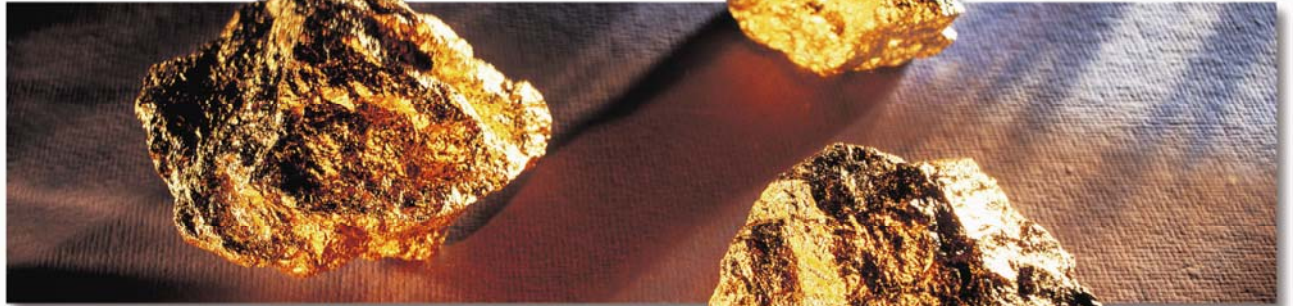


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GREATER BENDIGO
GOLD MINES LTD

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

REPORT TO SHAREHOLDERS

FOR THE QUARTER ENDED 31 DECEMBER 2009

OVERVIEW

The December quarter has seen the company make good progress towards recapitalisation. Announcements have been made regarding several placements completed in the quarter and an underwritten Rights issue offer which is being prepared for posting to all shareholders in the first half of February.

Work has also continued at the Maxwells Mine and Mill.

At the Maxwells Mine limited stoping had commenced at the Max shoot during the quarter and continued post.

At the Mill, modification to the plant process commenced during the quarter with the recommissioning of the existing leach tanks and the delivery of further tankage capacity which will be installed and commissioned during the March quarter, along with recommission of the Ball mill and the electrowinning circuit to allow the entire gold winning process to take place under GBM control on site

CORPORATE

Significant effort has gone in to fund raising, with the following actions completed during the quarter.

A series of placements were completed at \$.03 cents per share. These funds have been applied to the upgrade of the Maxwells Mill and taking the mine back in to steady operations.

Additionally a corporate advisory and underwriting agreement was reached with Greenday Corporate Pty Ltd (Greenday) in respect of the underwriting of a rights issue to raise approx \$4.6m (with back to back repayment of approx \$1.3m of debt). This rights issue will be sent to shareholders in February and we expect it to be completed with all funds banked by the end of March.

Funds raised will be applied to retirement of debt, including provision of funds to the creditors of subsidiary GBGM Operations via what is intended to be a court sanctioned Arrangement - and most importantly to provide funds to allow GBM to scale up production at Inglewood and expand the geology programmes to improve the quantity and quality of GBM's Gold Resource.

In addition the company is presently seeking to lift the voluntary suspension of its shares and recommence trading on the ASX - so shareholders and prospective investors can buy and sell. An update on the steps required to be completed before share trading can recommence is expected early in February.

AREAS OF FOCUS AND PROJECTS

Greater Bendigo Gold Mines (GBM) has 3 geographically based Areas of Focus in the Greater Bendigo region – being

- (i) Inglewood
- (ii) Avoca and
- (iii) Bendigo.

Each area of focus contains a number of Projects and each project one or more mining and/or exploration licenses.

The company has seen fit to divest itself of a number of licences over the period to reduce its statutory requirements and allow management to focus on projects seen as having the greatest potential.

Two licences with the Bendigo Area of Focus have been sold and transferred.

A licence at Redcastle is currently under a contract for sale.

A Work Authority at Maryborough has been relinquished



Fig 1: GBM's project areas

INGLEWOOD FOCUS

GBGM INGLEWOOD PTY LTD

Comprises the Inglewood project (covering the entire Inglewood Goldfield under mining licence and overlaid exploration licence) as well as Projects at Wedderburn, Kingower and joint venture projects at Harvest Home and Queens Birthday.

Maxwells Mine site

Work at Maxwells Mine has continued with the current workforce focused on commencing production from underground.

Work in the quarter involved a maintenance project on the top 10 metres of the shaft followed by the commencement of stoping on the Max shoot while at the Mill, the addition of the CIP circuit to the mill commenced.

Shaft Maintenance:

Inspections of the shaft since reopening have monitored the top 20 metres and noted some maintenance was required.

A risk assessment identified the top 10 metres required replacement and this was carried out successfully.

With the work carried out last quarter and the successful conclusion of this program, the Maxwells shaft is in excellent condition for ongoing production operations.

Max Shoot:

Underground operations resumed in the second week of December and a south drive was commenced from the Max shoot access cross cut. A second rise was constructed from the access crosscut to meet the south sub level drive. This was completed just before the end of the period and has been set up as an ore pass.

From the original Max shoot rise, a south sub level drive was put in intersecting the new rise /ore pass.

This south drive revealed a "jewellery shop" with numerous visible gold occurrences with gold particles up to 2 cm being observed on the hanging wall. See figs

At the end of the period, the drive was ~3 metres south of the ore pass rise.

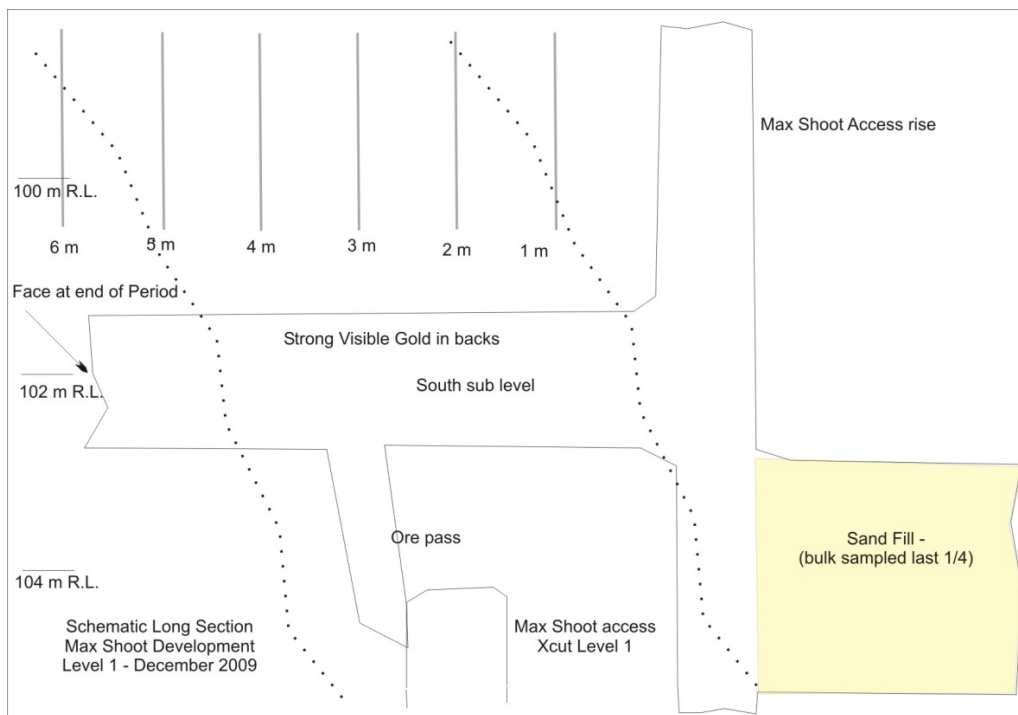


Fig 2. Max Shoot development to 31/12/2009

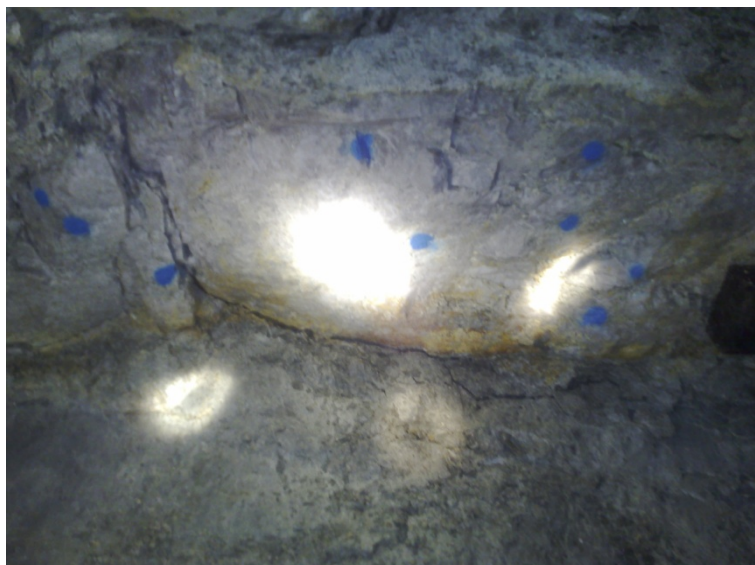


Fig 3. Blue spots mark visible gold occurrences in the backs of the South drive



Figs 4 & 5. Hand specimens from the south drive Max Shoot sub level

This latest work will allow the production of gold on a small but increasing tonnage to continue from the middle of the following quarter.

The Max shoot dimensions have been proven to be very close to the estimated resource dimensions while the width (and tonnage) estimates have potential to be exceeded with the reef having expanded to in excess of two metres in the north stope.

The focus is now on regular production to be followed by increased stope no's

No work has been undertaken on levels 2 or 3 for the period.

Operational Planning for the next period involves the Following:

Ongoing stoping at the current sublevel of the Max shoot both south and north.

Completion of the next north crosscut to intercept the Max shoot ~20+ metres north of the access rise. This will be progressed in the next quarter, with approximately two weeks work required to complete this.

RC drilling program to increase resource data between Max and Max North Shoots

The drill programme referred to above is an RC drilling program to probe the Maxwell Reef between the Max Shoot and the Max North shoots. This area has not been drilled by Goldquest et al and has potential to contain further high grade mineralisation. Drilling is planned for late February.

The drilling will determine the direction of the Level 1North drive which is currently aimed at the Max North shoot, ~35 metres north west. If significant encouragement is received from the infill drilling, a west cross cut will be put in to intersect the reef in a shorter distance, which would provide the opportunity to increase production tonnage and earlier than planned. Outcome of drilling will be advised when completed.

A further underground driving programme is planned to complete the three level exploration drive to bulk sample the high grade drilling results obtained previously by Goldquest N.L. approximately 5 metres of driving to reach the intersection remains.

As shown below, the haulage from underground for the period was small but reflected only 10 Days of underground mining work in late December. This data is provided as we intend to publish production and output data quarterly as we move in to a round the clock gold production cycle in the coming quarter.

Haulage for the Period to 31/12/09		
Heading	Trucks	Tonnes
Max Shoot South	53	34.5
Max Shoot Rise	28	18
Total	81	52.5

Table 1. Haulage figures for December

Projecting forward, the production schedule plans to gain access to a further two stopes by the end of the next quarter with production projected to increase to ~100 tons per week.

By the end of the next quarter with the full leach circuit operational, revised projections will be published – to factor in operational experience gained in the commissioning of the plant.

All other functions in the mine are working satisfactorily.



Fig 6 plumb lines for shaft refurbishment



Fig 7. Services on west wall

Processing Plant

With the increased funding, the addition of the leaching module has progressed and at the end of the period, commissioning of the modified circuit was underway.

Concreting, location of tanks and plumbing into the gravity circuit were completed. Chemicals and carbon have been ordered and work progresses on operational planning to implement the use of Cyanide in the process.

Additionally, the company already owned 50% of five leach tanks giving a further 200 tons per day in leaching capacity. The share of the tanks held by the JV partner was purchased and these tanks are being erected and connected to the circuit at present and will be commissioned in the next quarter.

The next phase of the Mill upgrade involves recommissioning the existing ball mill on site and incorporating it into the circuit along with the construction of a carbon stripping circuit and the electrowinning cell.

The outcome of this work will be a processing plant designed to recover up to 95 percent of the gold from both tailings and underground ore, and able to operate with low operator costs on a round the clock basis.



Figs 8 & 9. Leach tanks on the pad and CIP pre treatment tank

Exploration:
Inglewood Project:

Modelling and underground mapping at Maxwells has continued during the quarter with good results. This work has further confirmed the structural setting at Maxwells and the relationship to the rest of the Goldfield.

Results from the Reverse Circulation drilling program at the Wolff shoot returned significant results which confirmed the mineralisation reaches to surface.

Table 1. Details results.

Final analysis and interpretation is expected in the next quarter but preliminary conclusions indicate that a gold shoot exists in the shallow portions of the Wolff shoot structure and the potential to define shallow resources has increased significantly.

Modelling of the Wolf shoot has given a preliminary indication of a similar structure to the Max Shoot and it is intended to complete the modelling work and prepare a revised resource figure.

This work will lead to a prefeasibility study to be completed on accessing the Wolff shoot by box cut and decline.

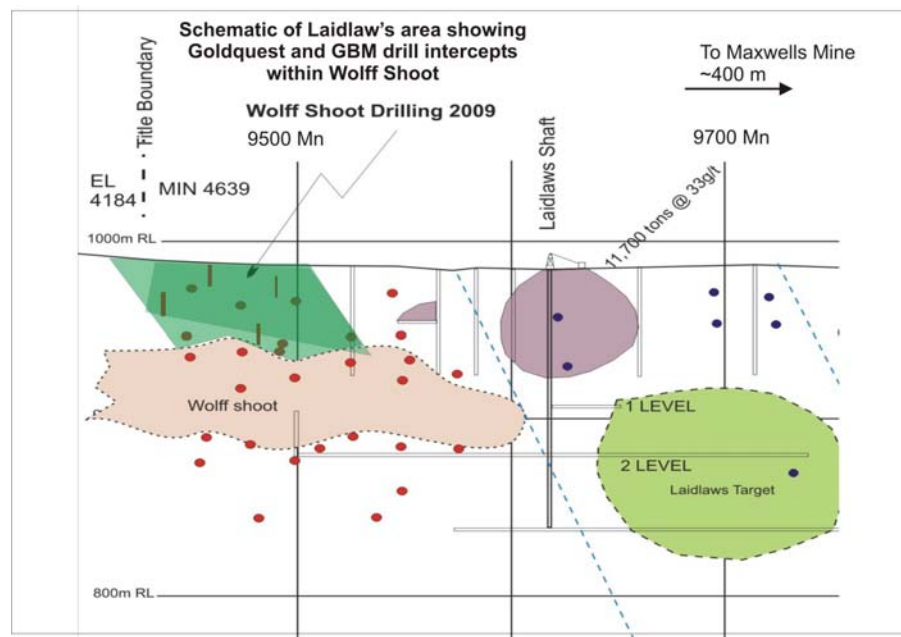


Fig 10. Schematic representation of RC drilling intercepts

Hole ID	East	North	Sample No	From	To	Interval	Grade g/t
WFR001	54756765	5950536	GB11	7	8	1	0.1
			GB20	25	26	1	0.1
			GB24	29	30	1	0.44
			GB25	33	34	1	0.21
WFR001		Summary		29	30		0.44
WFR002	54756751	5950555	GB28	2	3	1	0.25
WFR004	54756732	5950576	GB56	0	1	1	0.46
			GB58	2	3	1	0.2
			GB59	3	4	1	0.1
			GB60	4	5	1	5.48
			GB61	5	6	1	0.17
WFR004		Summary		0	6	5	1.2
WFR006	54756773	5950572	GB70	54	55	1	0.31
-	-	-	GB71	55	56	1	0.62
-	-	-	GB72	56	57	1	1.1
-	-	-	GB73	57	58	1	1.18
-	-	-	GB74	58	59	1	1.47
-	-	-	GB76	60	61	1	0.51
WFR006		Summary		54	61	6	0.86
WFR006			GB79	63	64	1	0.19
			GB80	64	65	1	0.1
			GB81	65	66	1	0.14
			GB82	66	67	1	0.89
			GB83	67	68	1	0.17
			GB84	68	69	1	0.22
			GB85	69	70	1	0.1
WFR006		Summary		66	69	3	0.42
			GB87	71	72	1	0.64

Table 1. Summary of Wolff Shoot drilling results.

Note: Holes WRF 001 to WRF 005 samples were subjected to 50g fire Assay

Holes WRF 006 samples were subjected to 1 Kg B.L.E.G. analysis

All holes except WFR 006 drilled vertically. WRF 006 drilled 60 Degrees to west

Harvest Home/Queens Birthday JV's (GBGM 50%) EL's 4985 and 5029

On completion of the rights issue, the JV working group have determined that a Diamond drilling program at Harvest Home to upgrade the resource status and provide geotechnical information for prefeasibility studies will be undertaken and a program for drilling has been accepted by a contractor.

Additionally, an aircore program is planned for the Whites Patch area to assess bedrock mineralisation within the Moliagul shear zone.

A program of 3D modelling of the Queen's Birthday group of company's records is to be initiated during the next quarter on EL 5029.

The purpose of these programmes for GBM is quite simply to work to build further sources of viable feed for the Mill for the years ahead.

AVOCA FOCUS

INDUSTRIAL SANDS & GRAVELS PTY LTD (ISG)

The company awaits comments from the various agencies as to its proposed work plan to screen the alluvial waste dumps to assess industrial mineral products and commercial viability.

On gaining approval for its work plan, the shire will be approached for a planning permit to commence work.

Aircore drilling to determine the relative percentages of sand gravels and clay throughout the deposit will be undertaken in the next quarter. At the same time the gold grade present will be measured.



Figs 11 & 12 Beavis gravels and landscape

GBGM FIDDLERS CREEK PTY LTD/GBGM AVOCA PTY LTD

FIDDLERS CREEK PROJECT

Following the modelling work last quarter showing a significant increase in the inferred resource, a drilling program has been designed to test the inferred resource for grade. It is intended to undertake 3 RC holes to 80 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.

BENDIGO FOCUS

GBGM WILSON HILL PTY LTD

No field work was undertaken on the Wilson Hill project for the quarter, but further conceptual work completed and a drilling programme is being planned to test for extensions to the gold field which would expand the Exploration Target substantially.

Discussions with a landholder regarding proposed work was commenced.

In respect of the 25% interest in the Sebastian JV via the Wilsons Hill subsidiary which is managed by Castlemaine Goldfields Ltd (CGT) there was no activity for the quarter.

KRALCOPIC

Owns the Laura Mining licence (Min 4495) which has been conditionally sold (effectively subject to due diligence) given GBM no longer sees this tenement as part of its core focus.

Following the restructure, Kralcopic is being used as a service vehicle to provide technical and administration services to the GBM group and the JV's.

OTHER INVESTMENTS

Fine tuning of the companies concentrators is ongoing as part of the mill upgrade and it is expected within the next quarter to have assembled sufficient data to allow analysis of the machines effectiveness and GBM's plans re the same moving forward.

FORWARD CASH POSITION

The company had limited but workable cash of \$142,000 at bank at the end of the quarter.

It should be noted that the company also had ~\$265,000 in receivables and \$185,000 stock (total stock & debtors approx \$450,000) at the end of the quarter – and that over

half of this amount had been banked by end January with the remaining half is expected to be cashed by end February.

In addition an underwritten rights issue that secures nett of back to back debt repayment of A\$3.3 Million cash is in progress – and the aim is for it to be completed by the end of the next quarter.

Signed for and on behalf of Greater Bendigo Gold Mines Limited



*John Cahill
Managing Director*

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

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John E. R. Cahill (Managing Director)

Peter B. Marriott (Non-executive Director)

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