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Centralised Company Announcements Platform
Australian Stock Exchange
10th Floor, 20 Bond Street
Sydney NSW 2000

Bathurst to Acquire Eastern Resources from Galilee

Highlights:

- Bathurst to acquire 100% of Eastern Resources Group Ltd from Galilee for A\$32.6 million
- Bathurst to reimburse Galilee for IPO costs incurred of approximately A\$2.4 million
- Significant enhancement to Bathurst's strategic investment in New Zealand coal
- Acquisition includes:
 - Whareatea West exploration tenement containing JORC Resources of 25.7 Mt^(^), adjacent to Bathurst's Escarpment Block;
 - the Cascade operating coal mine; and
 - the Takitimu operating thermal coal mine in the Ohai region of New Zealand.
- The consolidation of the Buller, Cascade and Whareatea West projects on the Denniston Plateau will provide Bathurst with significant synergistic value

Overview

Bathurst Resources Limited ("**Bathurst**", ASX: BTU) is pleased to announce that it has entered into a Share Purchase Agreement (the "**Agreement**") with Galilee Energy Limited ("**Galilee**", ASX: GLL) to acquire its wholly owned subsidiary Eastern Resources Group Limited ("**Eastern**"). In accordance with the Agreement, Galilee will terminate the initial public offering of Eastern on the ASX.

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 (see Figure 1).

Strategic Rationale

Whareatea West Project – EP 40591 (100% owned)

The Whareatea West project is located in the middle of Bathurst's Buller Project on the Denniston plateau just North of Westport. The acquisition of this asset aligns with Bathurst's objective to become a significant high quality coal producer by the end of 2011.

(^) Refer Table 1.

The project has a current JORC resource of 25.7 Mt of coking and thermal coal as announced by Galilee on 26 March 2007. This acquisition will immediately increase the Company's total JORC resources in the Buller coalfields region by 55% to 72.8 Mt, up from the current resource of 47.1 Mt as announced by Bathurst on 2 September 2010 (refer Table 1).

The Whareatea West tenement is adjacent to Bathurst's Escarpment block, where mining is expected to commence in late 2011 (see Figure 2). The current mine plan will be greatly enhanced by allowing Bathurst to mine through existing tenement boundaries and to extract coal that would otherwise be sterilised.

Coal extracted from Whareatea West will be processed through the Company's planned wash plant that is to be located adjacent to the Escarpment project.

Cascade Coal Mine –MP 41455 (100% owned)

The Cascade coal mine is in the immediate proximity of Bathurst's Escarpment block. The mine currently produces approximately 40,000 tonnes per annum with the majority of coal sold under contract to the local cement works operated by Holcim.

Exploration prospects within the existing Bathurst permit located adjacent to the Cascade coal mine provide an opportunity to extend the mine life and to potentially increase annual production from the operation.

Takitimu Coal Mine – ML 37079 (100% owned)

The Takitimu coal mine is located in the Ohai/Nightcaps region of New Zealand's South Island. The mine has a current resource of 3.24Mt of thermal coal (refer Table 1) and produced approximately 160,000 tonnes in the 2009/2010 financial year. The majority of the coal is sold under a long term contract to the Fonterra operated Clandeboye milk processing plant.

The coal seams identified at the Takitimu operations extend into the adjoining Eastern held Ohai Exploration Permit (EP 51260) which surrounds the existing mine. Recent drilling supports additional resources of sub-bituminous coal which are likely to extend the current mine life at Takitimu from under 2 years to potentially 10 years.

Other Operations/Projects

Eastern also owns a coal handling and distribution centre located at Timaru, and the Ohai (EP 51260) and Albury (PP 52484) exploration projects.

Key Transaction Details

The acquisition will be achieved by Bathurst acquiring all of the shares in Eastern.

A summary of the key terms and conditions of the Agreement is as follows:

- The total purchase price is for an enterprise value of A\$35 million, comprised of the following approximate split between equity and net debt:
 - A\$25.7 million to acquire all the issued shares in Eastern;
 - A\$6.9 million of net debt which is predominately intercompany debt between Eastern and Galilee that will be repaid upon completion of the transaction; and
 - A\$2.4 million in reimbursing Galilee for costs incurred in cancelling the IPO.

The final allocation of the enterprise value based purchase consideration will be determined based on a balance sheet adjustment to reflect movements between the audited balance sheet at 30 June 2010 and completion of the transaction.

- The completion of the purchase under the Agreement is subject to satisfaction of the following conditions:
 - the termination of the initial public offering that was being conducted by Eastern;
 - regulatory or other governmental approvals required (including the New Zealand Overseas Investment Act 2005 and the Crown Minerals Act 1991); and
 - release or replacement of Galilee guarantees.
- Completion is expected by late 2010 / early 2011.
- Bathurst has agreed to pay a non-refundable deposit of \$2.4 million to Galilee.
- Bathurst will reimburse Galilee for exploration expenditure incurred by Eastern between the execution and completion of the transaction.

JORC Resources

On completion of this acquisition Bathurst JORC resources will be as follows:

Table 1 (Mt)

	<i>Measured</i>	<i>Indicated</i>	<i>Inferred</i>	<i>Total</i>
Escarpment	3.8	1.6	1.9	7.3
Deep Creek	6.2	3.1	1.6	10.9
North Buller	-	4.8	9.0	13.8
Blackburn	-	10.8	-	10.8
Millerton North	-	4.3	-	4.3
Bathurst Sub Total ^{(1) (#)}	10.0	24.6	12.5	47.1
Whareatea West ^(#)	18.0	7.7	-	25.7
Takitimu ^(*)	0.7	2.4	0.1	3.2
Eastern Sub Total ⁽²⁾	18.7	10.1	0.1	28.9
TOTAL	28.7	34.7	12.6	76.0

(*) includes Takitimu adjoining land

(#) Total combined resources on the Buller Plateau increase by 55% to 72.8 Mt.

Competent Persons Statement:

- (1) The information in the preceding table that relates to exploration results and mineral resources for 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 the ASX release of the matters based on his information in the form and context in which it appears above.

The information in the preceding table that relates to exploration results and mineral resources other than Deep Creek 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 the ASX release of the matters based on his information in the form and context in which it appears above.

- (2) The information 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.

Acquisition Funding

The acquisition will be funded out of Bathurst's cash reserves which are currently \$78.4 million following Bathurst's successful \$110 million capital raising and the settlement of the L&M transaction of US\$35 million.

Bathurst is currently in discussions with a number of parties who are interested in securing offtake agreements and in providing coal prepayment facilities to assist in the development of the Buller Project.

Bathurst was advised by Gresham Advisory Partners and Allion Legal.

Bathurst's Managing Director Hamish Bohannon said:

"This is a great outcome for Bathurst with the acquisition consolidating our tenement position on the Denniston Plateau and enabling us to add significant value to our project."

"By combining the two company's projects we will be able to simplify development of new projects, exploit real synergies through greater utilisation of our planned processing facilities and extend the mine life of Eastern's existing operations."

"The acquisition of Eastern will provide Bathurst with immediate coal production. Furthermore the skills, expertise and local knowledge of the Eastern workforce will greatly assist in the ongoing development of our suite of assets. "

ENDS

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Figure 1 – Project Location



Figure 2 – Denniston Plateau (including Whareatea West Exploration Permit)

