



BATHURST
RESOURCES LTD

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31 January 2011

Company Announcements Platform
Australian Stock Exchange
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Sydney
NSW 2000

Listed Company Relations
New Zealand Exchange Ltd
Level 2, NZX Centre
11 Cable Street
Wellington, New Zealand

QUARTERLY ACTIVITIES AND CASHFLOW REPORT 31 DECEMBER 2010

Please find attached the Quarterly Activities and Appendix 5B Quarterly cashflow reports for the quarter ended December 31, 2010.

Yours faithfully

Hamish Bohannan
Managing Director

For further information contact

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ASX & NZSX Release

31 January 2011

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Directors:

Craig Munro – Non Executive Chairman

Hamish Bohannan – Managing Director

Gerry Cooper – Executive Director

Rob Lord – Non Executive Director

Malcolm Macpherson – Non Exec Director

Issued Capital (at 31 December 2010):

610,526,754 Ordinary Shares

78,267,443 Unlisted Options

ASX & NZSX Code:

BTU

**QUARTERLY ACTIVITIES REPORT
FOR THREE MONTHS ENDED
31 DECEMBER 2010**

1. Highlights

- ❖ Bathurst successfully completes the acquisition of the Buller Coal Project in New Zealand.
- ❖ DFS for the Buller Project completed & reviewed by independent consultant, demonstrating viable production capability at 2mtpa from Escarpment & Deep Creek.
- ❖ Agreement reached to acquire NZ coal assets from Galilee Energy, including Whareatea West project located on the Denniston Plateau
- ❖ Completion of A\$110 million capital raising; and
- ❖ Execution of MoU with Stemcor for the sale of coal from the Buller Project

2. Overview

The Board of Bathurst Resources Ltd (“Bathurst”) is pleased to present its quarterly activities report for the quarter ended 31 December 2010.

The focus for the quarter was the completion of the Definitive Feasibility Study (“DFS”) for the Escarpment and Deep Creek blocks at the Company’s Buller Coal Project.

The DFS confirmed the technical and economic feasibility of the company’s hard coking coal project in New Zealand, based upon the development of these two blocks.

Regulatory approvals and consents for the development of the Buller Project as well as establishment of key contracts for the construction of the coal preparation plant and related facilities remain the key focus of the company for the March Quarter.

In November, Bathurst entered into an agreement with Galilee Energy Ltd to acquire their NZ coal assets which include the Whareatea West coal project adjacent to the Escarpment block on the Denniston Plateau.

The acquisition also includes two operating coal mines, Cascade adjacent to the Escarpment block on the Denniston Plateau and Takitimu in Ohai region of New Zealand.

The acquisition of the Eastern Group is expected to be completed during the March Quarter 2011.

3. Background - Buller Coalfield

The Buller Coalfield is situated on the west coast of the South Island of New Zealand. It is regarded as one of the country's most significant fields and is particularly well known for its production of high quality, low ash and high fluidity coking coals.

Solid Energy's Stockton open cut mining operation is also located at Buller. The state-owned mine produces about 2 million tonnes per annum of high-value coal. Most of the coal mined at Stockton is exported for use in steel mills in India, China, Japan, South Africa and Brazil.

The Buller Project is expected to produce similar high quality coal from the same seams mined by Solid Energy at Stockton.

4. Buller Project Acquisition

During the December quarter Bathurst completed the acquisition of the Buller Coal Project in New Zealand.

The acquisition was facilitated via the purchase of 100% of the issued capital of L&M Coal Ltd from L&M Coal Holdings Limited ("L&M"). L&M Coal Limited has since been renamed Buller Coal Holdings Limited and is now a wholly owned subsidiary of Bathurst.

On completion, Bathurst paid the remaining US\$35 million to L&M as final payment of the total acquisition cost of US\$40 million. Two further performance payments of US\$40 million each are due when the Project moves into production; the first on the shipment of 25,000 tonnes of coal and the second on the shipment of 1 million tonnes.

A summary of the terms of the Share Purchase Agreement with L&M were contained in the ASX announcement of 10 June, 2010.

5. Eastern Resources Acquisition

In November Bathurst entered into a Share Purchase Agreement with Galilee Energy Limited ("Galilee", ASX: GLL) to acquire its New Zealand coal assets owned by its wholly owned subsidiary Eastern Resources Group Limited ("Eastern").

The acquisition includes:

- Whareatea West exploration tenement containing JORC Resources of 25.7 Mt directly adjacent to Bathurst's Escarpment Block (refer section 6.2);
- the Cascade operating coal mine on the Denniston Plateau, also adjacent to Bathurst's Escarpment block; and
- the Takitimu operating thermal coal mine in the Ohai region of New Zealand

The total acquisition cost was A\$32.6 million. In addition Bathurst agreed to re-imburse Galilee for the costs it had incurred in the proposed initial public offering of Eastern that has been cancelled as a result of this agreement. These costs are estimated at A\$2.4 million.

This strategic acquisition will consolidate Bathurst's Buller Coal permit holdings with Eastern's Whareatea West exploration permit and the small, high grade Cascade operating mine. Further, it provides immediate positive cashflow from the Takitimu and Cascade operating coal mines with combined production of approximately 200,000 tonnes per annum.

Full details of the acquisition were released on 15 November 2010. Settlement of the transaction is expected during the March 2011 quarter on receipt of all government and regulatory approvals.

6. Buller Project - Development Activities

6.1 Definitive Feasibility Study

During the December Quarter Bathurst completed the Definitive Feasibility Study (“DFS”) for the Buller Project based initially upon the Escarpment and Deep Creek mining blocks. The results of the Interim DFS (release to ASX on 18th August 2010) were also validated by an independent peer review.

The results of the DFS were released on 26 November, 2010. The highlights include:-

- Capital cost estimate of US\$49.6 million, including US\$7.1 million for Deep Creek infrastructure
- Preproduction (pre strip) of Escarpment of US\$14.5 million
- Capital contingency of US\$5.1 million
- CPP yield ranging between 65% and 75%
- Approx. 40% of the material from Deep Creek will by-pass the CPP and be sold as raw coal ; and
- Operating costs (excluding royalties) of US\$84/t (at a 2 mtpa rate)

Bathurst’s target is to be producing premium hard coking coal from the Buller Project in the December quarter of 2011. Mining is expected to commence at the Escarpment block at an annual rate of 650 ktpa increasing to 1 mtpa by 2013 with production increasing to 2 mtpa as the Deep Creek block is brought into production in late 2013.

The Company’s objective is to then undertake studies into the northern blocks of the Buller project and investigate the potential to replicate the development strategy and double output by producing an additional 2 mtpa of coal from this area. Exploration drilling to increase the resource base and confirm the coal qualities of these blocks will be undertaken in the second half of 2011. Exploration in the first half of 2011 will focus on resource conversion and upgrade on South Buller. There is currently one drill rig operating on Whareatea West with a second drill rig to start shortly.

6.2 Reserves & Resources

Total JORC Resources (inclusive of Reserves) for the Buller Project are now 72.8 Mt (including the Whareatea West block acquired from Eastern), and are divided into North and South Buller as shown below:

JORC Resources:

NORTH BULLER			
Status	Prospect	Mt	Total (Mt)
Indicated	North Buller	4.8	
	Blackburn	10.8	
	Millerton North	4.3	19.9
Inferred	North Buller	9.0	9.0
TOTAL			28.9

SOUTH BULLER			
Status	Prospect	Mt	Total (Mt)
Measured	Escarpment	3.8	
	Deep Creek	6.2	
	Whareatea West	18.0	28.0
Indicated	Escarpment	1.6	
	Deep Creek	3.1	
	Whareatea West	7.7	12.4
Inferred	Escarpment	1.9	
	Deep Creek	1.6	3.5
TOTAL			43.9

Current Reserve Estimate (all South Buller):

	JORC Reserve (Mt)	Product Coal (Mt)
Escarpment	4.1	2.7
Deep Creek	8.5	7.5
TOTAL	12.6	10.2

In addition to the Proved and Probable Reserves, a further 2.1Mt of Inferred coal resource falls within the pit shell of Escarpment. This additional coal is classified as Inferred due to the presence of old workings, and therefore is not included in the Reserve.

The Takitimu thermal coal project contains the following JORC resources:-

TAKITIMU	
Status	Total (Mt)
Measured	0.7
Indicated	2.4
Inferred	0.1
TOTAL	3.2

Competent Persons Statements:

The information in this Section 6.2 that relates to exploration results and mineral resources for Deep Creek, as well as mining reserves for Escarpment and Deep Creek is based on information compiled by Neil Fraser who is a full time employee of Marston International Pty Ltd and is a member of the Australasian Institute of Mining and Metallurgy. Mr Fraser has sufficient experience which is relevant to the style of mineralisation 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'. Mr Fraser consents to the inclusion in this report of the matters based on his information in the form and context in which it appears above.

The information in this Section 6.2 that relates to exploration results and mineral resources other than Deep Creek, Whareatea West, Takitimu, and Takitimu Adjoining Land is based on information compiled by Dr James Pope, of CRL Energy of Christchurch New Zealand who is a consultant to the company through CRL Energy and is a member of the Australasian Institute of Mining and Metallurgy. Dr Pope has sufficient experience which is relevant to the style of mineralisation 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'. Dr Pope consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this Section 6.2 that relates to Coal Resources for Whareatea West (EP 40591), Takitimu (ML 37079) and the Takitimu Adjoining Land is based on information compiled by Mr Ian Poppitt of Rokmode Pty Ltd, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Poppitt has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the JORC Code. Mr Poppitt consents to the inclusion in the ASX release of the matters based on the information in the form and context in which it appears.

6.3 Project Approvals

During the December quarter, Bathurst was pleased to announce that it had received two key approvals in the acquisition and development of the Buller Project, being approval from the Overseas Investment Office to acquire 100% of the shares in L&M Coal Limited and Crown Minerals consent (under s41 of the Crown Minerals Act) for the transfer of the coal exploration and coal mining permits of the Buller Coal Project in New Zealand.

The commencement of operations at the Buller Project is now conditional upon receipt of the final two key regulatory approvals, being the Resource Consents from the local councils (including environmental approvals) and the Access and Concession permits from the Department of Conservation.

Progress on these applications was delayed in the wake of the tragedy at Pike River. In early 2011 however, Bathurst resumed discussions with the local communities and regulatory bodies to progress these applications for the Buller Project.

6.4 Offtake Agreement - Stemcor

On 9th December 2010 Bathurst announced the execution of a Memorandum of Understanding (“MoU”) with Stemcor Australia Pty Ltd (“Stemcor”), a subsidiary of Stemcor Holdings Limited for the sale of coal from the Buller Project.

Stemcor is the world’s largest independent steel trader with turnover exceeding US\$5.5bn (2009) and trading approximately 15 million tonnes of steel and steel-making raw materials annually.

The key aspects of the MoU are:

- 5 year term from the commencement of first coal production (expected late 2011)
- Exclusive agency agreement for 45% of the first 1 million tonnes production plus 30% of any additional production above 1 mtpa
- Stemcor recognises the high quality nature of the Buller product and has agreed to have a proportion of its Agents commission driven by premiums above benchmark that they can obtain on product sales
- Stemcor to act as principal in certain markets
- Subject to satisfactory financial due diligence, agreement to provide up to US\$50 million in a Coal Finance Facility; and
- Subject to formal documentation and completion of financial and operational due diligence to the satisfaction of Stemcor.

Stemcor has a unique position in the industry and a strong worldwide reputation. They will be an excellent partner for Bathurst as it develops its high grade hard coking coal project.

The coal produced from Buller will be of a premium quality and is in high demand from steel manufacturers around the world as it is the preferred feedstock for use in steel making and high end custom coke manufacture.

This partnership with Stemcor offers Bathurst opportunity to maximise value for its product and to establish a track record for reliable, high quality coal production & sales on a global basis, without committing large quantities of the asset for lengthy periods of time.

7. Corporate

7.1 Capital Raising

Completion of Bathurst’s capital raising occurred in the December quarter, raising A\$110 million (pre costs).

The equity raising consisted of a placement of 253.3 million shares at A\$0.30 per share to raise approximately A\$76 million (“Placement”) and a 1 for 2 non-renounceable rights issue at A\$0.30 per share to raise up to approximately A\$34 million (“Rights Issue”).

The Placement was keenly sought by professional and sophisticated investors in Australia, New Zealand, Asia, North America and Europe and was significantly oversubscribed. The rights issue was also very successful with acceptances of over 93% received, with applications for the shortfall also oversubscribed.

7.2 Board Appointment

Early in 2011 the Company was very pleased to welcome Mr Malcolm Macpherson to the Board of Bathurst as a Non-Executive Director.

Mr Macpherson is a highly regarded and experienced business leader, with a distinguished career in the resources sector in Australia and overseas.

Mr Macpherson has had many career highlights, including his successful seven year tenure as Managing Director and Chief Executive Officer of Iluka Resources Limited, where he led the growth of Iluka into a leading global producer of mineral sands.

Mr Macpherson has held Board positions with other notable companies and organisations such as Portman Limited, Eltin Limited and Western Power Corporation (as Chairman). Mr Macpherson has also had active roles in research and innovation, including an advisory role to the CSIRO

Mr Macpherson is currently a director of a Minara Resources Ltd, Pluton Resources Ltd (Chairman), Range River Gold Ltd and Titanium Corporation Inc.

Mr Macpherson was born in Canterbury, New Zealand and now resides in Richmond, Victoria.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Bathurst Resources Limited

ABN

93 125 679 469

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(577) (3,354)	(1,749) (4,426)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	423	487
1.5 Interest and other costs of finance paid	(38)	(38)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(3,547)	(5,727)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	 (36,873) (567)	 (36,873) (583)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)	(390)	(391)
Net investing cash flows	(37,830)	(37,846)
1.13 Total operating and investing cash flows (carried forward)	(41,377)	(43,573)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(41,377)	(43,573)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	113,462	114,221
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 (Payment of Capital Raising Costs)	(6,077)	(6,077)
	Net financing cash flows	107,385	108,143
	Net increase (decrease) in cash held	66,008	64,570
1.20	Cash at beginning of quarter/year to date	6,838	8,276
1.21	Exchange rate adjustments to item 1.20	(1)	(1)
1.22	Cash at end of quarter	72,845	72,845

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	436
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

The amount above includes payments to Directors and their associated companies.

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

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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

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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	nil	nil
3.2 Credit standby arrangements	nil	nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	448
4.2 Development	-
4.3 Production	-
4.4 Administration	1,310
Total	1,758

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	2,852	1,338
5.2 Deposits at call	44,135	5,500
5.3 Bank overdraft	-	-
5.4 Other (Deposit on Trust)	25,858	-
Total: cash at end of quarter (item 1.22)	72,845	6,838

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	EP 40628 EP 51078 MP 51279 EPA 53047	All interests are held through 100% owned subsidiary.	0% 0% 0% 0%	100% 100% 100% 100%

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Appendix 5B
Mining exploration entity quarterly report

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.

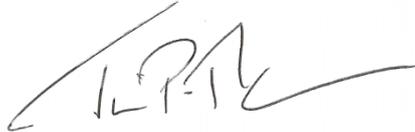
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference ⁺securities	N/A			
7.2 Changes during quarter	N/A			
7.3 *Ordinary securities	610,526,754	610,526,754		
7.4 Changes during quarter				
(a) Increases:				
- exercise of options	8,469,505	8,469,505	\$0.25 / \$0.208	\$0.25 / \$0.208
- exercise of options	2,666,666	2,666,666	\$0.155	\$0.155
- exercise of options	1,900,000	1,900,000	\$0.10	\$0.10
- exercise of options	100,000	100,000	\$0.308	\$0.308
- Placement	253,333,334	253,333,334	\$0.30	\$0.30
- Rights issue	108,124,258	108,124,258	\$0.30	\$0.30
- Rights issue	8,145,099	8,145,099	\$0.30	\$0.30
(b) Decreases				
7.5 *Convertible debt securities	N/A			
7.6 Changes during quarter	N/A			
7.7 Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	1,000,000		20.8 cents	12 Sept 2011
	3,900,000		37.8 cents	Various
	200,000		30.8 cents	31 Oct 2011
	2,100,000		10 cents	30 June 2012
	2,333,334		15.5 cents	16 June 2013
	20,500,000		10.8 cents	30 Sept 2013
	1,000,000		21 cents	30 Sept 2013
	1,000,000		16.8 cents	30 Sept 2013
	14,784,109		36 cents	16 Nov 2013
	2,500,000		30 cents	15 May 2013
	29,000,000		40 cents	31 Dec 2013
7.8 Issued during quarter	1,000,000		21 cents	30 Sept 2013
	2,500,000		30 cents	15 May 2013
	1,000,000		16.8 cents	30 Sept 2013
	29,000,000		40 cents	31 Dec 2013
	14,784,109		36 cents	16 Nov 2013
7.9 Exercised during quarter	8,469,505	3,949,097	25 / 20.8 cents	31 Dec 2010
	2,666,666		15.5 cents	16 June 2013
	1,900,000		10 cents	30 June 2012
	50,000		30.8 cents	31 Oct 2011
7.10 Expired during quarter	383,603	307,072	20.8 cents	31 Dec 2010
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

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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: Date: 31 January 2011
(Company secretary)

Print name: Tim Manners

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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