



27 April 2001

Quarterly Report

January – March 2001

Highlights

- **\$6 million additional funding secured**
- **Production plans announced.**
 - **Stage One production of 90-100,000 ounces gold annually by end 2002**
 - **Stage Two production of 250,000 ounces by end 2004 from a throughput of 600,000 tonnes per annum.**
 - **Stage Three annual throughput of 1.2 million tonnes to produce 400-500,000 ounces per annum by 2007.**
 - **Optimal gold production at a cash cost of A\$150-200/ounce (US\$75-100/ounce)**
 - **Mine life in excess of 25 years**
- ◆ **Exploration Strategy revised to reflect exploration results and increased confidence in 12 million ounce resource potential.**
- ◆ **Drilling continues to produce encouraging results.**
- ◆ **Major advances in understanding gold grade characteristics and this, together with the correlation sampling results, underpins a methodology to estimate Reserves and Resources in the New Bendigo.**

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.

\$6 MILLION ADDITIONAL FUNDING

The Company secured the first tranche of funding to support the commencement of gold production. UniSuper, a major shareholder, agreed to invest a further \$6 million by way of redeemable convertible notes. The agreement provides for UniSuper to subscribe for 6 million uncertificated Notes at a face value of A\$1.00 each to be issued on 24 April 2001. The Notes will mature at the earlier of 6 months (or as extended by agreement between the parties), and the date at which BMNL completes the raising of a further A\$11.5 million. The principal terms of the agreement were announced to the market on 24 April 2001 and can be found on the Company's web page at <http://www.bmnl.com.au>. The money will be utilised to continue the Company's exploration program whilst it seeks to raise up to a further \$50 million to pursue its Stage One production goal as described below.

PRODUCTION PLANS

The Company announced on 5 April its plans to commence gold production in the fourth quarter next year. The Stage One rate of production is expected to be 250,000 tonnes per annum to produce 90-100,000 ounces gold annually. The plan is subsequently to ramp up production in two further stages to reach an annual production rate of 1.2 million tonnes per annum to be producing 400-500,000 ounces gold annually by 2007.

It is planned to source Stage One production from reefs within the immediate vicinity of the Swan Decline on the Sheepshead and Deborah anticlines. Drilling of the reefs continues to return grade and width data regarded as indicative of the historic grades on the Sheepshead and Deborah, which produced 650,000 ounces at a recovered grade of 13g/t.

Stage Two production is planned to involve the Company expanding its treatment facilities to produce 600,000 tonnes per annum to produce at an annual rate of 200-250,000 ounces gold by the end of 2004. Stage Three production would expand the facilities further to an annual throughput of 1.2 million tonnes per annum to produce 400-500,000 ounces gold annually.

The three stage plan follows preparation of a Conceptual Life of Mine Plan prepared by independent mining experts C.L. Smith and Associates and Australian Mining Consultants. SRK Consulting was commissioned to conduct an independent assessment of the geological risks pertaining to the plan.

The conceptual plan indicates a mine life in excess of 25 years with an optimal gold production rate of 400,000 – 500,000 ounces per annum at a cash cost of A\$150 – 200/ounce (US\$75-100/ounce).

Stage One production is expected to require capital investment of A\$40-50 million over the next two years, with a further A\$50-70 million to be invested in 2004 and 2005 to complete the Stage Two facility. Thereafter the project will become self-funding.

N M Rothschild & Sons (Australia) has been appointed as financial advisors to advise on sourcing the appropriate equity and debt funding.

FATAL ACCIDENT

A tragic accident occurred on 1 February 2001. Patrick Stevens was killed in an accident that occurred whilst he was performing maintenance work on an underground truck in the mine. Patrick was a member of the maintenance team employed by contractors Macmahon Underground. No other person was injured. The relevant authorities are conducting an investigation into the accident and the Bendigo Mining team is cooperating fully with those inquiries.

EXPLORATION

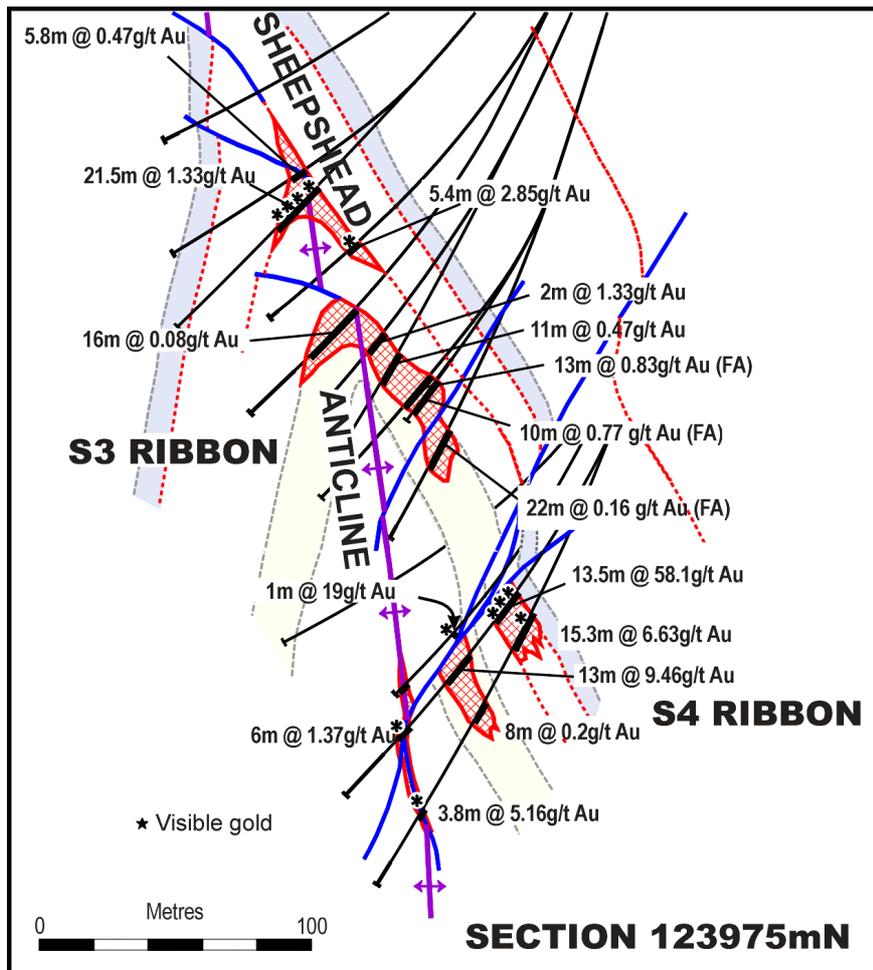
Strategy

On 28 February 2001 the Company announced that the exploration strategy for the redevelopment of the Bendigo Goldfield had been revised to reflect the exploration results. These results and the increased knowledge of the gold mineralisation have increased the level of confidence the Directors and management team have in the greater than 12 million ounce resource potential estimated in the New Bendigo. The extensive revised strategy document has been posted on the Company's web page.

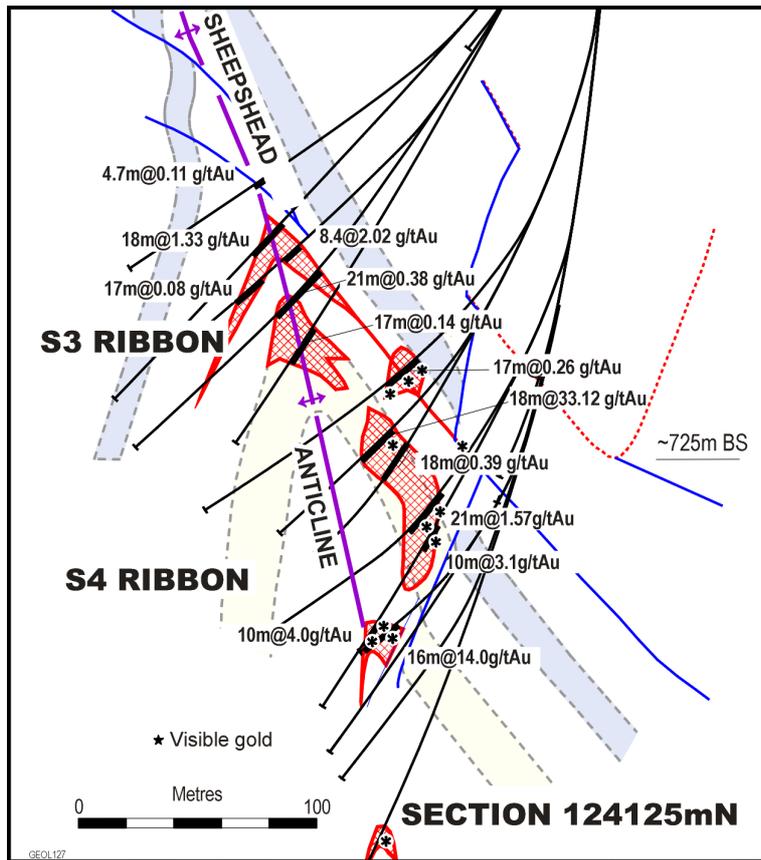
Drilling Results

Drilling continues to produce encouraging results. Based on quartz-arsenopyrite distribution, and gold-arsenic values, the exploration team is consistently able to define, through drilling, a mineralised envelope with an approximate one g/t Au in situ grade cut off. The mineralised envelopes are large and it is estimated that only 20% to 30% of the volume defined would be required to host economic grades to still meet the average metal content/ribbon kilometre of the New Bendigo. As additional information becomes available the mineralised envelopes will be sub-divided into potentially economic and sub-economic zones.

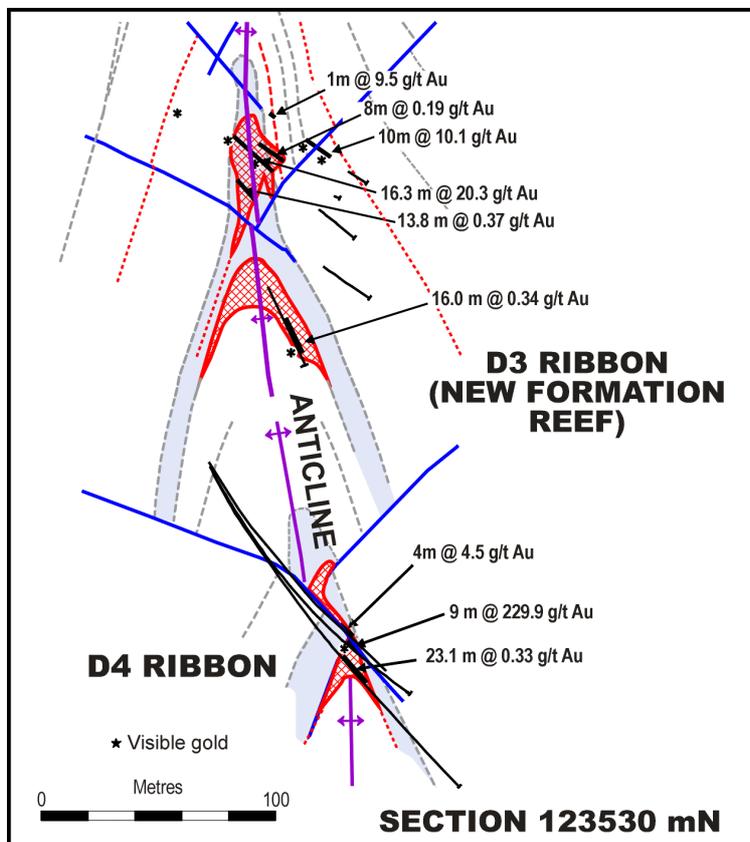
Final results are now available for drilling into the S3 and S4 ribbons on section 123975N, as are preliminary results for drilling for section 124125N some 150 metres to the north. These results indicate the presence of significant zones of potentially economic mineralisation expected to form the basis for commencement of gold production at Bendigo.



NOTE: Given the demonstrated under-reporting of reef grades by drilling, the depicted intersection grades are considered to represent the presence of economic mineralisation.



Final results are now available for drilling into the D3 and D4 ribbons on section 123530N. Again the results indicate the presence of significant zones of potentially economic mineralisation which are expected to form the basis for commencement of gold production at Bendigo.



Grade Characteristics

Drill intersections within the mineralised envelopes characteristically produce erratic results with interspersed high-grade and low-grade intersections. This is caused by the presence of coarse, erratically distributed gold. Gold mineralisation in the Bendigo Goldfield differs from most gold deposits, as the grade of mineralisation is predominantly a function of gold particle size rather than the number of particles present. Elevated grades are achieved by an increase in the particle size of a population of gold grains as opposed to a general increase in fine-particle density. From the exploration information available to date (duplicate assaying, panning results, bulk sampling, etc) it is possible to estimate the grade ranges corresponding with gold particle sizes at Bendigo.

As the particles increase in size the number of particles required to boost grade falls rapidly to the point where in the theoretical 10g/t Au case outlined below only 8 particles of gold are required for 80% of the total gold in a tonne of rock.

In situ Grade (g/t)	0 to 0.2	0.2 to 0.5	0.5 to 2.0	2.0 to 5.0	5.0 to 10.0
Grade increment (g/t)	0.2	0.3	1.5	3.0	5.0
Average particle size	30i	100i	800i	3,000i	5,000i
No. of particles	389,863	15,780	153	6	2.1

As a one-metre interval of halved NQ core weighs approximately 2 kg some 500 metres of drill core (confined to a mineralised zone and sampled) is required to accumulate a sample weight of 1 tonne. In the situation set out above 80% of the gold will occur in just 8 of the 500 samples. The current drill core assay distribution reflects this characteristic and that is why the Company concludes that the current drilling has intersected zones of potentially economic mineralisation.

Correlation Sampling

All correlation bulk samples have been processed and the plant has been put on care and maintenance. As predicted by the poor drilling results from the St Anthony reef, the majority of the bulk samples returned values less than 1.0g/t Au. A higher-grade shoot grading up to 8g/t Au, over a 3m width, was also tested. The shoot was identified by visual inspection for gold in the face, and by chip sampling and truck sampling using 50g fire assays for gold. This indicates that the identification of mill-feed will be relatively simple when significant access to the mineralisation is available.

The St Anthony's reef correlation bulk sampling has confirmed the low tenor of mineralisation intersected by the drilling into that area and demonstrates that with sufficient intersections it is possible to determine, from drilling alone, whether a reef is poorly mineralised or well mineralised.

Processing of the correlation bulk samples from the higher-grade gold shoot has confirmed the presence of abundant coarse gold. With the coarse nature of the gold the gravity circuit concentrate typically contains between 57% and 75% of the total gold despite the material only being pulverized to a nominal 1.5 mm. The efficiency of gravity recovery increased as grade increases, as demonstrated below.

Grade Range	<0.5 g/t Au	>0.5 to <1.0 g/t Au	>1.0 to <2.0 g/t Au	>2.0 to <9.0 g/t Au
% Gravity Recovery	57	61	70	75

These results point to the likelihood that high recoveries will be obtained from a gravity recovery process. Further metallurgical test work is planned in the run up to Stage One production.

Profit & Loss Statement
For the quarter ended 31 March 2001 (Unaudited)

	\$A'000
Operating Expenditure	3,498
Less: Interest Received	<u>(106)</u>
Operating Loss	3,392
Income Tax Attributable	<u>0</u>
Operating Loss After Income Tax	3,392
Accumulated Losses 31 December 2000	<u>56,400</u>
Accumulated Losses 31 March 2001	<u><u>59,792</u></u>

Balance Sheet
As at 31 March 2001 (Unaudited)

	\$A'000
CURRENT ASSETS	
Cash & Investments	3,955
Other Current Assets	<u>1,112</u>
TOTAL CURRENT ASSETS	<u>5,067</u>
NON CURRENT ASSETS	
Property, Plant and Equipment	<u>2,731</u>
TOTAL NON CURRENT ASSETS	<u>2,731</u>
TOTAL ASSETS	<u><u>7,798</u></u>
CURRENT LIABILITIES	
Accounts Payable	1,247
Provisions	<u>113</u>
TOTAL CURRENT LIABILITIES	<u>1,360</u>
NON CURRENT LIABILITIES	
Provisions	<u>13</u>
TOTAL NON CURRENT LIABILITIES	<u>13</u>
TOTAL LIABILITIES	<u><u>1,373</u></u>
NET ASSETS	<u><u>6,425</u></u>
SHAREHOLDERS' EQUITY	
Share Capital	66,217
Accumulated Losses	<u>(59,792)</u>
TOTAL SHAREHOLDERS' EQUITY	<u><u>6,425</u></u>