15 million. That money will be spent on building the initial plant of 300,000 tpa at the current Carshalton mine site. Some of that initial capital will also go towards ramping up to production stages two and three.

In Year 3, we plan to raise an additional A\$80 million. That will be the final capital required to take the project to 600,000 tpa in year 4 and to its design rate of 1.6 Mtpa of ore in Year 7.

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The Feasibility Study is based on mining a total of 33.6 million tonnes over 25 years from an underground mine. The target mine head grade is 12 g/t Au and total recovered gold is just over 12 million ounces. However, you've only declared an Ore Reserve (classified according to the JORC code) of 656,000 tonnes at 9.0 g/t which covers the first three years of mining. What is your confidence in the remaining gold endowment used in the mining schedule?

MD Doug Buerger

New Bendigo currently has a Probable Reserve of around 200,000 ounces plus "resource potential" in excess of 13 million ounces beneath historic workings. The resource potential has been estimated by extrapolation from historic production and has been independently audited on a number of occasions. It's based on a geological model which is considered very robust by independent parties. Our Board is confident that we'll be able to convert a significant amount of this resource potential into an Inferred Resource as per the JORC classification. Our exploration manager is currently discussing the rationale for this conversion with his industry peers.

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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 that portion of the New Bendigo which is not covered by the already defined Inferred Resource. 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.

For further information on Bendigo Mining Limited visit www.bmnl.com.au or contact:

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