

ASX and Media release: 17 October 2006

Quarterly Activities and Cash flow Report

For the 3 months ended 30 September 2006

SUMMARY

New Development Plan Released

- BGF released details of a revised development plan. The new plan:
 - Focuses on the deeper high grade Resources associated with the Blue Whale fault;
 - Accesses over 12 stopes prior to production to significantly reduce the grade and tonnage risk during ramp-up;
 - Allows earlier access to higher grade stopes;
 - Achieves a higher production rate of over 250,000 oz per annum from 600,000 tonnes of ore at a cash operating cost of under AUD\$300 per ounce by 2010.

New Development Plan Implementation

- Implementation of the revised development plan commenced in September
- Record underground decline development of 976 metres for the quarter was over 40% above the previous quarter and is considered sustainable due to continuous improvement in work practices and better ground conditions.
- Detailed engineering for the new southern shaft commenced.

Mine Geology and Exploration

- High grade gold intersections from drilling at Ballarat East include:
 - 2m @ 193.6g/t
 - 2m @ 10.2g/t
 - 2m @ 8.0g/t

Corporate

- Cash balance at 30 September 2006 was AUD\$13.6 million.

BALLARAT EAST PROJECT DEVELOPMENT

New Development Plan

As previously released in early September 2006, BGF completed a comprehensive review of its development strategy for the Ballarat East project. The outcome was a new and substantially superior development plan, with early access to the deeper, higher grade Resources.

High grade assay results continue to be discovered at deeper levels at Ballarat East. The most recent assay result of 2m @ 193.6g/t on the Mako fault adds to the already impressive collection of high grade gold assay results on this fault. The thickest and highest gold content discovered to date occur close to the intersection of the Mako and Blue Whale faults, with the Blue Whale fault interpreted to be a major control on the location of gold mineralisation at Ballarat. The high grade results identified on the Mako fault near the Blue Whale fault include the following; 9.8m @ 43.8g/t, 12.2m @ 23.5g/t, 5.0m @ 24.8g/t, 3.0m @ 24.92g/t, 2.0m @ 37.15g/t, 2.0m @ 31.2g/t and 2.1m @ 13.2g/t

These results have formed part of a recently updated Indicated Resource which is estimated at 0.3Mt @ 20.6g/t for 0.2Mozs of gold. Factoring in this Resource to the current development plan has had the net effect of increasing the head grade from a previously estimated 8.5g/t to the current plan of 14g/t by 2010.

Given the significance of these higher grade assay results and the uncertainty associated with mining close to old workings, a new development plan has been established to develop a large number of resources in preparation for mining at a production rate above 250,000ozs per annum. This plan removes significant project risk, which includes grade and tonnage variability, and resulting cash flow, by opening up a large number of stopes, including some deeper higher grade stopes, before commencing the production ramp-up at Ballarat East.

The new development plan incorporates:

- Relocating a proposed ventilation shaft to the southern end of the mine and equipping it for haulage to provide faster access to higher grade zones, whilst boosting haulage capacity and flexibility.
- The substantially higher grade of the deeper Resources allows BGF to develop a production plan which delivers a production rate of 250,000 ounces per annum, at a lower mining rate of 600,000 tonnes per annum with expected cash operating costs to be under AUD\$300/oz.
- The new plan brings forward major shaft and decline development and by-passes upper level potential ore sources deferring 2007 production into 2008. This will allow BGF to deliver higher production rates with increased development flexibility in 2008.

Enhanced understanding of the significance of the Blue Whale fault has substantially improved the confidence in delineating further high grade Resources. In particular, potential to the north is yet to be explored or incorporated into the production plan.

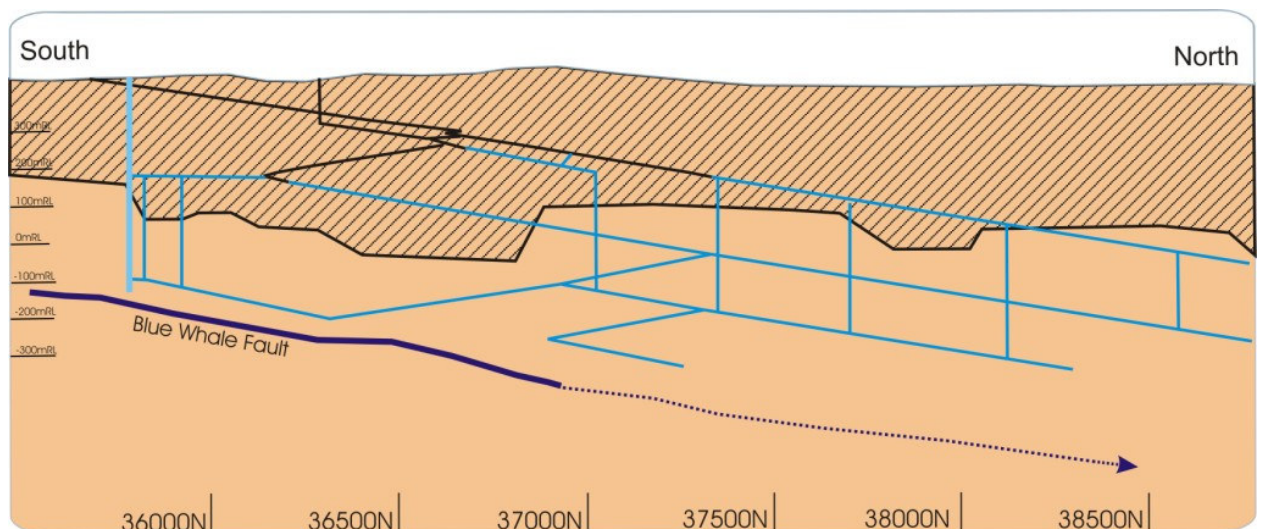


Figure 1: Long section of the new mine design with the ventilation shaft moved south and second major decline now 200m below the Sulieman decline.

Underground Development

	Sept Qtr 05	Dec Qtr 05	Mar Qtr 06	Jun Qtr 06	Sept Qtr 06
U/G Decline Development (m)	478	546	584	691	976
Ore Tonnes	2,357	6,737	6,519	3,993	4,100

Decline development rates improved dramatically over the quarter with a total of 975.5m mined. This is an improvement of over 40% on the previous quarter and is considered to be sustainable due to the growing experience with the ground conditions, changes to work practices and alternate reagents that have increased cycle times.

This achievement is a culmination of a number of processes and is related to the adjustment of work practices as experience has been gained in understanding the mining conditions in order to reduce cycle times. This could have significant implications for future development and mining under the new development plan.

The development focus remains on the Sulieman decline for drilling access and the Woah Hawp decline which is being developed as the long term haulage route.

The second priority has been the Woah Hawp decline which is being developed as the major haulage decline and for access to stoping areas. At the end of the quarter the Woah Hawp decline was 301m below the surface.

Revised Underground Development Plan

Trial Mining

Mining is currently underway within the 218 Woah Hawp ore block. This block is located in the upper level of the mine in a window within the historical workings.

An ore drive is being mined along the base of the ore body following high grade vein sets under geological control.

Processing Plant

The main processing focus for the quarter was the test treatment of Ballarat South surface ore through a pilot scrubbing and screening plant. The aim of the exercise was to remove clay from the gold bearing quartz and generate a product suitable for treatment through the existing circuit.

Outcomes from the trial are currently being evaluated.

Approximately 4,100 tonnes of underground ore was processed over the September quarter with 107 tonnes of sulphide concentrate produced. This concentrate has been added to the previous stockpiled material in readiness for the stage 2 leach circuit.

Tertiary crushing trials have commenced using a pilot size High Pressure Grinding Rolls (HPGR) machine. The aim of the trial is to establish whether an HPGR can increase the circuit throughput capacity in order to meet future expanded production rates.

MINE GEOLOGY AND EXPLORATION

Exploration drilling

BGF commissioned its third diamond drill rig late in the September quarter, with the last of the contract drill rigs finishing up in early July. The BGF drill rigs were largely employed on geotechnical drilling and mine services drilling with a reduced level of activity on exploration drilling during the quarter. The transition to owner operator is now complete with greater efficiency and cost savings expected to be realised from now on. The drilling focus will return to exploration definition drilling in the next quarter.

Significant assay results from the September quarter are summarised in Table 1.

Hole number	Down hole depth (m)	Width (m)*	Grade g/t	Location
BEP 107	80 to 82	2.0m	8.0	Hammerhead Fault
BEP 098	89 to 90	1.0m	8.6	Hammerhead Fault
BEU141A	329 to 333	4.0m	6.0	Tiger Fault
BEU 141	331 to 333	2.0m	10.2	Tiger Fault
BEU 141	368 to 370	2.0m	193.6	Mako Fault

Table 1: Significant assay results received in the September quarter 2006.

**All of the intersections reported have been adjusted for their estimated true widths.*

Berringa

A total of 2,763m have been drilled at Berringa this year in what was, essentially, the first diamond drilling program ever conducted within the historical Berringa goldfield. The drilling program was designed to confirm the location of the major faults, anticlines and lithology, which control the location of gold mineralisation at Berringa. Historical mining at Berringa had produced approximately 0.3Mozs of gold, and BGF announced in 2004 an exploration potential of 0.9Mozs for the Berringa project.

The 2006 drilling program has identified 3 major faults, including an extension of the Williams Fancy fault, which was mined historically. It also confirmed the location of the major anticline. Historical gold deposits at Berringa have been identified to exist close to the intersection of the large faults and the major anticline. The presence of these features confirms that the potential at Berringa remains positive, with a second drilling program currently being designed to target the intersection of the faults and the major anticline.

The best assay result from the drilling program was 1m @ 5g/t, at 93 metres below surface on the Williams Fancy fault.

CORPORATE AND FINANCE

Finance

The cash balance at 30 September 2006 was \$13.6 million.

BGF signed a non binding term sheet for the provision of a A\$100 million delayed draw financing facility as part of the funding to implement the new development plan for Ballarat East.

The debt facility is being arranged by RFC Corporate Finance Ltd and is subject to a number of conditions typical of a facility of this nature including; provision at the sole discretion of the Lenders; third party due diligence; final credit approval and legal documentation. The term sheet does not contemplate BGF entering into any hedging arrangements.

BACKGROUND INFORMATION

Ballarat East Project Summary

Situated in one of the most famous historical gold mining regions of Australia, Ballarat produced over 12 million ounces before its premature closure, around the time of the first world war.

In 2004, for the first time following discovery in the 1850's, the leases over the entire Ballarat field were consolidated under the sole ownership of BGF.

This has resulted in the company constructing a comprehensive geological model of the entire field, demonstrating what many had suspected, that Ballarat had massive unexplored prospectivity.

Following a prefeasibility study, based on BGF's geological model, underground development at Ballarat East recommenced in December 2004. The plan, proposed an initial underground mine at Ballarat East, with twin access declines servicing the haulage and ventilation.

In line with this plan, drilling has continued to increase confidence in the geological model. Development of the mine and associated process plant is continuing, with stage 1 of the process plant now commissioned.

BGF's geological model robust

BGF's geological model remains robust as the drilling continues to intersect gold mineralisation in the target zones identified by the geological model. After probability adjustment for risk and uncertainty the company derived an Exploration Potential of 8.3 million ounces, with 90% confidence limits ranging from 2.8 million ounces to 14.4 million ounces in addition to a Total resource of 1.4 million ounces, including 0.24 million ounces of indicated resource, for Ballarat East. (Further information is available on the BGF website www.ballarat-goldfields.com.au)

***Note:** The information in this report that relates to Exploration Results, Mineral Resources and Exploration Potential is based on information compiled by Mr Steven Olsen. Mr Olsen is an employee of Ballarat Goldfields NL, is a member of the Australian Institute of Mining and Metallurgy and is a Competent Person under the definition of the 2004 JORC Code. The Exploration Potential described above is conceptual in nature, and there is insufficient information to establish whether further exploration will result in the determination of a Mineral Resource. Mr Olsen consents to the publication of this information in the form and context in which it appears. The terms Exploration Results, Mineral Resources and Exploration Potential are used in accordance with their definitions in the 2004 JORC Code, which is available at www.jorc.org.*

CORPORATE DIRECTORY

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Directors

Alister Maitland	Chairman
Richard Laufmann	Managing Director
Mike Etheridge	Non-executive Director
Wojciech Ozga	Director of Operations

Company Secretary

Amber Rivamonte

Stock Exchange Listing

Australian Stock Exchange Code **BGF**
Alternative Investment Market (AIM) **BGF**

AIM Nominated Advisor

RFC Corporate Finance Ltd
Level 14, 19-31 Pitt St
Sydney, NSW, Australia 2000

AIM Nominated Broker

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London EC2V 6LH, United Kingdom

For further information: please visit the company website (www.ballarat-goldfields.com.au)

Or contact Joel Forwood, Manager Corporate and Markets, on (03) 5327 1111.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

BALLARAT GOLDFIELDS NL

ABN

50 006 245 441

Quarter ended ("current quarter")

September 2006

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(9,998)	(9,998)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(1,136)	(1,136)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	294	294
1.5	Interest and other costs of finance paid	(200)	(200)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(11,040)	(11,040)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments		
	(c) other fixed assets	(1,990)	(1,990)
1.9	Proceeds from sale of: (a)prospects		
	(b)equity investments		
	(c)other fixed assets	15	15
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
Net investing cash flows		(1,975)	(1,975)
1.13	Total operating and investing cash flows (carried forward)	(13,015)	(13,015)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(13,015)	(13,015)
1.14	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	691	691
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	691	691
	Net increase (decrease) in cash held	(12,325)	(12,325)
1.20	Cash at beginning of quarter/year to date	25,967	25,967
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	13,642	13,642

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	242
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes salaries, director fees and superannuation paid to directors during the quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	10,000
4.2 Development	-
Total	10,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	13,642	25,967
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	13,642	25,967

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	1,188,153,935	1,188,153,935		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	5,000,000 2,500,000 3,000,000	5,000,000 2,500,000 3,000,000	3.45 cents 4.72 cents One third each at: 12 cents; 13 cents; 15 cents	3.45 cents 4.72 cents One third each at: 12 cents; 13 cents; 15 cents
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	8,000,000 1,500,000 3,750,000 1,500,000 2,300,000		Exercise price One third each at: 12 cents; 13 cents; 15 cents respectively 17.25 cents 15 cents 25 cents 20.5 cents	Expiry date 30/9/2007 30/9/2007 2/12/2007 30/9/2008 30/09/2011
7.8 Issued during quarter	2,300,000		20.5 cents	30/09/2011
7.9 Exercised during quarter				

+ See chapter 19 for defined terms.

7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 4\)](#).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Managing Director
Richard Laufmann
Date: 17 October 2006

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.