

ASX and Media release: 30 January 2007

Quarterly Activities and Cash flow Report

For the 3 months ended 31 December 2006

SUMMARY

Corporate and Finance

- Proposed merger with Lihir Gold Ltd (LHG) via a scheme of arrangement (Scheme) was announced on 17 October 2006 and Explanatory Statement released to the ASX on 18 December 2006.
- The Directors unanimously recommend that, in absence of a superior proposal, shareholders vote in favour of the merger.
- If approved, Ballarat Shareholders will own 5 shares in the new merged Lihir entity, for every 54 BGF shares they owned.
- As part of the merger, BGF placed 149 million shares with LHG at \$0.28 raising \$41.7 million. These funds enabled BGF to commit to the new development plan.
- Cash balance at 31 December 2006 was A\$40.7 million

Mine Development

- Performance to the revised development plan, implemented in the September quarter, was slightly ahead of schedule with key depth and lateral targets achieved during the quarter.
- Underground development of 989 metres continued the improved development rates achieved in the previous quarter.
- Over 7,000 tonnes of low grade development material from a sill drive at the base of the 218 Woah Hawp ore block was processed.
- Commitment made for construction of the In-Line Leach Reactor (stage 2 of the process plant).
- Water treatment options, previously focused on dewatering objectives, are being reviewed to access the opportunity for supplementary supply to the city of Ballarat.

Mine Geology and Exploration

- Drilling continues to confirm the geological model.
- Assay grades continue to support the existence of strong gold mineralisation.

MERGER WITH LIHIR GOLD LIMITED

BGF and Lihir Gold Limited (Lihir) announced on 17 October 2006 a proposal to merge the two companies via a scheme of arrangement (Scheme). Under the terms of the Scheme, BGF will become a wholly owned subsidiary of Lihir with BGF shareholders receiving 5 New Lihir Shares for every 54 BGF shares held, valuing BGF at 28.8 cents per share (based on the LHG share price as at the date of the announcement of the merger).

An Explanatory Statement was released to ASX and mailed to BGF shareholders on 10 January 2007 to provide them with relevant information necessary to determine whether to vote in favour of the merger at the Scheme Meeting that will take place on 12 February 2007 in Ballarat.

The Directors of Ballarat Goldfields unanimously recommend that, in the absence of a superior proposal, BGF shareholders vote in favour of the proposed merger as they believe it will deliver significant value to BGF shareholders. Ballarat Goldfields Directors (all of whom hold BGF shares) intend to vote their shares, and any proxies cast at their discretion, in favour of the merger.

The Explanatory Statement is also available on the BGF website at www.ballarat-goldfields.com.au.

BALLARAT EAST PROJECT DEVELOPMENT

Revised Development Strategy

As announced 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 emphasis on early access to the deeper, higher grade Resources, deferring production until calendar year 2008.

Underground Development

Depth and lateral development objectives established under the revised development plan, implemented in September, were achieved putting the underground development slightly ahead of schedule.

Ballarat Goldfields - Decline Advance Summary						
	Woah Hawp Decline (depth below surface)		Suliman Decline (depth below surface)		Prince Decline (depth below surface)	
	Planned	Actual	Planned	Actual	Planned	Actual
Dec -06	339	345	324	330	336	337

Development rates were sustained at the high rates achieved in the previous quarter with a total of 989m developed for the December quarter. Ground conditions have improved with depth and with work practices now reflecting accumulated local knowledge the current development rates are expected to be maintained, and improved upon, as increased heading availability further improves equipment utilisation and productivity.

	Dec Qtr 05	Mar Qtr 06	Jun Qtr 06	Sept Qtr 06	Dec Qtr 06
U/G Development (m)	546	584	691	976	989
Ore Tonnes	6,737	6,519	3,993	4,100	7,345

The development focus remains on the Suliman, Woah Hawp and the recently commenced Prince declines. The Suliman decline initially provides a platform for underground diamond drilling and in the future will become the main return airway for the mine. The Woah Hawp decline is being driven to provide access to Resources in the central and northern areas of the mine and the Prince decline will provide access to deeper high grade Resources in the southern part of the mine.

As the Resources are accessed it is planned that they will be fully delineated by drilling, developed and then brought into production.

Development continued within the 218 Woah Hawp ore block during the quarter with a sill drive pushed to the geological boundary of the structure, and extensive mapping undertaken to better define the ore zones before production drilling commenced in late December.

An underground ventilation circuit was commissioned in the first week of January to support the development of the Prince decline system.

BGF is re-evaluating the nature and timing of major elements of the ventilation circuit for Ballarat East including ventilation options at South Prince and Golden Point as a consequence of the improved underground development rates.

A second underground dewatering pump installation was commissioned in the first week of January that will allow access to the 176 Sulieman trial stoping area over the coming months.

Processing Plant

The High Pressure Grinding Roll trials have been completed and results are being analysed in order to determine the best option to meet future expanded production rates.

Approximately 7,000 tonnes of low grade development material was processed during the December quarter as part of the trials, and to enable further fine tuning of the process plant. Approximately 500 tonnes of sulphide concentrate was produced, which has been added to the previous stockpiled material in readiness for the stage 2 leach circuit. Approximately 4kg of gold was recovered to doré with the balance of the gold reporting to the sulphide concentrate.

Gekko Systems were engaged to commence construction of stage 2 of the processing plant, the concentrate leaching circuit (In-Line Leach Reactor) that will commence treating gold bearing sulphide concentrates later in 2007.

MINE GEOLOGY AND EXPLORATION

Exploration drilling

During the December quarter drilling was focused on shallow resources close to the planned Woah Hawp decline, followed by deeper drilling (to 700m below the surface) targeted towards the Blue Whale fault. The drilling results continue to identify gold mineralisation in the locations defined by the geological model, with visible gold and higher grade assay results observed in quartz veins close to the Blue Whale fault.

Significant assay results from the December 2006 quarter are summarised in the following Table:

Hole number	Down hole depth (m)	Width (m)*	Grade g/t	Location
BEU145	289 to 293	4.0	5.2	Tiger Fault
BEU145B	334 to 339	5.0	4.2	Mako Fault
	354 to 356	2.0	10.7	MakoFW fault
BEU158B	371 to 375	4.0	3.7	Whale Shark Fault

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

ENVIRONMENT AND COMMUNITY

In maintaining continual improvement of amenity and environmental aspects, BGF ensures progressive and continual land rehabilitation is achieved. A major replanting program was successfully completed during the quarter, despite lower than average rainfall.

Maintaining a high level of community support and regulatory compliance is a key focus and was successfully achieved during the quarter with no significant environmental breaches or incidents. A high level of pro-active community dialogue was maintained with blast vibration being the main point for discussion.

A contract has been awarded to construct a water treatment facility at the historic Llanberris shaft site. The treatment plant will enable BGF to recommence dewatering the northern part of the Ballarat East field in 2007. BGF is pursuing water re-use opportunities within the Ballarat community.

CORPORATE AND FINANCE

Finance

The cash balance at 31 December 2006 was \$40.7 million.

As part of the proposed merger, BGF placed 149 million ordinary shares with Lihir at \$0.28 raising \$41.7 million on 17 October 2006.

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.

This plan has now been modified, as increased knowledge has led to increased resources and a better understanding of the likely distribution of high grade gold within the system. 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 3.3 million ounces to 15.7 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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Mt Clear Victoria 3350
Australia

Web Site

www.ballarat-goldfields.com.au

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www.computershare.com

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

Numis Securities
Cheapside House, 138 Cheapside
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")

December 2006

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(12,137)	(22,135)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(995)	(2,131)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	494	788
1.5	Interest and other costs of finance paid	(98)	(298)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(12,736)	(23,776)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments		
	(c) other fixed assets	(1,952)	(3,942)
1.9	Proceeds from sale of: (a)prospects		
	(b)equity investments		
	(c)other fixed assets	1	16
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
Net investing cash flows		(1,951)	(3,926)
1.13	Total operating and investing cash flows (carried forward)	(14,687)	(27,702)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(14,687)	(27,702)
1.14	Cash flows related to financing activities		
	Proceeds from issues of shares, options, etc.	41,720	42,411
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	41,720	42,411
	Net increase (decrease) in cash held	27,033	14,708
1.20	Cash at beginning of quarter/year to date	13,642	25,967
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	40,675	40,675

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	224
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	12,000
4.2 Development	-
Total	12,000

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	40,675	13,642
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	40,675	13,642

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	1,347,653,935	1,347,653,935		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	149,000,000	149,000,000	28.0	28.0
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		Exercise price One third each at: 12 cents; 13 cents; 15 cents respectively	Expiry date 30/9/2007
	1,500,000		17.25 cents	30/9/2007
	3,750,000		15 cents	2/12/2007
	1,500,000		25 cents	30/9/2008
	2,300,000		20.5 cents	30/09/2011
7.8 Issued during quarter				
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: 30 January 2007

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.