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GREATER BENDIGO
GOLD MINES LTD

GREATER BENDIGO GOLD MINES LIMITED
(ABN 59 119 956 624) AND CONTROLLED ENTITIES

UPDATE

26 FEBRUARY 2010

OVERVIEW

With a requirement to post the accompanying 3b outline to all shareholders to foreshadow the upcoming Rights Issue, we take the opportunity to provide this Update to ensure all shareholders are up to date with the state of the company's projects and activities.

Corporate matters

The Directors have strongly progressed the recapitalisation of the Company resulting in the recent announcement that an Offer Information Statement is all but complete and should shortly be posted to shareholders relating to a partly underwritten 5:4 rights issue intended to raise just over \$4.6m.

This document is NOT an offer document – this document is simply one of our periodic corporate updates.

Operational matters

At the Maxwell's Mine, Inglewood, stoping of L1 Max Stope has continued with the first lift of the south stope and the second lift on the north stope completed. At the Maxwell's Mill, modifications to the plant and upgrade to the leach circuit have continued - along with limited gravity production during the commissioning process which has produced a modest 20 oz of gold but has shown management that the plant modifications are on track to producing a robust gold production

CORPORATE

GBM is progressing a partly underwritten 5:4 rights issue intended to raise just over \$4.6m. In order to facilitate this, an Offer Information Statement (OIS) has been prepared and an underwriting arrangement entered along with other corporate documents required to give effect to the Rights Issue. They are in the process of being signed off and/or lodged as required.

The rights issue is to proceed on the timeline shown in the letter which this update accompanies.

Upon successful completion of this Rights Issue, and securing of a settlement agreement of the creditors of our subsidiary GBGM Operations Pty (in liquidation) Ltd, ASX have indicated they will consider lifting the voluntary suspension to allow trading in GBM shares to recommence.

Assuming all comes together as planned we expect GBM to be trading again around 9 April 2010.

INGLEWOOD FOCUS

Maxwells Mine and Mill

The company has continued to develop the Maxwells Mine with approximately 150 tons of high grade underground ore from the L1 Max shoot being brought to surface to date, adding to the approximately 1,000 t of 1.7g/t tailings recovered for reprocessing from tailings over the last 2 years and the 25,000 t of tailings at approx 1g/t already on the ore storage (ROM) pad. This stockpile provides the company a good 4 months of ore for commissioning the new leach circuit, to which will be added on a weekly basis a steady but low tonnage stream of high grade ore from the Maxwells Mine.

The Mill has been modified and now the front end gravity circuit produces, in addition to “coarse free gold”, a “slimes” component for gold recovery in an expanded 300 t/day Carbon In Pulp leach module. See attached plant diagram which shows where the leach module fits in.

The existing leach tanks have been supplemented with 5 Pachuca tanks for carbon adsorption and at the time of writing, final fit out of these tanks is underway in preparation for loading carbon. See picture of the tanks in place below.



Gravity circuit

Recommissioning and fine tuning of the amended crushing and gravity recovery part of the mill up to the leach circuit has seen ~ 150 tonnes of ore from the Max shoot processed along with a similar tonnage of tailings material from the Rom pad. Processing is now going to be restricted until the leach circuit is completed and commissioned over the next few weeks. .

Gold (dore) totalling 630 grams (just over 20 oz) has been poured to date from the gravity recovered gold.

Further pours and sales from the gravity recovery will be made as current material at hand continues to be processed. Further gold bearing materials have been recovered from this ore in the form of sand and slimes - but processing of that awaits completion of the CIP Leach circuit.

CIP Leach circuit

The modifications to the front end of the plant have seen a sand product produced for finer grinding to enhance gold release in the leach circuit (average sand grade 9 g/t) and also a slimes product which goes directly to the CIP leach circuit. Approximately 200 tonnes of slimes (assaying 1.8 g/t) has already been sent to the leach tanks. Recovery of gold from the CIP circuit awaits (i) final fit out of the tanks for leach operations to commence (ii) re-commissioning of the existing ball mill for sand regrind and (iii) commissioning of the electrowinning circuit on site for gold recovery from the carbon in the leach tanks.

Work has already commenced on recommissioning the existing ball mill which will be set up to grind the – 1mm sand produced during the gravity process to allow effective treatment via the Carbon in Pulp module. It is expected that a sufficient stockpile of sand will be available to run the ball mill constantly at approximately 5-8 t/hr on sand once it is recommissioned.

The 300 t/day leaching capacity that is now in place means that a 14 hour processing day at 20 t/hr will refill the leach tanks each day. The finely ground “slimes” containing gold then sit in the leach tanks overnight, with agitation and forced air assisting in keeping the “slimes” moving and the gold dissolving in to the Cyanide and then absorption on to the Carbon in the Pachuca tanks. The next day’s production pushes the gold depleted slimes out to the tailings dam - and refills the leach tanks with fresh gold laden slimes. The gold recovery process in the CIP leach circuit becomes a continuous process.

Once the approximately 1 ton of carbon in the end Pachuca tank is charged with Gold to a target level of +3,000 g/t, the carbon is removed from that tank and the gold on it is stripped under an electrowinning process. Fresh carbon is placed back in the tank and the cycle continues.

Exploration at Inglewood

Drilling to extend the resource between the Max Shoot and the Max North shoot at the Level 1 (100 metre) level is scheduled to be completed in this quarter.

3 RC holes will test the Maxwells reef on 20 metre spacing’s to provide data on the reef and the level of mineralisation within areas of indicated and inferred resource blocks between the L1 Max shoot and the L1 Max North Shoot.

This will greatly assist the opening of further stopes assuming economic grades are encountered.

The North Crosscut on 1 level has been prepared for a strip out to allow accessing the reef structure with the bogger. There is approximately 8 metres to drive to set up a 2nd stope.

WOLFF SHOOT:

400 metres south of the Maxwells Mine is the Wolff shoot. Drilling by Goldquest NL outlined an estimated 11,000 ounces of Indicated resource.

Further drilling by Strata Mining Corporation indicated that a shallow portion of the shoot existed and GBM has looked to further test this.

Drilling of the shallow portion of the Wolff shoot area in September 2009 has returned gold intercepts as reported in the last quarterly report.

A modelling exercise to interpret the results is awaiting completion.

A work plan proposal has been commenced to describe the excavation of a box cut and decline to the resource at 60 metres below surface. Engineering and geotechnical advice is required to progress this proposal.

COMISKY LINE

Exploration data from the previous operator's records is currently being digitised and modelled with a view to estimating a resource.

A total of 10 trenches and 6 diamond drillholes were completed by Goldquest N.L. over a strike length of ~300 metres with numerous mineralised intercepts recorded.

It is intended to complete the initial data assessment and resource estimation and prepare a work plan for infill drilling by the end of the next quarter.

GOWKS HILL

Gowks Hill lies within EL 3800 at Wedderburn and an estimated inferred resource 5000 ounces as exists based on drilling by Strata Mining Corporation and GBM follow up work.

It is planned to undertake infill drilling at the Gowks Hill resource along with bulk sampling to increase the confidence in the deposit before undertaking a feasibility study on mining.

HARVEST HOME JV

The planning for drilling a series of diamond drill holes to increase confidence in the existing resource is currently underway.

While a significant number of Reverse Circulation holes have been completed, diamond coring is to be undertaken to confirm structural interpretations and allow geotechnical parameters to be measured

QUEEN'S BIRTHDAY JV

The Aircore drilling program for Whites Patch is planned for the next quarter and will target structural intersections within the Goldsbrough Moliagul mineralised corridor.

AVOCA

GBGM FIDDLERS CREEK PTY LTD/GBGM AVOCA PTY LTD/INDUSTRIAL SANDS AND GRAVELS LTD

FIDDLERS CREEK PROJECT

EXPLORATION

A field reconnaissance trip to the area in early February has resulted in the location of two quartz exposures within MIN 4548 that were rock chip sampled.

FC01 and 02 were taken at the Sliding Rock reef locality while FC03 and FC 04 were taken at an exposed reef outcrop south of the Perseverance adit.

It is intended to undertake follow up sampling, both soil and rock chip along strike of both localities.

North (MGA)	East (MGA)	RL (Est)	Description	Assay (g/t Au)
5897521	711408	245	FC 01 Quartz in trench	5.52
5897566	711428	250	FC 02 Quartz Reef	0.17
5896875	711466	220	FC 03 Sheared + Iron Stained Quartz	3.56
5896861	711476	220	FC 04 - Buck Quartz	0.25

FIDDLERS CREEK MINE

Following the modelling work last quarter showing a significant increase in the inferred resource at the Fiddlers Creek mine (see December quarterly report), a drilling program has been designed to test the inferred resource for gold grade. It is intended to undertake 3 RC holes to approximately 100 metres depth.

Additionally, preliminary work on a revised work plan to gain approval for a decline to access the existing resources has been commenced should drilling be successful.

Several existing drillholes are planned to be re entered and extended to test the modelling interpretation in the south.

A soil sampling program will be undertaken over a significant anomaly north west of the Fiddlers Ck Mine site to extend its strike length and assess its suitability for drilling.

ISG - BEAVIS PROJECT

At the company's industrial mineral and alluvial gold project, (Beavis Project), aircore drilling to determine the relative percentages of sand, gravels and clay throughout the deposit is planned for the next quarter. The work plan proposal for processing gravel is progressing with the various departments.

BENDIGO FOCUS

GBGM WILSON HILL PTY LTD

Further modelling and conceptual work in preparation for an extensive drill programme has been undertaken. An extensive Exploration Target has been defined by modelling to date and further work is aimed at increasing confidence in the current resource estimations.

The aircore drilling programme planned to test for extensions to the gold field both North and South along strike is expected to be completed in the next quarter.

In respect of the 25% interest in the Sebastian JV via the Wilsons Hill subsidiary which is managed by Castlemaine Goldfields Ltd (CGT) there is further reviews and minor field work proposed.

Signed for and on behalf of Greater Bendigo Gold Mines Limited



COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by John Cahill, who is a Member the Australian Institute of Geoscientists.

John Cahill is the Managing Director of Greater Bendigo Gold Mines Limited John Cahill has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. John Cahill consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

COMPANY INFORMATION

BOARD

DIRECTORS

Ian W. Smith (Chairman)

John E. R. Cahill (Managing Director) Peter B. Marriott (Non-executive Director)

Wayne N. Johnson (Non-executive Director)

Stuart D. Hall (Company Secretary)

REGISTERED OFFICE

Unit 2, 8 Wood Street, Long Gully, Bendigo

Telephone: 03 5445 2300

Facsimile: 03 5444 0036

AUDITORS

Richmond Sinnott & Delahunty

172–176 Mclvor Road

BENDIGO VIC 3550

SHARE REGISTRY

Computershare Investor Services Pty Ltd

Telephone: 1300 85 05 05

STOCK EXCHANGE LISTING

Australian Stock Exchange

Code: GBM