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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 30 JUNE 2010

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## HIGHLIGHTS

- Rights issue completed and 4.65M raised and applied
- Voluntary suspension lifted – trading recommenced of GBM shares on ASX
- 100% subsidiary GBGM Operations returned to administration, DOCA signed and funds paid which will lead to it being returned to the GBM Group
- Option to purchase Bendigo Creek Licences signed. These licences contain 34,000 ounces of gold in tailings recoverable by standard leach processing operation similar to the Inglewood plant
- Mining engineer Trevor Callow appointed to manage key upgrades and changes to the underground operations at the Inglewood project
- As a result Maxwells Mine development plan changes settled and implemented.
- Maxwells Processing plant CIP module commissioned and successfully taken in to full time commercial production
- Dore produced for the quarter totalled 6.7kg, mostly in June – which production led to gold sales totalling \$247,000 inclusive GST
- Malcolm Carson a well respected geologist with wide and varied mining industry experience joined the Board of GBM
- Resource extension drill programmes completed at Gowk's Hill, Beavis and Maxwells reef

## CORPORATE

The company, as has been announced, completed the rights issue in April. Funds raised have been applied to settling payments and issues associated with the events of 2008/2009 and in advancing the company, principally in developing its Inglewood subsidiary's Maxwells Mine operation to modest but growing daily gold production.

On the Corporate front there were a series of land mark events in the quarter :

- As already announced the funds sought under the Offer Information Statement (OIS) were secured and payments as shown in the OIS document made from funds raised.

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- our subsidiary GBGM Operations was restored from liquidation to Administration, a DOCA was approved by its creditors and following the close of the above capital raising the sum of \$800,000 was settled. As a result this subsidiary will shortly be returned back to the management of the GBM group.
  - Following demonstration of the above steps, the ASX agreed GBM could lift its voluntary trading suspension and GBM recommenced trading once more on ASX.
  - GBM provided funds to its Inglewood operation to enable it to complete certain capital expenditure on the Mill to commence continuous gold production
  - The company entered into an option agreement to purchase the Bendigo Creek tailings project, covered by Mins 5512 and 5515.

GBM has reviewed the licences which cover deposits of tailings washed down the Bendigo Creek during the 1800's, and 1900's. In 1989, Bendigo Gold associates (BGA) conducted resource work which provided a drill indicated resource of 1.9 million tonnes at 0.56 g/t with ~900,000 tonnes within that resource grading at 0.9 g/t.

Test work at that time confirmed that the gold was present in the finer fraction, allowing a sand product to be cut out before conventional CIP processing would provide an 80+ % recovery.

BGA completed a comprehensive Environmental Effects Statement describing an operation which (i) slurried the tailings (ii) then pumped them to a treatment site away from the creek environs where (iii) there was a screening out ~ 50% of the sand for resale before (iv) subjecting the remaining slimes to cyanidation and gold recovery by carbon before (v) depositing the tailings in a dedicated tailings facility.

The mining process will effectively return the ground surface to that originally in place before large floods of tailings were produced by the mining processes in Bendigo, and as such can be viewed as an environmental clean up.

GBM intends to assess the approvals process during the option period to gain an appreciation for the issues that may arise in progressing the mining licences to grant and subsequent approval to commence work.

The company is confident in the resource and the processing requirements which are straightforward and similar to what is presently occurring at the GBM Inglewood operation. GBM sees the highest risk

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being the gaining of approval to mine and hence the option with reasonable time to explore this issue has been negotiated.

The company has commissioned a native vegetation management report to be completed in the coming quarter. It has been determined that the native vegetation management plan proposed by the licence will be critical in gaining approval to mine and obtaining this report will be a major factor in the company's due diligence process. This will form the basis for constructing a mine plan for the project.

- Peter Marriot resigned from the board
- Experienced industry veteran Mal Carson joined the board and a further board member has been invited to join the board at the end of the quarter, but appointment not yet completed.

In summary:

Management and the board have worked hard this quarter to tidy the company and allow continued development of GBM's core Central Victorian gold assets.

The company and board comprises an expanded group of professionals with the skills and will to drive the company forward and add value by a three phase process of (i) exploration to expand resource, especially resource with near term mining capacity (ii) production (iii) strategic acquisition to enable the company to expand its gold production

The Inglewood operation has moved into continuous production with the processing of tailings and underground ore as available now providing for a modest but regular and growing cash flow.

### AIM

The company aims to

- Grow through 20,000 oz production per annum within 3 years and move through 50,000 oz per annum production within 5 years.
- Grow its JORC resource base to >500,000 oz within 3 years and > 1 million within 5 years
- The above can be through organic growth and/or strategic acquisition, the aim being to drive significant value appreciation to shareholders.

## AREAS OF FOCUS AND PROJECTS

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There has been no change to Greater Bendigo Gold Mines (GBM) 3 geographically based Areas of Focus in the Greater Bendigo region – these are still :

- (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.



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 overlayed exploration licence) as well as Projects at Wedderburn, Kingower and joint venture projects at Harvest Home and Queens Birthday.

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### **Maxwells Mine site**

Production of gold was taken to a continuous process during the period with the commissioning of the CIP leach and strip circuits.

An increased focus on the mine has been undertaken to bring it to a high operational level.

The appointment of Mining Engineer Trevor Callow to the Inglewood project has allowed the Maxwells Mine project to be reviewed and a systematic plan of development for the Maxwells reef prepared and implemented. With the plan in place, post the end of the quarter Trevor has moved out of day to day and in to a role where he is available under contract to the company as required from time to time.

The development plan sees several crosscuts constructed into the Maxwells reef and rises constructed to the 990m RL.

Subsequent strike levels are to be driven on reef from the rises for approximately 180m of strike.

This will allow both mining of defined blocks and probe drilling in the inferred and indicated blocks along the reef structure to be undertaken along with bulk sampling of development dirt during driving, and where values are payable, further mining.

Production rates will be increased significantly following a review of ground support by Trevor, that has brought about major changes to the mining method, improving stability, potentially greatly increasing daily production tonnage, improving fill and support methods and reducing the need to fill.

Crosscuts at 63mN, 97mN and 124mN have accessed the reef with 97mN being developed to allow further access to the Max shoot.

At the time of writing, the Max shoot had been accessed with new ore passes and manway and stoping recommenced.

The 63mN crosscut was targeted at a high grade drill intersection ~10 metres west of the 100m north drive. A short rise will be put in on reef to reach the drill intersection before driving north to meet the Max shoot level south drive.

The result of the infrastructure and redevelopment work put in is that little underground ore for processing has been produced this quarter. Ore production is scheduled for commencement in August of the next quarter.

A stylised representation of the proposed development is shown on Pg 7.

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Level 1: Work for the quarter has concentrated on establishing the three crosscuts at 63mN, 97mN and 124mN along with rising on the reef to gain access to the development drive level.

This enhanced mining plan for the Max Shoot, Max North Shoot and potentially Farrell Reef is the major focus of underground activity.

The completion of the manway and ore pass in July at 97mN will allow the 1st development level at 990m R.L. to be commenced, accessing the high grade material in the Max shoot. The drive will be pushed through the length of the shoot and secured before jump ups to continue stoping are put in. It is expected to produce ~500 tonnes for the coming quarter.

A drive to access the reef at 170mn on level 1 will be commenced to access the Max North shoot.

Other underground work included:

Level 2 : No significant work

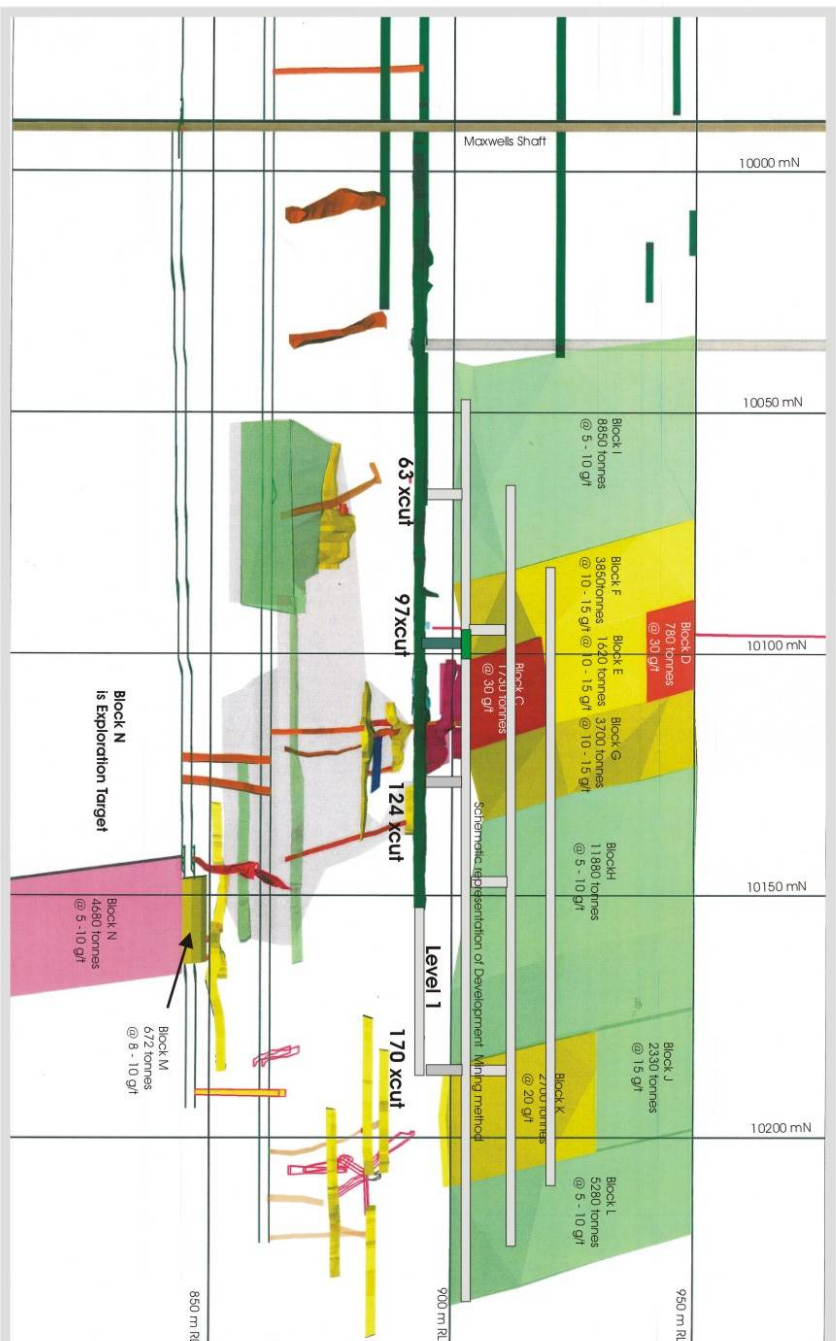
Level 3 : At 150mn, a drive along the reef below existing stoping on the Max shoot has advanced 25 metres and ~800 tonnes of reef is available for mining should samples be encouraging.

At the end of the period, approximately 50 tonnes of quartz had been sent to the ROM pad waiting processing as a bulk sample Probe drilling and face sampling has outlined a low grade ore body in the 2 – 4 g/t range

In summary, development work has been undertaken over stoping which has impacted on ore production for the quarter.



Fig 1. Development Plan



GBGM Inglewood Pty Ltd  
10,000 mE Longitudinal Section  
Maxwells Mine resources

Proposed Development Plan  
for six months to  
December 2010

Measured  
Indicated  
Inferred  
Exploration Target



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#### Supporting Work:

Additional work to prepare the mine for ongoing operations has included work on the ladder ways, replacement of the main pumping system and redesign of the ventilation system..

The mine pumping system has been handled by a submersible pump in a dam constructed on 3 level south near the plat. This has consistently caused issues and required significant work to remove / replace for servicing.

This has been replaced by an external pump which is far more suited for carrying out the dewatering requirements. This has been installed, wired and commissioned successfully during the quarter.

The ventilation is being altered from a natural system which has the main shaft as the exhaust to a forced system with the main shaft as the fresh intake. This will allow for blasting at any time and ensure the blast fumes are removed via the Laidlaw shaft, away from the Maxwells shaft. At the end of the period work had commenced on the main bulkhead and fan support.

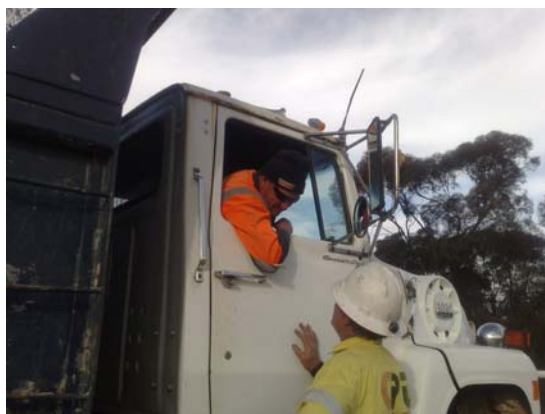
The company's safety systems are being reviewed by an external consultant with a view to conducting a mock emergency drill in the coming quarter.

#### Management:

Having completed this stage of work Trevor Callow in agreement with GBGM management is moving from a full time position to a specific task contract basis for ongoing development work.

This change has been implemented to keep management costs down for the level of activity the mine is working at. A forward plan has been prepared for day to day tasks.

A mine supervisor is to be appointed to oversee day to day tasks with consulting review on a regular basis.



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## Processing Plant

The processing plant has been operating consistently during the quarter with the crew focussing on increasing availability and ramping up tons per day through the CIP, mostly from reprocessing of tailings dumps at this stage.

The completion of the strip circuit and subsequent commissioning has worked through a number of minor issues, most of which had been resolved at the end of the quarter.

The effect of these issues was to limit the amount of stripping operations completed during the last month of the quarter, which impacted the gold produced and sold in the quarter. Gold produced in July has been pleasingly in line with expectation and will be reported in the next quarterly report.

The main issues encountered at the mill were:

- poor carbon cleaning process (resolved by installing a second screen in the cleaning process).
- Faulty circulation pumps (repaired/replaced).
- Carbon handling issues (resolved by a venturi driven handling system)

The plant has been processing tailings predominantly with a constant refeed of rock which has passed through the jaw crusher but passes over the plant screen in a recirculating load.

Alteration to the plant screen has seen this recirculation load reduced and further gravity gold recovered.

Once the gravity gold has been recovered, the feed is sent to a cyclone and densifying tank to separate out + 150 micron sand which is stockpiled for reprocessing when the ball mill is brought into operation.

Approximately 3,500 tonnes of sand has been stockpiled with an average grade of >1.1g/t. On completion of the ball mill refurbishment this quarter, this sand material will be ground and processed in the leach tanks giving a boost in gold output and sales, and covering the cost of refurbishment of the ball mill. With the sand removed, the slimes density is increased before being sent to the cyanide mixing tanks and then through the carbon/gold recovery tanks.

Processing is being ramped up steadily with some pump changes to allow up to 400 tonnes per day to be treated, which with an approx 80/85% recovery on an assumed tailings head grade of 0.8 g/t should deliver a gold recovery and sale of approx 1.5kg per week from tailings alone – giving sales inclusive of GST at current gold prices of around \$75,000 per week (corporate break even). Presently sales of gold from tailings alone are approaching \$50,000 per week.

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Head grades into the leach circuit from the tailings have been varying from 0.5 g/t to 1.1 g/t

### **Tailings disposal**

The tailings dam has been ripped and rolled to ensure a good seal was present before filling.



Maxwells Tailings dam

A work plan variation has been submitted for approval to utilise several existing water dams for ongoing tailings disposal on the Inglewood tenement.

On approval, a further 200,000 tonnes of tailings capacity will be available. This will ensure that ongoing projects can be treated and the tailings disposed of. A further plan to establish several million further tonnes of tailing capacity is in train for medium to longer term needs

### **Planned Work:**

Increasing the daily tonnage has been the focus at the mill and a progression to split shift was achieved in the quarter to assist in this. The next move is to 7 days a week processing and is to be implemented in the July – Sept quarter subject to obtaining appropriate operators.

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## EXPLORATION:

### **Inglewood Project:**

#### Maxwells Mine

Modelling at Maxwells has continued during the quarter with this work providing the background for the development plan outlined earlier.

Modelling of the Goldquest drilling has delineated a mineralised footwall structure continuing north and south from the Max Shoot resource area and this has been placed into an inferred category subject to access for drilling and or sampling. Existing resource blocks have been incorporated into this model.

#### Gowk's Hill

Drilling on El 3800 at the Gowk's Hill block has been undertaken with 685 metres of drilling completed within the resource area and on the southern and northern extensions of the resource block. Splitting samples for analysis was still ongoing at the time of this report.

The drilling returned excellent quartz intersections and visible gold was obtained from one sample.

This is significant in light of the nature of the gold mineralisation encountered at Gowk's Hill.

It has been observed to date that the mineralisation is of a disseminated nature which shows good repeatability and consistency between drill sections.

The occurrence of coarse visible gold provides for a small "upgrade" that may not have been accounted for by the current fire assay techniques.



Collaring a hole at Wedderburn

Sampling following the drilling has been interrupted by various issues and the laboratory has now commenced processing our samples and an announcement regarding results is being prepared as assay results are received.

Bulk sampling will assist in identifying any potential upgrade from coarse gold.

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Native title negotiations with respect to MIN 5425 at Wedderburn have been continued. A revised deed has been sent to NTSV for forwarding to the Dja Dja Wurrung group who are the Native Title claimants in the area. The claimants have responded on several points and further negotiation is ongoing.

MIN 4001 at Kingower has had a doze and detect work plan approved by the DPI and currently awaits planning permission from the Loddon shire.

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

The Joint Venture Partners have discussed the next phase of exploration at Harvest Home and a short diamond drilling programme for the Harvest Home resource is planned for the following quarter.

This program is designed to add confidence to the existing resource by outlining the geological controls on the mineralisation currently defined.

The geological structure is interpreted to be a significant oblique fault controlling a large shatter zone of quartz which is present as solid bodies and anatomizing vein sets (spurs). The diamond drilling program will define the structural controls and allow further modelling of the existing RC data to be undertaken.



Directors and visitors inspecting the mill.

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## AVOCA FOCUS

### GBGM FIDDLERS CREEK PTY LTD/GBGM AVOCA PTY LTD

#### FIDDLERS CREEK PROJECT MIN'S 4023/ 4548

A native vegetation survey has been completed for the Fiddlers Ck mine re as part of a Work Plan Variation for exploration drilling.

Work plan formulation is ongoing to allow for the construction of a small decline to access the current measured, indicated and inferred mineralisation subject to confirmation of the inferred blocks being upgraded to indicated status by exploration drilling.

#### EL 4936 Pyrenees

An aircore Drilling program at the Beavis project was completed during the quarter to assess the makeup of the Percydale lead with a view to providing Industrial Sands and Gravels Pty Ltd (ISG) the necessary data to assess its industrial minerals project.



Logging samples at Percydale

The following table outlines industrial mineral resource estimates from the program.

Unit	Width m	Length m	Depth m	Volume BCM
upper gravel	150	900	5	675,000
middle sandy clay	100	400	5	200,000
basal wash	150	900	6	810,000
Total				1,685,000

The drilling revealed two significant gravels zones within the lead.



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From surface to ~5.0 metres, a grey - yellow gravel was encountered which could provide a good decorative product.

The predominance of the lead from 5 to 25 metres was composed of tertiary mottled grey clay although a sandy clay lens was encountered throughout the upstream end of the lead. Further work to assess the sand quality in this unit will be undertaken.

The Basal wash consists of relatively clean sands, gravels and cobbles predominantly of quartz resting on white kaolin basal clay from ~25 to 30 metres. This material is of a good quality and the gravel and sand resource will provide the basis for a feasibility study following the proposed treatment of the surface material for provision of bulk samples for industry assessment.

This wash zone was encountered in the majority of holes and was the target of the early mining on the Fiddlers Ck lead.

Historically the grade was reported as 3-5 pennyweights/per ton which equates to 4.5 to 7.5 g/t.

Assaying of the fine fractions of the basal wash is underway.

The aircore technique failed to penetrate to basement on a number of holes due to encountering significant cobbles within the basal wash zones. On several holes on the south eastern side of the lead, the drill failed to penetrate large cobbles close to surface.



Aircore Drilling at Percydale



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## **BEAVIS - INDUSTRIAL SANDS & GRAVELS PTY LTD (ISG)**

Aircore Drilling by GBGM Avoca has outlined a significant industrial mineral resource at Work Authority 1348.

The drilling outlined potential decorative gravels from surface to 5 metres from which samples will be prepared for marketing investigations. A volume of ~675,000 cubic metres of this material was outlined by the drilling.

A basal wash zone of clean white gravels and sands was estimated to be in the order of 800,000 cubic metres.

Work Authority 1348 is being progressed to allow screening of the current surface dumps. This will enable bulk gravel, sand and clay samples to be obtained for evaluation for industrial mineral qualities. An endorsed work plan has been received from DPI.

Planning requirements are now being sought from the Pyrenees Shire.

A heritage report is to be commissioned before application is made to Heritage Victoria for permission to commence work.



Beavis Project

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## BENDIGO FOCUS

### GBGM WILSON HILL PTY LTD

A further modelling programme to increase confidence in the geology and the structural setting of the Wilsons Hill Goldfield has been commissioned although at the time of writing, the contractor had taken a full time position with another firm and has declined to continue. Another contractor is to be approached to continue this work.

### SEBASTIAN JOINT VENTURE

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.

As has been announced, both GBM and CGT have recently completed capital raisings and a JV meeting to assess the project will be held in the next quarter.

## OTHER INVESTMENTS

### KRALCOPIC

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.

As part of a strategic disposal of non-core assets MIN 4465, which is in Kralcopic name, is being sold and transferred to Nagambie Mining. The sale was progressed this quarter.



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Tailings deposit at Huntly – Part of the Option to purchase.



Max Shoot reef



Max Shoot Northern end sub level.

#### FORWARD CASH POSITION

The company had limited but workable cash of \$226,000 at bank at the end of the quarter, but with weekly gold sales and monthly revenue levels steadily moving up towards the group monthly costs, and soon in excess of same, this is seen as adequate.

Various approaches re injection of further funds in to GBM as debt, equity, gold loans or pre-sale of gold have been received and a number of discussions are progressing with the aim of securing higher cash on hand levels without undue, or possibly any, dilution. Advancement of the company's exploration targets is now a high priority.

*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.

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## COMPANY INFORMATION

### DIRECTORS

Ian W. Smith (Chairman)

John E. R. Cahill (Managing Director)

Wayne Johnson (Non-executive Director)

Malcolm Carson (Non-executive Director)

### REGISTERED OFFICE

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### SHARE REGISTRY

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### STOCK EXCHANGE LISTING

Australian Stock Exchange

Code: GBM