

NEWSLETTER

Moving closer: gold pour on track



Above: the processing plant site.

Potential new reef

On the exploration front, recent drilling may have uncovered a new gold zone in the D4 Ribbon on the Deborah line. This result is potentially quite exciting given that visible gold suggests strong mineralization, and that the new zone is close to existing underground development in the north drive, which is beneath Hargreaves Street between Lily and Honeysuckle Streets.

Follow-up drilling is expected in the next three months.

This is the second new reef discovered in recent times. Our drilling identified the Alexandria Reef on the Sheepshead line of reef in July last year.

Heritage Stacks Up

Our restoration work on the North Deborah chimney stack, in Eve Street, Quarry Hill, is now complete. The restoration of the stack – used during mining in the mid-1900s – was a commitment given in the 1998 Deborah Reef EES and took about a month to complete.

The work was carried out by heritage restoration specialists.

“You don’t get to do anything like that at any other mine site in Australia,” says project engineer Shannon Green. “As a modern-day miner I stood before the stack thinking about the old timers doing the work we do today, with such primitive tools, yet they built such an amazing structure. It’s architecturally phenomenal for its time and it was great to be involved in preserving that heritage.”

Owner mining

Our transition to owner-mining status has begun.

The changeover is planned to occur on 2nd April. Members of the current Macmahon underground crews have been asked to express their interest in joining the Bendigo Mining workforce. It is anticipated that the majority of the Macmahon workforce will transfer to Bendigo Mining.

The first component of our trucking fleet has been purchased, with three Atlas Copco 50-tonne trucks secured for \$4.5 million.

South Carshalton

Initial site investigations have been completed in the South Carshalton area, adjacent to our existing site, and the work plan variation for stage one of the tailings storage facility has been submitted to the Department of Primary Industries. We are waiting on approval before any further work occurs.

The first gold pour at our Carshalton site is on track for June as the new gold processing plant continues to take shape.

Construction of the processing plant remains on schedule and is approximately 60% complete, with steelwork, mechanical and electrical installation currently underway.

Bendigo company, CB & M Design Solutions, has been awarded the electrical contract.

Key activities over the last few months have included the completion of a below-ground crushing station with the installation of primary and secondary crushers and high pressure grinding rolls. The ball mill has been lifted into position and CIL, flotation and thickener tanks installed. Construction of the sands, tailings and rock storage area at East Carshalton continues.

Production from the Kangaroo Flat site is expected to begin at an initial rate of 120,000 ounces a year. Stockpiled ore from the Shywolup line of reef will provide the initial feed for the plant.

“I’m delighted with the progress we’ve made to date and we’re certainly on schedule for a gold pour in June,” says project manager Bruce Marshall. “We’ve been keeping a close eye on any potential noise and dust problems generated from the process plant activities and to date it hasn’t been a major issue.”

In other good news for the company and investors, our share price continues to climb as the gold price heads towards a 25-year high. At the time of printing, the gold price was more than US\$558 an ounce and Bendigo Mining shares were trading at more than \$1.80 – having doubled in value since the last newsletter in October.

Workforce on the rise

It’s a case of fresh faces at Carshalton as we continue to welcome new recruits to site, driving our workforce tally towards 200.

Statistics for December show that we employ 195 people at our various sites. This tally includes Bendigo Mining staff as well as employees of the Macmahon Underground team and drilling contractor, Boart Longyear.

In good news for the local region, 127 of these employees – 65% - are Bendigo-based, reflecting our ongoing commitment to local employment.

The table below outlines the breakdown of local versus non-local employees.

Workforce numbers will continue to rise following a recent recruitment drive for process plant employees. We also invited expressions of interest last month for further positions including truck drivers, production drillers, charge-up crew, service crew and loader and jumbo operators.

Employees	Bendigo Mining	Macmahon Underground	Boart Longyear	Total
Local	51	52	24	127
Non-Local	30	30	8	68
Total	81	82	32	195

Vacant positions at the mine are now advertised through our careers online service at:

www.bendigomining.com.au

Go to the ‘About Us’ section and then ‘Careers’.

Chief Operating Officer's Report



Best wishes for a very happy New Year.

Over the last few months the company has commenced development outside the Carshalton bunded area. For several years, the majority of our surface activities have been within the bund. As we move into production, it is inevitable that our activities, including East Carshalton, North Deborah, New Chum and Eaglehawk will be more obvious to the people of Bendigo. However, as we expand, we will still be subject to the high standards of environmental performance which we set ourselves and which our neighbours and the regulators expect of us. We are already having many positive impacts in Bendigo, not the least of which is the employment of about 200 employees / full time contractors and a further 60 construction personnel.

Recently, there have been very obvious changes to the Carshalton site with the clearing of the East Carshalton expansion area in preparation for the development of rock, sand and tailings storages. We plan to finish the first stage of this development around March. We acknowledge that there has been some inconvenience to local residents as a result of this work. However, as the new outer bunds are progressively completed, offsite noise impacts will be greatly reduced.

Keen observers of the Carshalton site would have also noted the appearance of several large crane jibs within the noise bund at the plant construction site. Plant construction is approximately 60% complete. All major procurement is now finished, with most major equipment items delivered to site. We remain on schedule to commence gold production by June this year.

We are using sea-containers for noise attenuation at our Chum Street site (opposite Fortuna Villa) where we are undertaking exploratory drilling for a proposed ventilation shaft. We plan to commission this shaft next year.

The Work Plan for the initial low impact activities at the Eaglehawk Mine has been approved. Fencing of the site and the provision of services has commenced.

The rate of underground development continues to increase to about 375 metres per month. We have made the decision to commence owner mining on 2nd April, 2006. I would like to take this opportunity to thank the members of the Macmahon team who have made a major contribution to the development of the Bendigo Mine. We are currently employing our own mining team and placing orders for the mining fleet. The new Adams Street rise is behind schedule due to problems with drilling equipment. We now plan to have it completed and operational by May.

I'm sure that 2006 will present many challenges, but will also provide a great deal of satisfaction as we move into production.

Rod Hanson

Rock-solid rehab

She's been called the "Tree Lady" many times, and little wonder. In the past 20 years, Marilyn Sprague, of Goldfields Revegetation, has planted many, many thousands of trees across the Bendigo region in what some have erroneously called a 'mission impossible'.

"Nothing will grow on that rock" – I hear that from people all the time," Marilyn says.

When these claims are levelled at her, she just shrugs her shoulders with a slightly bemused smile and points to the healthy, thriving vegetation at the various sites she works on – including Bendigo Mining's Carshalton, Eaglehawk and Woodvale sites.

Marilyn is renowned for her revegetation work with mine sites throughout the Bendigo region. She first became involved in this work more than 20 years ago, when she could see the then Bendigo-based Western Mining Corporation "needed help" with environmental issues. Such has been her success in this field that it has now become her core business and has enabled the establishment of her Madurang nursery, Goldfields Revegetation, which today employs 11 full-time and part-time staff.

"I have people back at the nursery all the time sorting and potting seedlings, we're doing it all the time," Marilyn says. "The commitment of the mining industry to rehabilitation has allowed me the security of employing more people."

Bendigo Mining has used Marilyn's services from the moment we took over the Western Mining leases in the 1980s. When development of the decline began at Kangaroo Flat in 1998, Marilyn was there - not as an interested onlooker, like others, but to collect seed, plant cuttings, subsoil, topsoil and logs and rocks from the decline area. These materials were later used on the earthen (bund) wall that surrounds the site as habitat for frogs, lizards and other animals and in progressive rehabilitation of other areas, along with direct seeding and planting.

More than 80 different species of plants now thrive on the bund wall – most the result of seed collected at the site since 1998.

Today, Marilyn's work with the environmental team involves an annual program of seed collection (which goes on regardless of any planned revegetation work), identification and earmarking of suitable areas to be rehabilitated, and direct seeding and planting. Seed is collected over summer and planting



Above: tree planting and rehabilitation work in 1997, along the Eaglehawk railway line near Peg Leg Rd.

is generally done in winter when seasonal conditions are favorable.

And the results are certainly not left to chance. The success or otherwise of the mine's revegetation program must be monitored, reported to the Victorian Government and the Environment Review Committee, and independently audited.

As the mine expands, Marilyn is looking forward to starting work on the Eaglehawk Mine and revegetating areas of what is today a quite degraded and weed-infested site.

In fact, her work has already begun. When approval for mining activity in this area was received in 1997, Marilyn and mine staff were involved in planting several lines of trees along the Peg Leg Rd boundary of the site. Today, these trees are about 3-4m high and provide some shelter from blustery weather conditions.

Marilyn, who has qualifications in horticulture and a diploma of land management, says she has always had a connection with the natural environment. And despite the occasional criticisms directed at her, she doesn't have any conflicting emotions about the work she does.

"There's been a change in mindset by the mining industry over the past few decades towards a commitment to environmental rehabilitation and that's a great thing. When mining projects are approved by government, we would rather work with the companies to make sure that someone with the expertise and knowledge is there to ensure that the rehabilitation process is done well.

"We do everything in our power to retain biodiversity and enhance the natural environment."

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Eaglehawk Mine

Work on the Eaglehawk Mine is progressing steadily and fenceline clearing is now underway. This involves clearing a strip of approximately 7m in width along the fenceline perimeter. Residents may have noticed machinery undertaking this work initially in the area adjacent to Peg Leg Rd.

The fenceline clearing and construction is expected to continue for approximately six weeks and will be carried out in phases around the site boundary. During this period, we have a noise 'allowance' for construction activities in recognition that this type of work typically generates a higher level of noise than everyday mining activities. Once the mine is operational, work will be carried out under lower noise limits.

The initial stage of works has been approved by the Department of Primary Industries and the Department of Sustainability and Environment.

In other news, about 150 Eaglehawk residents attended an information afternoon on December 14, taking up the chance to discuss the plans for the Eaglehawk Mine in detail.

It was great to see a number of our close neighbours attend to learn a little more about our future activities and to speak with staff about the management of issues such as noise, dust, traffic and environmental rehabilitation.



Above: Eaglehawk residents Rod and Jo Leunig (right) discuss the Eaglehawk Mine plans with Bendigo Mining's Rod Hanson.

Fact sheets on these issues are available to residents. Anyone wanting copies should call our community affairs coordinator, Deanne O'Donoghue, on 5444 9228.

The next stage of activities will involve the excavation of a mine services area which will house office buildings, change rooms, workshop and associated facilities.

Excavation of the box cut and associated decline development is expected to begin in the second quarter of 2006.

DID YOU KNOW?

- Eaglehawk is historically the richest part of the Bendigo goldfield. Over a century of gold mining, some 22 million ounces of gold was produced from the Bendigo field - 9 million ounces of this from the Garden Gully and New Chum reefs. The Eaglehawk Mine will initially target these lines of reefs.
- At full production, the Eaglehawk Mine will eventually be the larger of the two mines. It will have the capacity to treat one million tonnes of ore per year and a planned annual production output of 400,000 ounces of gold compared to the Carshalton mine, which will treat 600,000 tonnes per year and produce 200,000 ounces.
- Once the Eaglehawk Mine is established, the two mines are forecast to produce over 600,000 ounces of gold a year for more than 20 years.
- At full production, we expect to employ more than 300 people at the Eaglehawk Mine.

A Chinese yesteryear

It was not quite as big as 'Raiders of the Lost Ark', but the discovery of an historic Chinese brick kiln in Bendigo last year brought a buzz of excitement with it - and press coverage Australia-wide.

In June 2005, the brick-making kiln was unearthed by a crew of community job participants installing fencing near Thunder Street.

The kiln, measuring about 20m long and dating back to the goldfields era, was found in an area historically known as the Ironbark Chinese Camp, which was occupied by Chinese people from the 1850s for at least a hundred years. At one stage, it was believed up to 100,000 Chinese people lived at or near the site.

"The kiln was a remarkable find and we were naturally pretty excited about it", says Heritage Victoria archaeologist David Bannear. "It was inspected by Heritage Victoria and quickly reburied to protect artefacts and other fragile remains pending an archaeological excavation."

Given the project's links to Bendigo's historic gold mining past, Bendigo Mining was proud to provide \$3,000 to help fund a preliminary excavation to establish the extent of the site. This established that the kiln had a dome-shaped firing chamber and a walk-through firebox, increasing the certainty that the kiln was Asian and unique to Australia.

"The kiln shows that despite Bendigo being quite a young city it possesses layers of history which can take you back to its origins," David says.

Managing director Doug Buerger says the \$3,000 sponsorship was money well spent.

"Anything like this that allows us to travel back in time and gain an insight into the life of the Chinese miners in Bendigo, into how they lived and how they did things is quite intriguing - not just to historians and the general community, but also to us as their modern day equivalents."

ERC Representatives

The Environment Review Committee (ERC) meets every three months to review the mine's activities, work plans and work plan variations, and environmental monitoring results. Community representatives on the ERC are: Pamela Hancock, Ray Leerson and Michael McKern (Eaglehawk), Mary Markey (Kangaroo Flat), and Rose Walsh (Woodvale). Peter Foreman, from Kangaroo Flat, and Aleta Kilner, from Woodvale, are alternate representatives. For contact numbers, please call 5447 1834.

Community Advisory Board

The Community Advisory Board (CAB) meets every few months to provide valuable feedback on views and concerns in the community. There are eleven representatives drawn from various areas throughout the Bendigo region.

They are: Dennis Demeo, Raywood; Cr. Rod Fyffe, City of Greater Bendigo; Ann Jones, Kangaroo Flat; Bryan Lewis, Bendigo; Bill Lucas, Bendigo; Daryl McClure, Bendigo; Marika McMahon, Bendigo; Fay Buerger, Golden Square; Leighton Rawlings, Quarry Hill; Leon Scott, Eaglehawk, and Maurie Sharkey, Goornong.

Please phone 5447 1834 for contact numbers.

Woodvale update

The current focus of our activities at Woodvale is further construction work on pond seven - the new dam area.

Mining manager Tom de Vries said he was hopeful that the new dam would be operational next month.

The construction, clay lining and compaction of the pond terraces is complete and the earth and walls have been layered with topsoil.

Excavation of the spillways between the terraces is now underway and by late January, we had concreted six of the 19 spillways.

The main spillway between dam six and the new pond area is complete. Permeability testing of the clay base is expected to occur shortly. We have excavated a drainage channel around the dam which will act as a bypass channel to pick up natural run-off events and divert it into the creek.

"We've made reasonable progress on the new pond area over the last few months due to the mainly dry weather," Tom says. "By March, I'm hopeful we will have the discharge pipe installed and we can start discharging water to this pond."

Tom said works to ponds one, two and three were now almost complete, with minor works still to be carried out. These works aim to reduce the permeability of the ponds and to combat any potential seepage.

Vent shaft update

As development increases underground, so too does the requirement for increased air circulation. The Swan Decline is now 10 km long and almost a kilometre deep, so ventilation remains essential for the health and safety of workers. Temperatures can reach 38°C with 100% humidity levels. If not controlled and managed, these conditions could lead to serious health risks. The best way to manage this is with ventilation shafts.

Our first ventilation shaft is at the rear of the City of Greater Bendigo Municipal Depot in Adam Street, Quarry Hill. This vent shaft has been operating since 2001 and has successfully met all the regulatory limits set by the EPA for air quality, noise and the amenity of local residents. Regular monitoring indicates that shaft emissions are well below the limits which are set to safeguard the most vulnerable people in the community such as the elderly and asthmatics.

Results are monitored and audited by independent consultants.

A second ventilation shaft is currently being drilled adjacent to the Adam Street shaft. A third shaft will be developed at North Deborah, adjacent to the old North Deborah chimney stack.

We are also investigating the feasibility of another ventilation facility at Golden Square on the Crown Land between Ophir, Thistle and Chum Streets. A rig is now undertaking geotechnical drilling which provides information about ground conditions (strength, hardness) and also assists in identifying any unmarked historic shafts and old mine workings. This information will help to fine tune the site for a vent shaft.

To help us meet the strict noise limits in place, we have placed shipping containers around the rig to mitigate noise. Insulated covers, blankets and mufflers on exhausts are also very effective. Once this testing is complete the shipping containers will be removed.

The geotechnical drill hole will be approximately 670 metres deep and up to 15cm (six inches) in diameter. The hole will be capped with concrete.

Once shaft construction is completed, large fans will be placed underground to force the air all the way through the tunnel from Kangaroo Flat and out at Golden Square. These fans will be at a depth of 670 metres and so will not be heard from the surface. On the surface, a chimney stack design will visibly locate the position of the shaft. On cold days, a plume of steam may be visible from the ventilation shaft.

Community Clipboard

Environmental Trust

Applications are invited for the next round of the Bendigo Mining Environmental Trust grants. The grants are awarded twice a year for environmental projects that benefit the region. The deadline for applications is April 30. For more information or an application form, please call the Community Affairs team on 5447 1834.

Open for onlookers

The recent Open Day at Carshalton was a big success, attracting some 450 interested onlookers. Attendees were able to witness some of the recent developments at the Kangaroo Flat site through a tour of the process plant. A machinery display, the gold cabinet and an exhibition of mine planning software were other popular attractions.

Science winners

Congratulations to the winners of the annual Bendigo Mining Science Awards. The 2005 winners were:

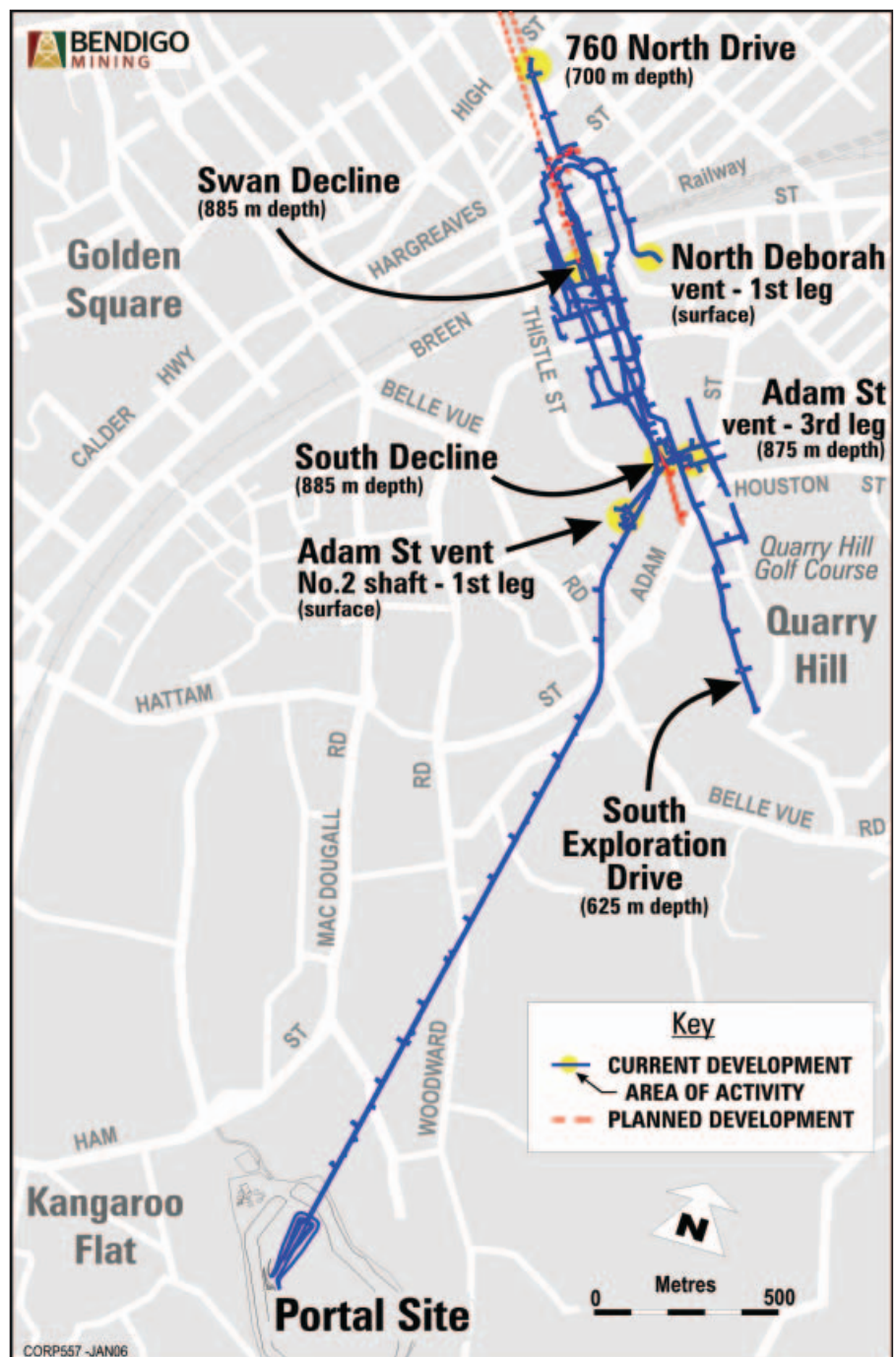
Christopher Annick (Creek St Christian College), Jared Cairns (Girton Grammar School), Jessica Evans (Eaglehawk SC), James Kent (Victory College), Liam Kerkvliet (Bendigo Senior SC), Rhianna Smith (East Loddon SC), Karine Styles and Matt Rule (Kangaroo Flat SC), Daniel Russell (Flora Hill SC), Tony Lamb (Weeroona College) and Peter Mollison (Golden Square SC).

Movember Boys

It was a hairy situation at the mine recently when male members of staff got involved in the 'Movember' moustache challenge. Movember is an event held each year to raise money for the Australian Prostate Cancer Foundation. Participants are asked to ditch their fresh-faced looks for a month and grow moustaches. Seven of our boys raised some \$850 for the cause through sponsorship from family members, friends and workmates.

Supporting local service clubs

We were again happy to support local service clubs' fundraising efforts through the 'Christmas for Kids' event run by the Kiwanis Club of Bendigo and Apex. An underground tour of the mine sold for more than \$200 at a charity auction at the event. The winning bidder – for the second year – was Brendan Dreschler.



Swan Decline - Where are we now?

The underground development of the Swan Decline has continued to the north and is now 845 metres below Breen Street. Development of the Swan and South Declines along with the 760 North Drive will continue through the year.