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**Australia
Materials**

Reuters BTU.AX
Bloomberg BTU AU

Priced on 20 June 2011
ASX200 @ 4,451.7

12M hi/lo A\$1.28/.14

12M price target A\$1.50
±% potential +53%
Target set on

Shares in issue 666.1m
Free float (est.) 100.0%

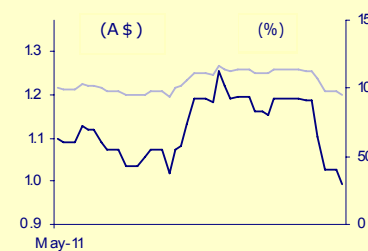
Market cap US\$688m

3M average daily volume
A\$6.0m (US\$6.3m)

Major shareholders
Mathews Capital 11.7%
Nefco Nominees 6.0%

Stock performance (%)

	1M	3M	12M
Absolute	(8.4)	0.0	0.0
Relative	(2.6)	0.0	0.0
Abs (US\$)	(9.4)	0.0	0.0



Source: Bloomberg

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Premium Kiwi Coking Coal

We are initiating coverage on Bathurst Resources with a BUY recommendation and a \$1.50 price target based on our one year forward NPV. Bathurst is set to commence production of premium grade hard coking coal from its Buller project in New Zealand in the next twelve months. Production is expected to ramp up to approximately 2.0mtpa by FY14. Final mine development approvals have yet to be secured, however we expect approvals to be granted in the next few months, representing a significant short-term catalyst for the stock. Longer-term production rates could be expanded to 4.0mtpa providing considerable upside to our base case development scenario.

Cheap on our base case NPV, with substantial valuation upside

Bathurst is trading at a 53% discount to our A\$1.50 target price, which includes a development of the Buller Coal Project to 2.1mtpa. Longer term there remains a possibility to increase production to 4.0mtpa, albeit with significant uncertainty around timing. Factoring in an expansion to 4.0mtpa from 2016 would see our valuation increase by 75% to A\$2.50, representing around 150% upside to the current share price.

Buller Coal Project underpins valuation

Production from Bathurst's Buller Coal Project is expected to commence in the June quarter 2012. We expect only 0.1mt of coal production in FY12, increasing to ~2.0mtpa in FY14. Production from the Escarpment and Deep Creek mines is expected to be 100% hard coking coal for the first 5 years, decreasing to around 90% thereafter. Longer term there is the potential to more than double production from the Buller Coalfields, although increased production will likely include a lower proportion of hard coking coal.

Simple mining, complex transport

Mining operations at the Buller Coal Project are likely to include a series of simple, small open pit operations. The transport chain is more complex than most of Bathurst's Australian peers, but export capacity is available, providing a path to market. The high value of Bathurst's coking coal, and low mining costs, offset complexities around the transport chain.

Takitimu and Cascade provides cashflow, but only 5% of NPV

The Takitimu and Cascade mines were acquired by Bathurst Resources as part of the Eastern Resources acquisition. Although the mines are non-core to Bathurst's operations, both mines provide A\$1-2m in cashflow per year. Takitimu produces around 160ktpa of thermal coal for sale to domestic customers. Cascade produces around 40-50ktpa of SSCC, which is currently sold as low quality thermal coal to domestic customers.

Financials

Year to 30 Jun	10A	11CL	12CL	13CL	14CL
Revenue (A\$m)		1	33	226	403
Ebitda (A\$m)	(3)	(21)	14	130	250
Net profit (A\$m)	(3)	(18)	9	89	177
EPS (A¢)	(3.4)	(4.7)	1.1	11.5	22.8
CL/consensus (2) (EPS%)	-	143	114	82	88
EPS growth (% YoY)	nm	nm	nm	912.9	97.9
PE (x)	nm	nm	86.2	8.5	4.3
DPS (A¢)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	(12.3)	(5.4)	(6.0)	10.8	21.9
EV/Ebitda (x)	nm	nm	52.6	5.2	2.1

Source: CLSA Asia-Pacific Markets

Premium Kiwi Coking Coal

We initiate on Bathurst Resources with a BUY rating, and A\$1.50/share price target. Our price target is based on a coal production profile increasing to 2.1mtpa in FY15, with first production during the June quarter 2012. If we factor an expansion to 4.0mtpa into our forecasts, in line with management's long term goal, our target price increases by 75%. CLSA expect the hard coking coal market to remain tight, and Bathurst represents effectively pure hard coking coal exposure in the mid cap coal space.

Bathurst could produce 2.1mtpa of hard coking coal within 4 years

Through three separate acquisitions, Bathurst Resources has consolidated a substantial landholding in New Zealand's Buller Coalfields, which could produce 2.1mtpa of hard coking coal within 4 years. Bathurst is currently awaiting resource consent from New Zealand authorities, with a result likely within the next 2-3 months. Although resource consent remains a key risk, we believe consent will ultimately be forthcoming, and the Buller Coal project will commence production during FY12. We have factored a 6 month delay in our forecasts, to allow for potential regulatory or construction delays, with first production expected during the June quarter 2012.

The Buller Coal Project is low capex, with the potential to be replicated at a later date

Bathurst's Buller Coal Project is a low capex development, able to support production of around 1.0mtpa of hard coking coal within 2 years, increasing to 2.1mtpa within 4 years. In the longer term, a replication of processing infrastructure and development of Bathurst's landholdings further to the north could see production more than double to over 4.0mtpa.

Our development scenario includes a ramp up to 2.1mtpa of production in 2015

Our development scenario assumes production of 2.1mtpa by 2015, and benchmark pricing for coal sales. Factoring in an expansion of Buller to 4.0mtpa could see our valuation increase to A\$2.50/share representing around 150% upside to the current share price.

Bathurst high quality hard coking coal could attract a premium to HCC benchmark pricing. Our forecasts assume Bathurst receives the hard coking coal price for coal sales, but if we factor in a 5.0% premium to the HCC benchmark, our price target increases by 9.0%. Bathurst believes a 15% premium to the HCC benchmark is possible, which would see a 25% increase in our price target.

The Buller Coal Project accounts for almost 100% of our valuation

Valuation compelling on conservative assumptions

We value Bathurst Resources using a one year forward sum-of-the-parts NPV valuation, using a 10.0% real discount rate. The Buller Coal Project accounts for almost 100% of our valuation. We value the small Cascade and Takitimu projects at A\$43m based on our development scenarios for the two projects which include 210ktpa of coal production. Our sum-of-the-parts valuation accounts for corporate overheads and net debt.

Our valuation of Bathurst Resources is based on a conservative development profile, ramping up to 2.1mtpa of coal production in 2015. We have factored a 6 month delay in our forecasts to account for potential regulatory delays in the New Zealand environmental approval process. Beyond our base case assumptions, there is the potential for Bathurst to more than double production in the long term. There is also the potential that Bathurst could earn a premium to the Hard Coking Coal benchmark price, which we have not factored into our forecasts.

Our target price is based on a sum-of-the-parts NPV valuation, applying a 10% real discount rate

There is significant upside to our target price if we apply a premium to HCC benchmark pricing, which remains a possibility

Management have a target of achieving 4.0mtpa of production from the Buller assets

Figure 1

Bathurst Resources sum-of-the-parts NPV valuation

	Equity share	A\$/share
Buller	980	1.42
Buller Resources	47	0.07
Cascade	28	0.04
Takitimu	15	0.02
Exploration	44	0.06
Corporate	(27)	(0.04)
Unpaid Capital	22	0.03
Cash	53	0.08
Debt	(100)	(0.15)
Total NPV	1,063	
Group NPV (A\$/share)		1.54
Target Price (A\$/share)		1.50

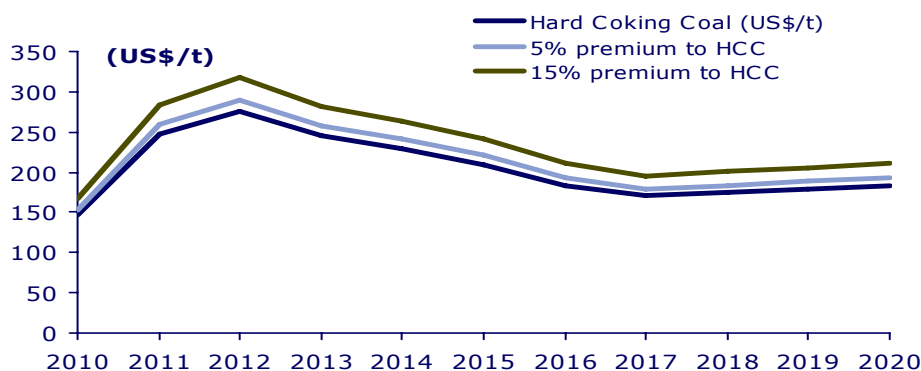
Source: CLSA Asia-Pacific Markets

Significant upside to our base case production assumptions

Bathurst is expected to produce high quality hard coking coal from the Buller Coal Project, which could demand a premium to the benchmark HCC price. Bathurst estimate this premium could range from 5.0-15.0%. For conservatism we have assumed Bathurst receives only the benchmark hard coking coal price for their Buller coal production. If we factor a 5.0% premium to HCC into our forecasts, our sum-of-the-parts NPV valuation increases by 13% to A\$1.70/share. If we factor in a 15% premium to our HCC forecasts our valuation increases by 30% to A\$1.95/share.

Figure 2

CLSA nominal hard coking coal price forecasts



Source: CLSA Asia-Pacific Markets

Our forecasts currently include a development to 2.0mtpa from the Buller Coal Project. In the long term Bathurst is targeting a further 2.0mtpa of production from North Buller, increasing total production to 4.0mtpa. Factoring in a further 2.0mtpa of production from North Buller commencing in 2016, on similar development metrics to South Buller sees our valuation increase by 75% to A\$2.50/share.

A likely take out target

The hard coking coal market remains tight, with few green field hard coking coal projects expected to come on line over the next few years. Coking coal projects are increasingly more complex, and key development areas including

Bathurst's closest peer in our coverage universe is Aston Resources

Bathurst has the benefit of existing export infrastructure, providing a path to market

Bathurst is trading on an EV/Ebitda multiple of 2.1x FY14 earnings, well below peers

Mongolia and Mozambique are constrained by availability of export infrastructure, requiring significant investment prior to production.

Bathurst represents a relatively low risk development project, with low capex, and access to existing export infrastructure. Bathurst is likely to produce 1.0mtpa of hard coking coal within two years, increasing to 2.1mtpa in 2015. In a tight coking coal market, Bathurst represents an attractive takeover target, providing potential for 4.0mtpa of coking coal production within 4-5 years, with relatively simple export infrastructure options.

Peer comparison

Bathurst's closest peer within CLSA's coal coverage universe is Aston Resources. Aston is currently awaiting mining lease approval on the Maules Creek development project in NSW, and is likely to produce 10.7mtpa of metallurgical and thermal coal from the project post ramp up in 2015. Macarthur Coal, Whitehaven Coal, Coal and Allied and New Hope Corporation are all existing producers, and therefore short term trading comparatives are less relevant.

Although Bathurst's production base is likely to be the lowest within our coverage universe, the high quality of Bathurst coal and limited export infrastructure availability in Australia provide Bathurst with a benefit over peers. The relatively small scale of Bathurst's individual operations also means the ramp up to production is much faster than development peers.

Figure 3

Production forecasts (mt) (company share)

Company	FY12	FY13	FY14	FY15	Coal type
Bathurst Resources	0.1	0.9	1.6	2.1	HCC
Aston Resources	0.0	0.0	2.4	7.9	PCI/SSCC/Thermal
Macarthur Coal	5.1	6.2	8.1	8.9	PCI/SHCC
Whitehaven Coal	5.9	8.7	12.7	13.3	PCI/Thermal
New Hope Corporation	6.2	6.7	8.4	8.5	Thermal
Coal and Allied	22.5	24.0	24.4	27.5	Thermal

Source: CLSA Asia-Pacific Markets

Short term earnings multiples are not an appropriate comparison, as both Aston Resources and Bathurst Resources are in development phase. As Bathurst's production base ramps up in FY14, Bathurst is the cheapest producer in our coverage universe, trading on an EV/Ebitda multiple of 2.1x. Bathurst's earnings are driven by the high value of hard coking coal produced from the Buller Coal Project.

Figure 4

EV/Ebitda (x)

Company	FY12	FY13	FY14	FY15
Bathurst Resources	nm	5.4	2.1	1.2
Aston Resources	nm	nm	12.5	2.8
Macarthur Coal	5.2	4.6	3.4	3.4
Whitehaven Coal	6.9	4.7	3.1	3.2
New Hope Corporation	7.2	7.2	5.5	5.1
Coal and Allied	7.5	8.5	9.9	8.7

Source: CLSA Asia-Pacific Markets

Bathurst is trading above peers on an EV/Resource and EV/Reserve basis, but landholdings are relatively underexplored

On an EV/Resource and EV/Reserve basis, Bathurst is trading well above peers. We note both Aston Resources and Bathurst Resources include reserves and resources from a single development project only, while peers include both producing and exploration assets, which distorts the comparison. We also note Bathurst's Reserves are likely understated, with little exploration activity historically undertaken while the assets were privately owned.

Figure 5

EV/Resource and EV/Reserve

Company	EV/Resource	EV/Reserve	Coal type
Bathurst Resources	\$7.90	\$58.80	HCC/Thermal
Aston Resources	\$3.98	\$7.54	PCI/SSCC/Thermal
Macarthur Coal	\$1.39	\$18.90	PCI/SHCC
Whitehaven Coal	\$1.79	\$8.02	SSCC/Thermal
New Hope Corporation	\$1.40	\$4.20	Thermal
Coal and Allied	\$1.78	\$6.32	Thermal

Source: CLSA Asia-Pacific Markets

Bathurst has the highest upside to our target price within our coverage universe, but offers a different risk profile to existing producers

Within our coverage universe, Bathurst Resources has the most upside to our target price of \$1.50/share. We highlight Bathurst as a higher risk proposition than existing producers however, with risk around resource consent and production timing. Our forecasts include a 6 month delay against management's target production date, and an additional capex contingency of \$10m to maintain conservatism in our forecasts.

Figure 6

CLSA target price and rating

Company	Code	Rating	Share Price	Target Price	Upside to target price
Bathurst Resources	BTU AU	BUY	\$0.98	\$1.50	53%
Aston Resources	AZT AU	BUY	\$9.15	\$11.70	28%
Macarthur Coal	MCC AU	BUY	\$10.75	\$14.70	37%
Whitehaven Coal	WHC AU	O-PF	\$5.52	\$6.70	21%
New Hope Corporation	NHC AU	O-PF	\$5.09	\$5.70	12%
Coal and Allied	CNA AU	O-PF	\$103.01	\$123.00	19%

Source: CLSA Asia-Pacific Markets

Positive earnings likely from 2012

A small amount of coal production is expected from the Cascade and Takitimu projects during FY11, but this is only likely to provide a small contribution to earnings. We expect the Buller Project to commence production in the June quarter FY12. Buller is the key earnings driver for Bathurst Resources, and could see Bathurst profitable in FY12, with only one quarter of production included in our forecasts.

The key earnings driver for Bathurst is the Buller Coal project

1.6mt of production in FY14 could see Bathurst generating Ebitda of \$250m within four years

An increase in production to 1.6mtpa could see Bathurst generate Ebitda of nearly A\$250m in FY14. Bathurst management have a long term production target of 4.0mtpa from the Buller Project, which could more than double Ebitda to A\$600m within 5 years. Our forecasts include only 2.0mtpa of production from Buller from 2015.

Figure 7

Bathurst Resources income statement					
(A\$m, Jun y/e)	10A	11CL	12CL	13CL	14CL
Operating revenue	0.0	0.6	32.7	226.5	403.3
Cost of sales	0.0	(15.1)	(15.0)	(92.2)	(149.1)
Gross profit	0.0	(14.6)	17.7	134.3	254.1
Exploration expense	0.0	0.0	0.0	0.0	0.0
Corporate expense	(3.2)	(6.3)	(4.0)	(4.1)	(4.2)
Other income	0.0	0.0	0.0	0.0	0.0
Ebitda	(3.2)	(20.8)	13.7	130.2	249.9
Depreciation and amortisation	(0.0)	(0.5)	(1.1)	(1.1)	(1.1)
Ebit	(3.2)	(21.4)	12.6	129.1	248.9
Net Finance expense	0.1	1.9	(0.3)	(1.7)	3.4
Tax expense	0.0	1.2	(3.7)	(38.2)	(75.7)
Minority interest	0.0	0.0	0.0	0.0	0.0
Net attributable profit (Normalised)	(3.1)	(18.3)	8.6	89.2	176.6
Exceptional items	(6.2)	0.0	0.0	0.0	0.0
Net attributable profit (Reported)	(9.3)	(18.3)	8.6	89.2	176.6

Source: CLSA Asia-Pacific Markets

Corporate costs and royalty rates remain low compared to peers

Bathurst maintains low corporate costs, at around A\$2mpa. The small Takitimu and Cascade mines should provide sufficient cashflow to fund corporate overheads. Royalty rates have been negotiated directly with New Zealand authorities, and are calculated as NZ\$3.40/t of hard coking coal produced and NZ\$2.80/t of thermal coal production.

Operating cashflow repays debt in FY14

Production from the Buller Coal Project is likely to see a positive operating cashflow contribution in FY12, increasing as production ramps up to 1.0mtpa. Development capex and instalment payments for acquisitions are able to be funded from debt facilities. Based on our forecasts, debt is able to be repaid within 2 years of Buller commencing production.

Figure 8

Bathurst Resources cash flow statement					
(A\$m, Jun y/e)	10A	11CL	12CL	13CL	14CL
Net Profit	(9.3)	(18.3)	8.6	89.2	176.6
Plus Depreciation and Amortisation	0.0	0.5	1.1	1.1	1.1
Less Capitalised Tax, Int. and Expl.	(5.7)	(1.2)	(2.0)	(2.0)	(2.1)
Less change in other working capital	4.1	11.3	(3.0)	(3.6)	(4.7)
Operating cash flow	(10.9)	(7.7)	4.6	84.6	170.9
Capex payments	(0.1)	(16.9)	(49.4)	(2.8)	(4.4)
(Acquisitions) / Disposals	(0.2)	(67.5)	(73.0)	(41.0)	0.0
Other	0.0	(0.4)	0.0	0.0	0.0
Investing cash flow	(0.2)	(84.9)	(122.4)	(43.9)	(4.4)
Free cash flow	(11.1)	(92.5)	(117.8)	40.8	166.5
Net borrowings	19.8	163.5	0.0	0.0	0.0
Dividends paid to shareholders	0.0	0.0	0.0	0.0	0.0
Proceeds from equity issuance	(0.2)	0.0	60.0	(30.0)	(30.0)
Financing cash flow	19.6	163.5	60.0	(30.0)	(30.0)
Forex changes	(0.5)	(0.0)	0.0	0.0	0.0
Net increase (decrease) in cash	8.0	71.0	(57.8)	10.8	136.5

Source: CLSA Asia-Pacific Markets

Development capex is likely to be funded through a combination of existing cash, plus existing debt facilities

Balance sheet

Bathurst's balance sheet is relatively clean. Development capex and residual payments on acquisitions are able to be funded from existing cash reserves

We expect debt to peak at \$100m, which funds development of Escarpment and Deep Creek

and available debt facilities. Based on our forecast ramp up to 2.0mtpa of production from 2015, debt is expected to peak at A\$100m.

Development capex on the Buller project remains low, at around \$80m. With a low asset base, ROA is expected to average 29.6% in the two years following ramp up. ROIC is expected to peak in FY14 at 41.1%, reducing to around 30% from 2016, as our coal price assumptions approach our long term forecast.

Figure 9

Bathurst Resources balance sheet

(A\$m, Jun y/e)	10A	11CL	12CL	13CL	14CL
Cash	8.3	79.3	21.5	32.3	168.8
Receivables	0.4	3.0	6.5	45.3	80.7
Inventories	0.0	0.0	9.8	67.9	121.0
Other	0.2	0.0	6.5	18.1	32.3
Total current assets	8.8	82.4	44.4	163.7	402.7
Property, plant and equipment	0.0	84.0	205.3	248.1	251.5
Exploration, evaluation & Development	0.0	1.8	3.8	5.8	7.8
Other	5.8	0.0	0.0	0.0	0.0
Total non current assets	5.8	85.8	209.1	253.9	259.3
Total assets	14.6	168.1	253.5	417.6	662.0
Payables	0.5	5.0	0.3	11.3	20.2
Borrowings	0.0	0.0	12.0	6.0	0.0
Derivatives					
Other	0.0	0.0	0.3	4.5	8.1
Total current liabilities	0.5	5.0	12.7	21.9	28.2
Borrowings	0.0	0.0	48.0	24.0	0.0
Other non current liabilities	0.0	3.7	24.8	114.4	199.9
Total non current liabilities	0.0	3.7	72.8	138.4	199.9
Total liabilities	0.5	8.7	85.5	160.3	228.1
Net assets	14.2	159.4	168.0	257.3	433.9
Issued capital	33.0	196.5	196.5	196.5	196.5
Retained earnings	(20.0)	(38.3)	(29.6)	59.6	236.2
Reserves	1.2	1.2	1.2	1.2	1.2
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	14.2	159.4	168.0	257.3	433.9
Total attributable equity	14.2	159.4	168.0	257.3	433.9

Source: CLSA Asia-Pacific Markets

Bathurst acquired their landholding in the Buller Coalfields through three separate transactions

Development activity at Buller will initially focus on the Escarpment project

Bathurst's assets are adjacent to state owned Solid Energy's Stockton mine

Buller Coal Project is the key value driver

Through three separate acquisitions, Bathurst Resources has consolidated a substantial landholding in the Buller Coalfields, on New Zealand's south island. The Buller Coalfields have a long history of small scale coal production dating back to the 1870's. State owned Solid Energy has been producing hard coking coal from the Stockton mine, adjacent to Bathurst's assets since the 1980's.

Buller Coal Project overview

Bathurst Resources owns a portfolio of projects collectively known as the Buller Coal Project, on the South Island of New Zealand. The Buller Coal project incorporates the Escarpment, Deep Creek, Whareatea West and Cascade projects in the Buller Coalfields. Bathurst's production plans are focussed on a series of small open cut developments, initially involving a 1.0mtpa open cut at the Escarpment project, likely to be followed by a series of similar open pit projects within the Buller Project.

The Buller Coalfields are located around 11km from the town of Westport, on the west coast of New Zealand's south island. The Buller Coalfields have a long history of coal production, with coal historically exported from the nearby town of Westport. Export infrastructure remains in place, although port infrastructure will need some refurbishment to meet Bathurst's 2.0mtpa target throughput. State owned Solid Energy currently produces 1.5-2.0mt of coal from the Buller Coalfields, with coal railed to the Lyttelton port on New Zealand's east coast for export.

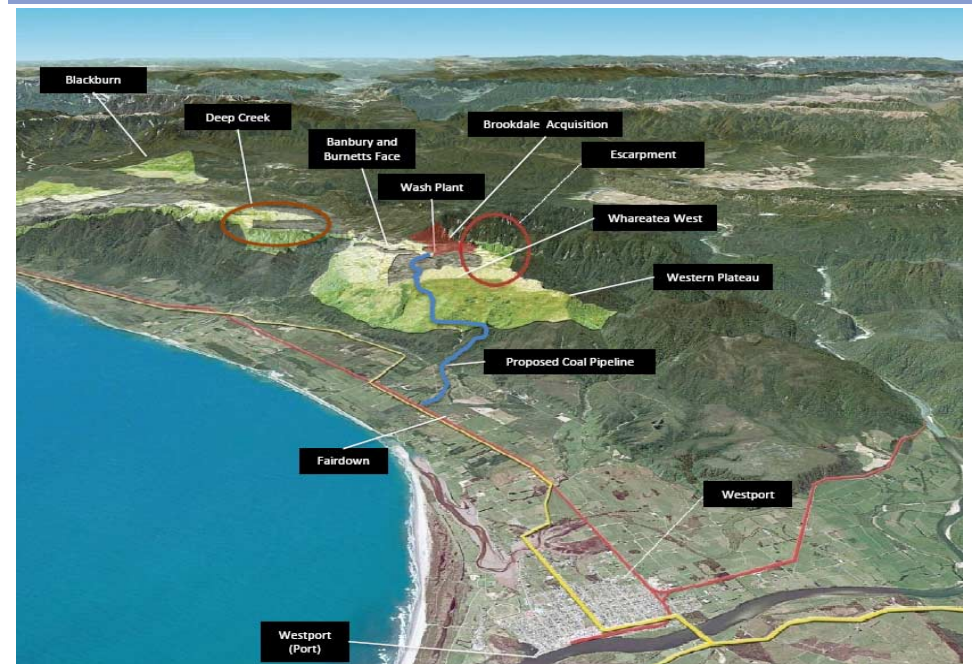
Figure 10

Project location



Figure 11

Project layout



Source: Bathurst Resources

Aggregation of Buller Coalfield landholding

Bathurst has secured exploration and development projects to the north and south of Solid Energy's Stockton mine. Bathurst initially acquired the Escarpment and Deep Creek assets from L&M Coal Holdings, a private New

Development activity is initially focused on the area known as South Buller

North Buller could double production in the longer term, but timing is uncertain

Zealand company. The recent Eastern Resources acquisition added the Whareatea West and Cascade license holdings, and the Brookdale acquisition adds a license holding to the south, effectively controlling land to the north and south of Solid Energy's Stockton mine.

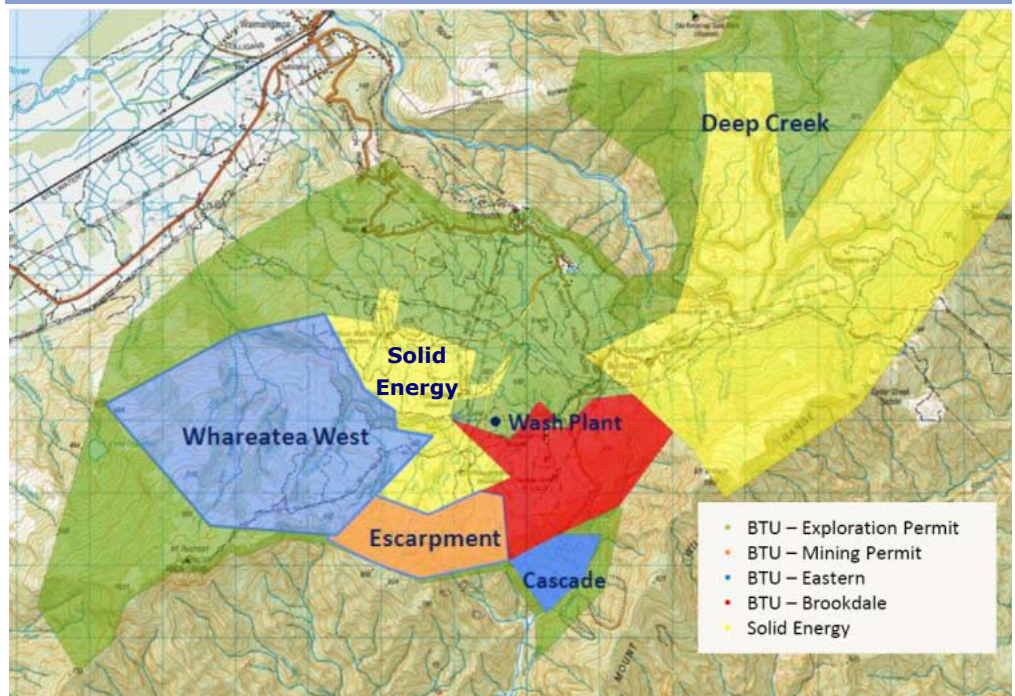
Bathurst considers the Buller Coal Project as two development areas, known as South Buller and North Buller. Development will initially focus on the area known as South Buller, which has the potential to produce up to 3.0mtpa. North Buller could add an additional 2.0mtpa of coal production in the longer term.

The Escarpment mine, in South Buller, is likely to form Bathurst's first major mining operation, and could produce 1.0mtpa of hard coking coal. A development of Deep Creek is likely to follow, increasing production by a further 1.0mtpa. Development of Western Plateau, Whareatea West or the Brookdale assets could see another 1.0mtpa of coal production added from the South Buller area. Any expansion beyond 2.0mtpa will need to be railed to Lyttelton port for export.

Beyond South Buller, Bathurst will require a replication of current processing plant and infrastructure plans in the North Buller area. North Buller could add an additional 2.0mtpa of coal production in the longer term, but with significant uncertainty around timing and scale.

Figure 12

Bathurst Resources lease holdings



Source: Bathurst Resources

Cascade currently produces a small amount of semi soft coking coal, which is currently sold to local customers under a long term supply contract, well below market prices. A mine life extension is possible at Cascade, but scope for expansion is limited. There is the potential for Bathurst to acquire thermal coal for delivery into the coal supply contract, and sell the small amount of

Bathurst's assets are located on the Denniston Plateau

The Buller Coalfields have a long history of coal production, dating back to the 1870's

Whareatea West was acquired as part of the Eastern Resources acquisition

semi soft coking coal production into the export market at a substantially higher price.

Buller Coalfields

The Buller Coalfields are located on the Denniston Plateau, within New Zealand's West Coast Coal region, which includes a total of 13 coal fields. The Plateau ranges from around 600 to 800m above sea level. The plateau is formed on the Brunner Coal measures, dominated by thick course sandstones and minor mudstones. Brunner coal is low in ash, and in general exhibits high coking properties. The Denniston Plateau receives around 6m of rainfall which can impact mining activity. Drizzle and cloud are common during the winter months.

Coal mining in the Buller Coalfields commenced in the 1870's. Development of the Escarpment mine commenced in 1960, and operated as a small underground mine between 1962 and 1982. Production ceased following an earthquake, with concerns around underground stability.

Acquisition history

Bathurst acquired their current permit and landholding in the Buller Coalfields through three transactions;

L&M Holdings acquisition

Bathurst acquired the Buller Coal Project from L&M Holdings Ltd in February 2010, for an initial payment of US\$40m, plus US\$40m on coal sales of 25kt plus US\$40m on coal sales of 1.0mt. L&M Holdings will also be granted 5% of issued capital in Bathurst Resources at the time of completion plus a 1.75% royalty on coal revenue over the life of the project.

Eastern Resources acquisition

The Eastern Resources Group acquisition was completed on 18 March 2011. Eastern Resources Group owned the Whareatea West exploration permit, and the Cascade and Takitimu mines. Total acquisition proceeds were A\$31.7m, with the final instalment of \$6m to be paid during the June quarter 2011. Eastern Resources Group was a subsidiary of ASX listed Galilee Energy.

Whareatea is immediately adjacent to the Escarpment project, and currently has 25.7mt of thermal and coking coal resources. In addition to the Whareatea West exploration permit, Eastern Resources Group owns the Cascade and Takitimu operating mines. The Cascade mine currently produces around 40-50ktpa of coal sold to domestic customers. Takitimu is currently producing around 160ktpa of thermal coal, sold to local customers.

Brookdale acquisition

In May 2011 Bathurst Resources announced the acquisition of Brookdale for US\$12m plus 15 million Bathurst Resources shares, representing an implied acquisition price of around A\$27.7m. Approximately \$4m has been paid to date, with the balance due in around 3 months, following completion of the current drilling program.

The Brookdale assets provide a direct link between Bathurst's Cascade project and Escarpment project, and already include approvals to truck 250ktpa of coal down the escarpment. The acquisition also provides mining access to around 2.0mt of coal butting against the Cascade lease border, which would not be accessible without Bathurst Resources' other landholdings.

Simple mining, complex transport

Development of the Buller Coal Project will initially focus on the Escarpment mine, followed by Deep Creek. A mining permit has been awarded on the Escarpment project, but access arrangements and environmental consents remain outstanding. A court hearing for resource consents commenced on 7 June 2011, with a decision unlikely for at least 1-2 months.

The Buller District Council is broadly supportive of mining, with a long history of coal mining in the region, and the Solid Energy's Stockton mine currently operating using similar processing and transport infrastructure. We believe consents will be awarded, although there is the potential for a delay. Our production forecasts have factored in a 6 month delay for conservatism, with first coal production expected from Escarpment during the June quarter 2012.

The Buller Project has a JORC Resource of 72.8mt, an exploration target range of 125-167mt, and marketable coal reserves of 10.2mt. Little exploration activity has been undertaken historically, with Bathurst now increasing drilling activity, initially focussing on upgrading resources to reserves. Coal seams are flat and continuous, and we expect a substantial increase in reserves over the next 12-18 months.

Escarpment provides first 1.0mtpa

The Escarpment project is likely to be developed first, ramping up to 1.0mtpa of coal production in around 12 months. A definitive feasibility study was prepared by L&M Coal Limited in 2010. A mining permit has been secured, and the project is awaiting final access and environmental approvals.

A resource consent application was submitted to the Buller District Council on 31 August 2010, and forms the basis for environmental and social approvals under New Zealand mining regulations. The resource consent hearing commenced in New Zealand on 7th June. At commencement of the hearing, the initial officers report notes that the Hearing Committee is of the view that the granting of consent is likely, subject to suitable conditions being imposed on outstanding issues. Outstanding issues relate predominantly to landform and rehabilitation, off-site heritage projects, maintenance of visual amenity for residents, and clarification of water quality effects on mine development.

We provide further detail on the application process in the appendix to this document. Following approvals, we estimate a total construction period of 4-6 months, which includes approximately 10 weeks for pre-stripping. Construction of the CHPP is underway, with only final assembly required on site.

The Escarpment development is expected to have an average strip ratio of around 9:1. Coal yields are expected to average around 75% at Escarpment post commissioning. Yields from Deep Creek should be higher, with around 40% of coal production able to bypass the wash plant, and 85% yield on washed coal. Buller is expected to produce a high quality coking coal, with ash around 3-5%, sulphur of 0.7%, and calorific value around 7,700kcal/kg. Escarpment has a mine life around 3 years based on marketable reserves only, but we expect an increase to reserves through resource conversion and additional resource definition drilling.

A resource consent hearing is underway in New Zealand

Although resource consent represents a risk, the Buller District Council is broadly supportive of mining

Buller has total resources of 72.8mt, and marketable reserves of 10.2mt

Escarpment is Bathurst's first development. The previous owner completed a feasibility study

Construction of Escarpment is only likely to take 4-6 months

Wash yields are likely to be around 75% from Escarpment, higher from Deep Creek.

Deep Creek has a lower strip ratio and higher yield than Escarpment

Bathurst are targeting a third mine in South Buller, which could add another 1.0mtpa of coal production

We expect a substantial increase in reserves, as plans develop around Whareatea West

Deep Creek

Deep Creek is likely to form Bathurst’s second development, and is located to the north of Escarpment. Deep Creek will utilise the same processing and transport infrastructure as Escarpment, although additional trucking will be required to deliver coal to the Buller processing plant.

Current plans for Deep Creek include a 1.0mtpa development, commencing production during the September quarter 2013. The Deep Creek strip ratio is expected to be around 5.6:1, mining a 6m thick coal seam. Coal quality is expected to be similar to Escarpment coal in the short term, and will include some direct ship coal which could bypass the CHPP. Deep Creek has a mine life of 7.5 years on marketable reserves.

Deep Creek is currently not included in the resource consent application for the Escarpment Project and therefore a separate application will be required, albeit approvals for dewatering and coal pipeline would already be held. A resource consent application is likely to be made shortly after approval of the Escarpment application.

Long term 4-5mtpa could be possible

Bathurst has focussed production on the area known as South Buller, which includes Escarpment, Deep Creek, Whareatea West and Western Plateau. Initially plans are targeting 2.0mtpa of production from Escarpment and Deep Creek. An additional 1.0mtpa is targeted from either an expansion of Escarpment or Deep Creek, or a new pit at Whareatea West or Western Plateau. A 3.0mtpa development from South Buller would require a modification to Bathurst’s mining lease and resource consent.

Our development scenario includes production ramping up to 2.0mtpa in 2015. Increasing production from South Buller to 3.0mtpa would require additional processing infrastructure. We estimate an increase to 3.0mtpa from 2016, using similar capex estimates to the existing Buller development would add \$0.38/share or 24% to our target price.

Beyond South Buller, Bathurst Resources has the potential to increase production from the North Buller region, potentially adding 2.0mtpa of production.

Reserves and Resources

Bathurst has 10.2mt of marketable reserves at the Escarpment and Deep Creek projects. Exploration activity is currently focussed on upgrading reserves at Escarpment, and we expect a substantial increase to reserves over the next 12 months. Total resources at the Buller Coalfields total 72.8mt, with 60.3mt in the measured and indicated categories.

Figure 13

Buller Coal Project Total Reserves (mt)

	Proved	Probable	Total	Marketable
Escarpment	3.5	0.5	4.0	2.7
Deep Creek	5.8	2.8	8.6	7.5
Total	9.3	3.2	12.5	10.2

Source: Bathurst Resources

We expect first coal production from Escarpment during the June quarter 2012

The key risk to our forecasts is around timing of resource consent.

Figure 14

Buller Coal Project Total Resources (mt)				
	Measured	Indicated	Inferred	Total
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
Whareatea West	18.0	7.7		25.7
Blackburn		10.8		10.8
Millerton North		4.3		4.3
Total	28.0	32.3	12.5	72.8

Source: Bathurst Resources

Production forecasts

We expect first coal production from the Buller Coal Project in June 2012, commencing with development of the Escarpment Project, which includes a 6 month delay over management forecasts. Escarpment should ramp up to 1.0mtpa within 12 months. We have included a development of Deep Creek into our production forecasts from September 2013, with a six month ramp up to full production.

In aggregate we expect 0.1mt of coal production in FY12 from Buller, increasing to 2.1mt in FY15. 100% of production from the Escarpment and Deep Creek projects is expected to be hard coking coal for the first five years, decreasing to 90% hard coking coal, 10% thermal coal thereafter.

Cash costs are expected to be around US\$100-110/t in the short term. In the longer term our cash cost forecasts reduce to around US\$80/t, with the reduction mainly a result of our currency assumptions, which reflect a long term US\$/A\$ of 0.85:1, and NZ\$/A\$ of 1.20:1. Our forecasts assume mining and transport costs of NZ\$6 per tonne on material moved and coal wash costs of NZ\$5/t.

Our forecast include consumption of all reserves, plus approximately 20mt of resources, for a total mine life of 10 years. Our cost assumptions reflect mining costs in New Zealand dollars, with a long term NZ\$/A\$ forecast of \$1.20:1.

Figure 15

Production schedule				
Prospect (mt)	FY12	FY13	FY14	FY15
Escarpment	0.1	0.9	1.0	1.0
Deep Creek			0.6	1.0
Other				
Total production (mt)	0.1	0.9	1.8	2.1
Cash Costs (US\$/t)	100	95	82	80

Source: CLSA Asia-Pacific Markets

Risk to our production forecasts

The key risk to our forecast is around land access approvals and timing of resource consent. In our view resource consent is likely to be received, with a history of mining in the region, and a net benefit to local communities. Risk therefore is around timing of approvals, to both the initial Escarpment development and the subsequent Deep Creek project. We discuss the project approval process in more detail in the appendix to this document, but note

Construction is only likely to take 4-6 months, with the CHPP already under construction offsite

We have factored in \$79.2m in capex, \$10m above Bathurst guidance

The export infrastructure chain is complex, but remains economic

Deep Creek is likely to be an easier approval process, as dewatering and pipeline infrastructure is being approved and built as part of the Escarpment development application.

Following access approval and environmental consent the ramp up to production should take around 4-6 months. The CHPP is already under construction offsite, and will need only structural work and assembly on site. Pre stripping will require around 10 weeks in total, which can be completed concurrently with CHPP assembly and infrastructure construction. Construction of the dewatering plant and slurry pipeline can be completed within the 4-6 month time horizon. The upgrade to Westport port will require around 6 months in total to complete, although exports can start almost immediately using existing infrastructure up to around 1.0mtpa. Commissioning of barges will require around 1-2 months.

Low capex for project scale

Capex for development is estimated at US\$79.2m, which includes a US\$5.1m contingency from the company, and an additional US\$10m which we have included for conservatism. The 2.0mtpa coal handling and processing plant is expected to cost around US\$18.5m, and is being built by Brightwater, an experience New Zealand company under a fixed price contract.

Figure 16

Buller coal project estimated capex

Description	Capital (US\$m)
Pre strip	14.5
Coal handling and processing plant (CHPP)	18.5
Pipeline & dewatering plant	21.5
Mine infrastructure & other	2.5
Deep Creek infrastructure	7.1
Total Capex	64.1
Bathurst Contingency	5.1
CLSA additional contingency	10.0
Total CLSA estimated capex	79.2

Source: CLSA Asia-Pacific Markets, Bathurst Resources

Current plans include a 2.0mtpa development, which could be replicated at a later stage to double capacity.

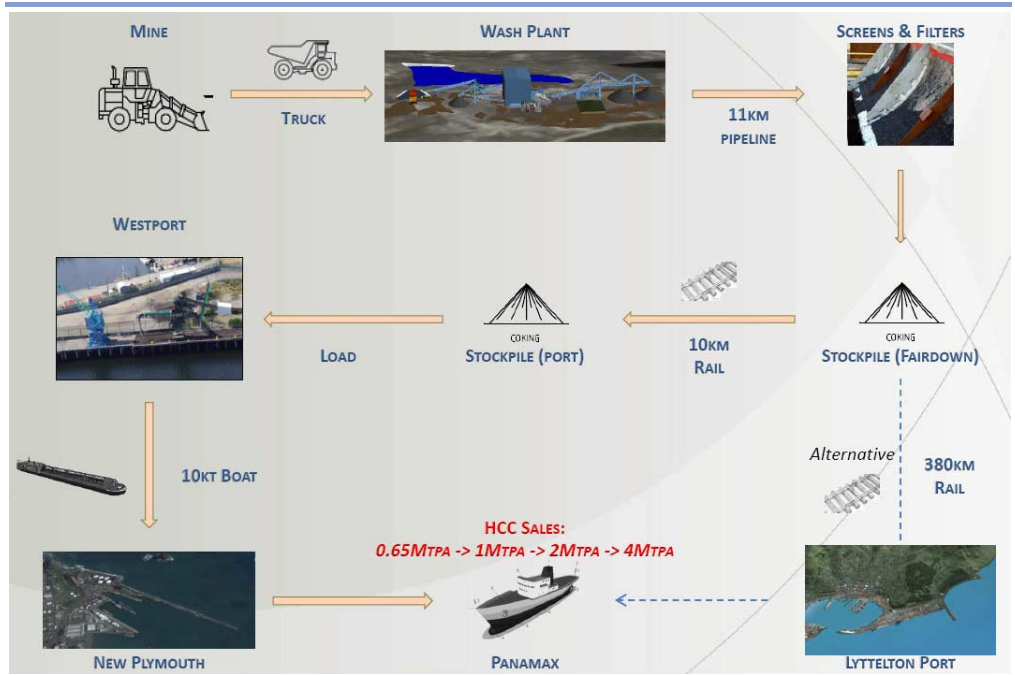
Transport infrastructure – far from ideal, but still economic

Although Bathurst’s infrastructure chain is complex compared to Australian peers, the high value of Bathurst’s coal combined with low mining costs means production remain competitive after factoring in relatively high transport costs.

Historically small volumes of coal have been exported through the Port of Westport. Capacity is limited to around 2mtpa, sufficient to meet Bathurst’s short term production plans.

Figure 17

Infrastructure chain alternatives



Source: Bathurst Resources

Bathurst intend to pump coal down from the plateau in slurry form

Bathurst’s current intention is to pump coal in slurry form 11km from the wash plant on the Denniston plateau, to a stockpile at Fairdown. Coal will be dewatered at Fairdown, and railed 10km to Westport Harbour. 10kt boats will transport coal to New Plymouth, where coal will be stockpiled for export in panamax vessels.

Rail capacity is available to Lyttelton port through Solid Energy

Solid Energy currently has capacity of around 5.0mtpa of rail capacity to the port of Lyttelton, with 1-2mt contracted to the failed Pike River operation. Pike River’s allocation is currently not being used, providing the opportunity for Bathurst to acquire capacity. Rail to Lyttelton represents an alternative export port, and will be required to meet expansion plans above 2.0mtpa.

We note the transport chain for the Buller Project is complex, and costly on a per tonne of production basis given the number of steps involved. Low mining costs, and high value hard coking coal however means transport costs around \$30/t remain economic. We discuss infrastructure requirements in more detail below.

Bathurst operational overview

Mining

Mining will operate using a traditional open cut truck and shovel operation

Mining will be via traditional open cut, initially focusing on areas where coal outcrops, limiting the requirement for overburden removal in the short term. Overburden averages around 50m in depth, up to 76m at a maximum. Drill and blast will be required, as overburden includes sandstone and mudstone. Mining is intended to operate 24 hours a day, 7 days a week. Working benches will be 5m in height, with excavation in two flitches of 2.5m. The final pit wall slope is expected to be approximately 45 degrees, including 15m benches, 63 degree batter slope and 7.5m berms.

The Buller CHPP is a simple design, including 2 stage dense medium cyclones and spiral concentrators

Mining equipment is likely to include 3-4 x 200t excavators, 2 front end loaders, 15 x 160t haul trucks, 2 blast hole drills, and various smaller mining equipment.

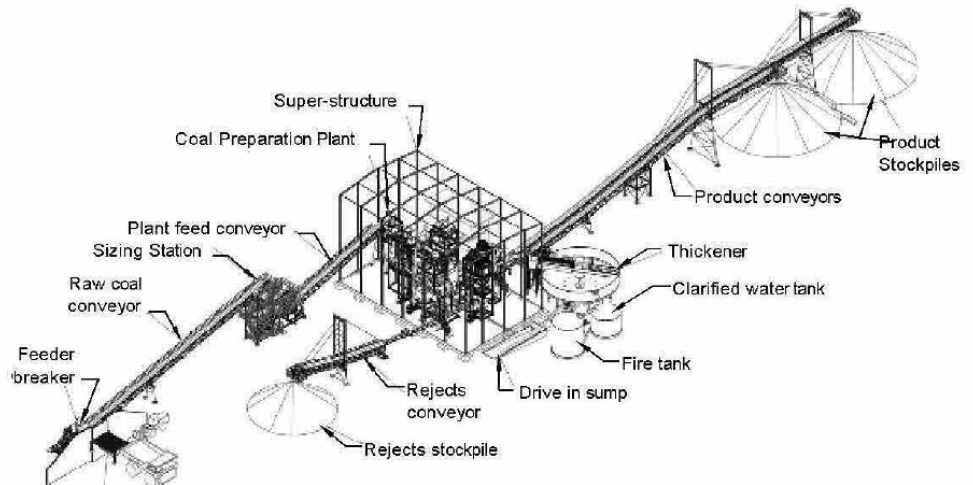
Coal handling and preparation plant (CHPP)

Bathurst's CHPP is of relatively simple design, and will include:

- ROM stockpile, truck dump and feeder breaker
- Sizing station and conveyor
- Substation and power lines
- Product stockpile area
- Slurry system
- Freshwater line and water storage dam
- Workshop, office, amenities, lay down area and heavy equipment parking area
- Waste and recycled water dam

Figure 18

CHPP plant design



Source: L&M Coal

Mined coal will be stockpiled, or loaded into a heavy duty screen or grizzly and feeder breaker to remove fines and undersized material, before entering the crushing station. The coal recovery circuit comprises 2 stage dense medium cyclones and spiral concentrators with a thickener to remove fine material. Coal fines will be pumped to a disposal cell in the mine overburden dump. Two 1.5kt stockpiles, plus a 0.5kt course reject stockpile will be maintained. Course rejects will be backhauled to the overburden stockpile. Maximum coal size from the CHPP will be 50mm.

Water supply sufficient to meet 2mtpa production

Water will be pumped from the Waimangaroa River located to the east of the Denniston Plateau. A pipeline will be constructed between the river and the CHPP over a distance of around 5km. The CHPP and slurry pipeline are expected to draw around 140 litres per second. An 11kV power line will be required to service pumping infrastructure, and will follow a similar path to the water pipeline.

Water supply from the Waimangaroa River is expected to meet production requirements up to 2.0mtpa. An expansion beyond 2.0mtpa could require

Sufficient water is available on the Plateau to meet 2.0mtpa of production

An expansion beyond 2.0mtpa could require recycling of water from the dewatering facility

Dewatering equipment will be enclosed to minimise dust emissions

recycling of water, most likely including pumping of water from the dewatering facility up to the CHPP.

Slurry pipeline

Coal will be transported to the Fairdown dewatering facility in a slurry. Coal will be transported in batches, which will allow separation of different coal qualities. The slurry pipeline will include a 280mm diameter plastic pipeline or 250mm steel pipeline running from the CHPP to the coal dewatering area. A 33kV power line will follow a similar path to the pipeline.

The slurry will be transported at a rate of approximately 143t/h, at approximately 1.6m/s. Coal will take around 60-80 minutes to travel the 11km from the CHPP to the Fairdown dewatering facility.

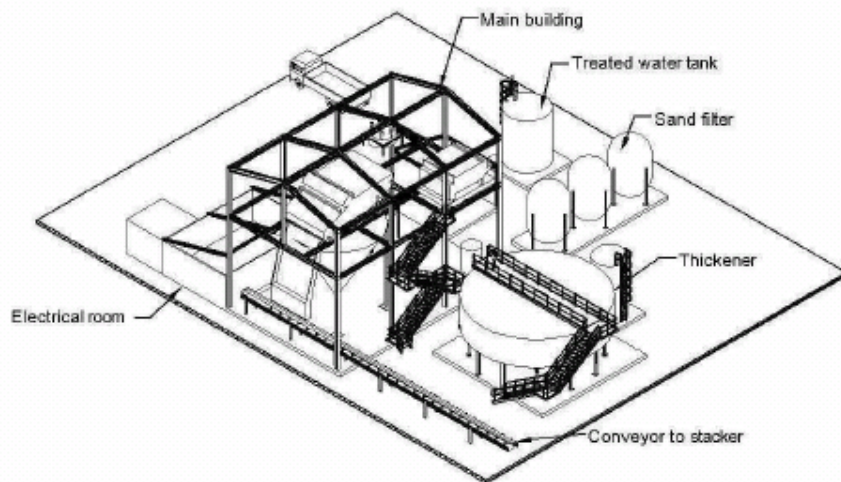
Dewatering

Coal will be dewatered over a vibrating screen, and transported via conveyor to stockpiling. Water will be passed through a water treatment plant, and discharged after treatment. Dewatering equipment will be enclosed to reduce dust emissions.

A coal conveyor will transport coal from the dewatering building to stockpiles, stacking thermal and coking coal separately.

Figure 19

Dewatering station design



Source: L&M Coal

The dewatering facility will include coal stockpiles of 20-30kt. Stockpiles will include a watering system for dust suppression. Moisture content that eliminates dust emissions, called the Dust Extinction Moisture level, range from 5% to 18% for Bathurst's coal. Coal leaving the dewatering plant is expected to be in the range of 14% to 18% to minimise dust emissions.

Transport to Westport

Trains to Westport will consist of 22 wagons. Four trains are expected each day for 6 days a week, up to 14 hours per day. Currently coal is intended to be loaded on to trains via front end loader to minimise capex, but in the longer term there is the possibility to add a conveyor and above wagon load out bin.

Initially coal will be railed to Westport, for export through the Port of Westport

Coal was historically exported through the port of Westport until around 2000 in 16kt barges

Seagoing vessels will transport coal to the Port of Taranaki for export in Panamax vessels

A transport alternative is to utilise the Lyttelton port, on New Zealand's east coast

Port of Westport

The Port of Westport is operated by Buller Port Services. The port is approximately 3km up the Buller River, and capable of service vessels up to 16kt DWT, with a maximum draft of 7 meters. Historically coal was shipped from 1997 to 2000 from the Port of Westport to Australia on a 16kt barge. Export facilities remain in place, but will require refurbishment to meet 2.0mtpa throughput. Currently Westport exports around 0.5mt of cement per year.

Figure 20

Port of Westport – historic coal barge



Source: Port of Westport

A head of agreement was recently executed with Westport Harbour who will construct a coal unloading system, stockpile area, ship loader and wharf with capacity of around 2mtpa within three years. Westport Harbour will operate the facility. The Westport facility is likely to include a 20kt coal stockpile area.

Transport from Westport

From Westport, coal is expected to be transported by 10-12kt seagoing vessel to the Port of Taranaki near New Plymouth on New Zealand's north island. The Port of Taranaki is New Zealand's second largest export port. Capacity is available, with exports able to commence immediately. The port is currently working through a permitting process to increase coal stockpiling capacity to around 1mtpa.

Transport alternative – Rail to Lyttelton Port

Coal produced by Solid Energy's Stockton mine is currently railed to Lyttelton port on New Zealand's east coast. Current rail infrastructure has a capacity of around 5mtpa, with 2-3mt used by Solid Energy. A JV between Kiwirail and Solid Energy operates rail from Solid Energy's Stockton mine to Lyttelton port.

Pike River Coal also has contracted capacity on the line, but has recently been placed in administration. Pike River's contracted capacity is through Solid Energy. There is the potential for Bathurst to acquire excess capacity from Solid Energy, accessing export infrastructure at Lyttelton.

Takitimu and Cascade provide short term cashflow, but are non-core

Takitimu produces 150-160ktpa of thermal coal currently sold to Fonterra

Cascade currently produces around 40-50ktpa of SSCC, currently sold as thermal

Takitimu and Cascade

Bathurst Resources acquired the Takitimu and Cascade mines as part of the Eastern Resources acquisition. In aggregate Takitimu and Cascade produce around 200-210ktpa of thermal coal, with product coal sold on long term contracts to domestic customers. The mines provide a small amount of free cashflow, but are non-core to Bathurst.

Takitimu Mine

Takitimu is located 60km north west of Invercargill, on the South Island of New Zealand. Takitimu is located in the Ohai Coalfields, and contains two coal bearing seams, Beaumont and Morley. Mining in the area commenced in 1883.

The Takitimu Mine currently produces around 150-160ktpa of thermal coal, with a strip ratio around 10:1. Ash content is around 9.6% on an air dried basis, with calorific value around 7,000kcal/kg. Sales are under contract to Fonterra.

Cascade Mine

Cascade was purchased by Eastern Resources in 2005. Cascade produces 40-50kt pa of coal, which is currently sold to a domestic cement producer. Mining equipment is owned and operated directly by Cascade. Cascade is on a steep slope, making mining difficult.

Cascade coal is semi soft coking coal, but currently sold as low quality thermal. In the short term there is the potential to purchase thermal coal for delivery to contracted customers, and export Cascade coal into higher value markets.

Production forecasts

Production from Cascade and Takitimu is expected to remain stable at around 200-210ktpa. In aggregate Cascade and Takitimu are likely to contribute A\$1-2m in cashflow per year, effectively funding Bathurst's corporate costs.

Figure 21

Cascade and Takitimu production forecasts (kt)							
	2011F	2012F	2013F	2014F	2015F	2016F	2017F
Cascade	12.5	50.0	50.0	50.0	50.0	50.0	50.0
Takitimu	109.4	160.0	160.0	160.0	160.0	160.0	160.0
Total	121.9	210.0	210.0	210.0	210.0	210.0	210.0

Source: CLSA Asia-Pacific Markets

Appendix

New Zealand mining approval process

Mining activity in New Zealand is regulated by the Ministry of Economic Development. Mining is regulated as discrete activities, and therefore consent is required for each activity, including land access, land use, waste discharge, water permits and resource consent (environmental approval.) Applicable legislation includes the Crown Minerals Act 1991 and the Resource Management Act 1992.

Mining Permit

The Crown Minerals Act 1991 covers mining, exploration and prospecting permits, and royalties. Bathurst currently holds a mining permit for Escarpment. Mining is subject to access and resource consent, and does not by itself allow mining activity. Permit applications are lodged with Crown Minerals, a part of the Ministry of Economic Development.

Access

A mining, exploration or prospecting permit holder must obtain written approval from the land owner in order to access land. Bathurst is awaiting access arrangements on the Escarpment development.

Resource Consent

Resource consent is required from district councils for any mining activity, and covers environmental issues, including local consultation. Resource consent includes matters such as water discharge permits, water permits, air discharge permits and land use consent for land disturbance. Resource consent requires consultation with traditional landowners.

Bathurst Resources - Resource consent application.

Following Bathurst's resource consent application, 98 submissions were received. Of the 98 submissions, 50 were supportive, 48 were neutral or opposed to the development. 24 of the submissions were opposed on the grounds of dust or noise objections.

The public hearing for Bathurst's resource consent application commenced in Westport on 7th June 2011. The initial officers report notes that the Hearing Committee is of the view that the granting of consent is likely, subject to suitable conditions being imposed on outstanding issues, which relate predominantly to landform and rehabilitation, off-site heritage projects, maintenance of visual amenity for residents, and clarification of water quality effects on mine development.

Bathurst expect a conclusion to the hearing in 40-45 days. We note that an appeal is possible within 28 days, but only for a valid reason. If approvals are granted, and no objections are raised, Bathurst expect all approvals in September or October 2011. We note that appeals could see a delay in approvals, and we have factored a 6 month delay into our forecasts to remain conservative.

Access and resource consent are still required, after a mining permit has been awarded

Resource Consent is similar to the Environmental approvals process in Australia, but requires consultation with traditional landowners

Bathurst's Resource Consent is currently being heard by the district council

Stemcor have an offtake for 45% of Bathurst's first 1.0mtpa of production plus 30% above 1.0mtpa

CITIC has an offtake for 30% of Bathurst's production

Offtake overview

Bathurst has executed offtake arrangements with two counterparties. We provide a summary below;

Stemcor

Bathurst executed a MoU for an offtake agreement with Stemcor Australia, a subsidiary of StemCor Holdings, a global independent steel trader and steel maker. The offtake extends for 5 years from first coal production, and covers 45% of the first 1mtpa of coal production plus 30% of production above 1mtpa.

Part of Stemcor's marketing commission will be driven by the premium to benchmark hard coking coal price, incentivising Stemcor to sell at a premium to hard coking coal price. As part of the agreement Stemcor will provide US\$50m coal financing facility, which will be used to fund project development, with a term of 3-4 years.

CITIC

On the 6 May 2011 Bathurst announced the signing of a non-binding term sheet with CITIC for an offtake agreement. Under the term sheet CITIC will act as principal on 30% of Bathurst's annual coal production, for an initial term of 5 years.

As part of the transaction CITIC will provide a US\$40m debt facility, which will be used to fund construction of the Buller Coal Project. The debt facility has a term of 5 years.

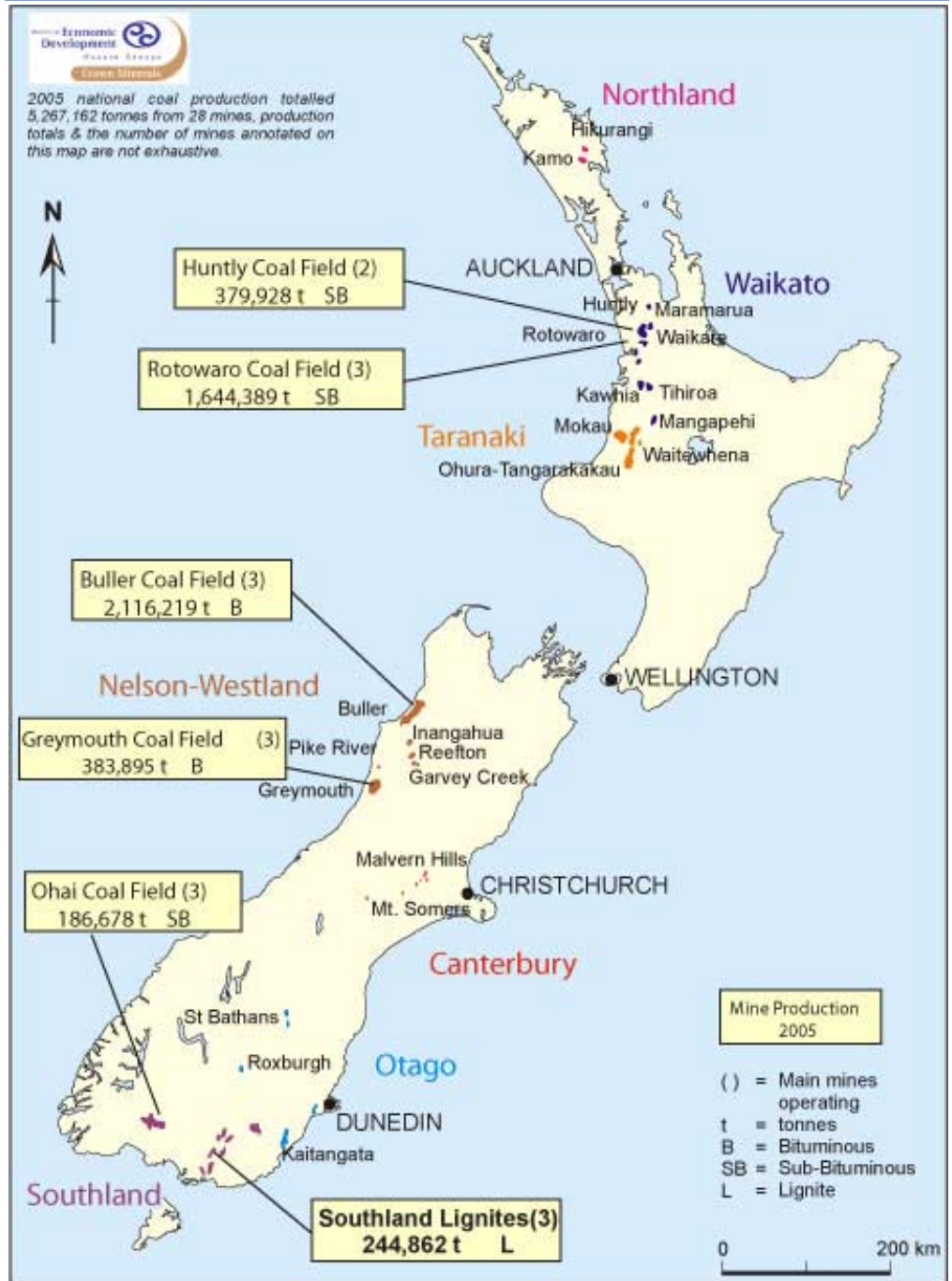
The Buller Coalfields dominate coal production in New Zealand

New Zealand historic coal exports

New Zealand’s coal production is dominated by the Buller Coalfields. The map below shows New Zealand’s coal production in 2005 by region.

Figure 22

New Zealand Coal Regions



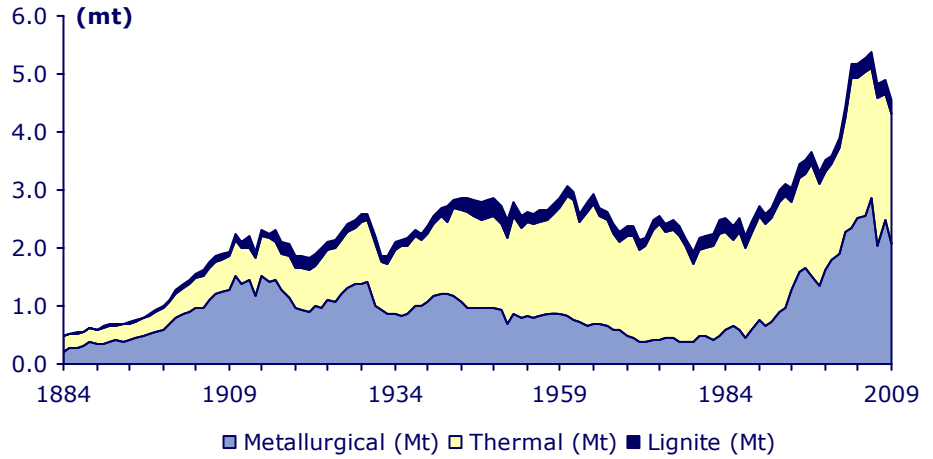
Source: New Zealand Ministry of Economic Development

New Zealand exported around 5.0mt of metallurgical and thermal coal in 2009. Metallurgical coal exports are dominated by state owned Solid Energy.

New Zealand produces 4.0-5.0mtpa of coal

Figure 23

New Zealand historic coal exports



Source: Ministry of Economic Development

Solid Energy / Stockton mine overview

Stockton is the largest coal mine in New Zealand, owned by state owned Solid Energy. In total Solid Energy produces around 4.0mtpa of coal, including around 2.0mt of hard coking and semi soft coking coal, and 2.0mt of thermal coal.

Solid Energy has an interest in 7 mines. Stockton is Solid Energy’s largest mine, producing around 50% of Solid Energy’s total production. Solid Energy also has economic interests including coal seam gas and renewable energy.

Stockton produces between 1.5-2.0mt of coal per year, with production exported to Asian steel mills as hard coking and semi soft coking coal. The Stockton mine has been in operation since the 1980’s, and employs around 550 people. Mining is via contract to Downer EDI.

Figure 24

Peak overlooking Stockton mine



Source: Solid Energy

Board and Senior Management

Mr Craig Munro - Non-Executive Chairman

Mr Munro is a Certified Practicing Accountant with over 35 years experience in the mining industry. He was most recently Senior Vice President Corporate & Finance and Chief Financial Officer of Anvil Mining Limited. Mr Munro is currently a Director of Total Staffing Solutions Limited and was previously a Director of Gallery Gold Limited.

Mr Hamish Bohannan - Managing Director and Chief Executive Officer

Mr Bohannan is a Mining Engineer with 30 years experience in the resources industry, starting as a miner with Goldfields in South Africa before completing a degree at the Royal School of Mines. He has been actively involved in many areas of the industry including dredging and open cut mining, processing and smelting having worked around the globe in various metals from Copper and Gold to Nickel and Mineral Sands. Mr Bohannan was previously CEO of Braemore Resources, and has previously held executive positions with Cyprus Minerals, WMC Ltd, Iluka and IAMGold.

Mr Gerald Cooper - Executive Director

Mr Cooper was most recently Bathurst's VP Operations USA. Mr Cooper, who is a qualified Marine Engineer, served for a number of years as a seagoing engineer before moving onto the power generation field. He has held engineering and maintenance roles for Monadelphous Engineering, Cyprus Gold, Arimco, Copper Mines of Tasmania, Pegasus Gold, Acacia Resources and WMC Phosphate Hill. Mr Cooper has worked internationally for AshantiGold in Guinea and Iluka Resources in the United States, and was Group Engineering Manager for IAMGold before returning to Australia in 2007 and taking up a position as VP Engineering & Maintenance with Braemore Resources.

Mr Rob Lord - Non Executive Director

Mr Lord was most recently the Managing Director and Chief Executive Officer of Gloucester Coal Ltd. Prior to his appointment at Gloucester Coal, Mr Lord worked in the pulp and paper industry for 19 years, most recently as Executive Vice President responsible for the Australasian operations of Norwegian-based Norske Skog. Mr Lord has also worked in a variety of senior international marketing and sales roles including head of marketing and sales roles at Norske Skog Australasia, Fletcher Challenge Paper Australasia and Tasman Pulp and Paper in New Zealand.

Mr Malcolm Macpherson - Non Executive Director

Mr Macpherson was previously Managing Director and Chief Executive Officer of Iluka Resources Limited. Mr Macpherson has held board positions with other notable companies and organisations such as Portman Limited, Eltin Limited and Western Power Corporation (as Chairman), and has also had active roles in research and innovation, including an advisory role to CSIRO.

Mr Tim Manners - Company Secretary

Mr Manners is a Chartered Accountant and qualified Company Secretary with over 17 years commercial experience in senior finance positions within the resources sector. He is also the Chief Financial Officer of the Company.

Figure 25

Bathurst Resources summary financials

Bathurst Resources (BTU AU) - Income statement						Bathurst Resources (BTU AU) - Commodity price assumptions					
(A\$m, Jun y/e)	10A	11CL	12CL	13CL	14CL	(Jun y/e)	10A	11CL	12CL	13CL	14CL
Operating revenue	0.0	0.6	32.7	226.5	403.3	Hard Coking Coal (US\$ / t)	146.00	247.25	276.25	245.00	230.00
Cost of sales	0.0	(15.1)	(15.0)	(92.2)	(149.1)	PCI Coal (US\$ / t)	67.50	195.98	229.29	199.75	184.00
Gross profit	0.0	(14.6)	17.7	134.3	254.1	Thermal Coal (US\$ / t)	78.50	106.00	126.25	112.50	103.75
Exploration expense	0.0	0.0	0.0	0.0	0.0	AUD / USD exchange rate	0.88	0.99	1.05	0.96	0.91
Corporate expense	(3.2)	(6.3)	(4.0)	(4.1)	(4.2)						
Other income	0.0	0.0	0.0	0.0	0.0						
Ebitda	(3.2)	(20.8)	13.7	130.2	249.9						
Depreciation and amortisation	(0.0)	(0.5)	(1.1)	(1.1)	(1.1)						
Ebit	(3.2)	(21.4)	12.6	129.1	248.9						
Net Finance expense	0.1	1.9	(0.3)	(1.7)	3.4						
Tax expense	0.0	1.2	(3.7)	(38.2)	(75.7)						
Minority interest	0.0	0.0	0.0	0.0	0.0						
Net attributable profit (Normalised)	(3.1)	(18.3)	8.6	89.2	176.6						
Exceptional items	(6.2)	0.0	0.0	0.0	0.0						
Net attributable profit (Reported)	(9.3)	(18.3)	8.6	89.2	176.6						

Bathurst Resources (BTU AU) - Cashflow statement						Bathurst Resources (BTU AU) - Ratios					
(A\$m, Jun y/e)	10A	11CL	12CL	13CL	14CL	(Jun y/e)	10A	11CL	12CL	13CL	14CL
Net Profit	(9.3)	(18.3)	8.6	89.2	176.6	Undiluted shares outstanding - end period (109.6	666.1	699.4	699.4	699.4
Plus Depreciation and Amortisation	0.0	0.5	1.1	1.1	1.1	Normalised EPS (US¢/share)	(3.4)	(3.9)	1.1	11.5	22.8
Less Capitalised Tax, Int. and Expl.	(5.7)	(1.2)	(2.0)	(2.0)	(2.1)	EPS growth (%)	177.3%	16.9%	-128.8%	912.9%	97.9%
Less change in other working capital	4.1	11.3	(3.0)	(3.6)	(4.7)	PE (x)	n/a	n/a	88.0	8.7	4.4
Operating cash flow	(10.9)	(7.7)	4.6	84.6	170.9	EV / EBITDA (x)	n/a	n/a	53.87	5.35	2.12
Capex payments	(0.1)	(16.9)	(49.4)	(2.8)	(4.4)	Dividend (A¢/share)	0.0	0.0	0.0	0.0	0.0
(Acquisitions) / Disposals	(0.2)	(67.5)	(73.0)	(41.0)	0.0	Dividend payout ratio	0%	0%	0%	0%	0%
Other	0.0	(0.4)	0.0	0.0	0.0	Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Investing cash flow	(0.2)	(84.9)	(122.4)	(43.9)	(4.4)	Net finance expense (US\$m)	0.1	1.9	(0.3)	(1.7)	3.4
Free cash flow	(11.1)	(92.5)	(117.8)	40.8	166.5	Net finance expense coverage (x)	34.83	9.56	25.83	53.96	n/a
Net borrowings	19.8	163.5	0.0	0.0	0.0						
Dividends paid to shareholders	0.0	0.0	0.0	0.0	0.0						
Proceeds from equity issuance	(0.2)	0.0	60.0	(30.0)	(30.0)						
Financing cash flow	19.6	163.5	60.0	(30.0)	(30.0)						
Forex changes	(0.5)	(0.0)	0.0	0.0	0.0						
Net increase (decrease) in cash	8.0	71.0	(57.8)	10.8	136.5						

Bathurst Resources (BTU AU) - Balance sheet						Bathurst Resources (BTU AU) - Balance Sheet Ratios					
(A\$m, Jun y/e)	10A	11CL	12CL	13CL	14CL	(Jun y/e)	10A	11CL	12CL	13CL	14CL
Cash	8.3	79.3	21.5	32.3	168.8	ROA (%)	-17.4%	-16.4%	4.2%	26.9%	32.3%
Receivables	0.4	3.0	6.5	45.3	80.7	ROE (%)	-27.9%	-21.1%	5.3%	42.0%	51.1%
Inventories	0.0	0.0	9.8	67.9	121.0	ROIC (%)	-20.2%	-33.3%	5.6%	30.1%	41.8%
Other	0.2	0.0	6.5	18.1	32.3	Total debt (US\$m)	0.0	0.0	60.0	30.0	0.0
Total current assets	8.8	82.4	44.4	163.7	402.7	Net debt (US\$m)	(8.3)	(79.3)	38.5	(2.3)	(168.8)
Property, plant and equipment	0.0	84.0	205.3	248.1	251.5	Gearing = ND/(ND+E)	n/a	n/a	18.6%	n/a	n/a
Exploration, evaluation & Development	0.0	1.8	3.8	5.8	7.8						
Other	5.8	0.0	0.0	0.0	0.0						
Total non current assets	5.8	85.8	209.1	253.9	259.3						
Total assets	14.6	168.1	253.5	417.6	662.0						
Payables	0.5	5.0	0.3	11.3	20.2						
Borrowings	0.0	0.0	12.0	6.0	0.0						
Derivatives											
Other	0.0	0.0	0.3	4.5	8.1						
Total current liabilities	0.5	5.0	12.7	21.9	28.2						
Borrowings	0.0	0.0	48.0	24.0	0.0						
Other non current liabilities	0.0	3.7	24.8	114.4	199.9						
Total non current liabilities	0.0	3.7	72.8	138.4	199.9						
Total liabilities	0.5	8.7	85.5	160.3	228.1						
Net assets	14.2	159.4	168.0	257.3	433.9						
Issued capital	33.0	196.5	196.5	196.5	196.5						
Retained earnings	(20.0)	(38.3)	(29.6)	59.6	236.2						
Reserves	1.2	1.2	1.2	1.2	1.2						
Minority interest	0.0	0.0	0.0	0.0	0.0						
Total equity	14.2	159.4	168.0	257.3	433.9						
Total attributable equity	14.2	159.4	168.0	257.3	433.9						

Bathurst Resources (BTU AU) - NPV at 10% discount rate		Equity share	A\$/share
Buller		980	1.42
Buller Resources		47	0.07
Cascade		28	0.04
Takitimu		15	0.02
Exploration		44	0.06
Corporate		(27)	(0.04)
Unpaid Capital		22	0.03
Cash		53	0.08
Debt		(100)	(0.15)
Total NPV		1,063	
Group NPV (A\$/share)			1.54
Target Price (A\$/share)			1.50

Bathurst Resources (BTU AU) - Coal Reserves				Marketable Reserves
	Probable	Total		
Total Reserves	3.2	12.5	10.2	

Bathurst Resources (BTU AU) - Coal Resources			
	Indicated	Inferred	Total
Total Resources	34.7	12.6	76.0

Bathurst Resources (BTU AU) - Sensitivities					
(Jun y/e)	NPV	11CL EPS	12CL EPS	13CL EPS	14CL EPS
EPS sensitivity - for a 10% change in HCC	17.2%	0.0%	21.1%	17.6%	16.3%
EPS sensitivity - for a 10% change in Therm	0.6%	0.0%	0.0%	0.0%	0.0%
EPS sensitivity - for a 10% change in AUD/USD	10.3%	1.0%	6.2%	10.5%	10.8%

Board of Directors		Equity Interest (m)
Mr Craig Munro		0.5
Mr Hamish Bohannon		9.7
Mr Gerald Cooper		0.3
Mr Rob Lord		0.5
Mr Malcolm McPherson		0.0
Mr Tim Manners		0.0
Total Directors		10.9

Source: CLSA Asia-Pacific Markets

Summary financials

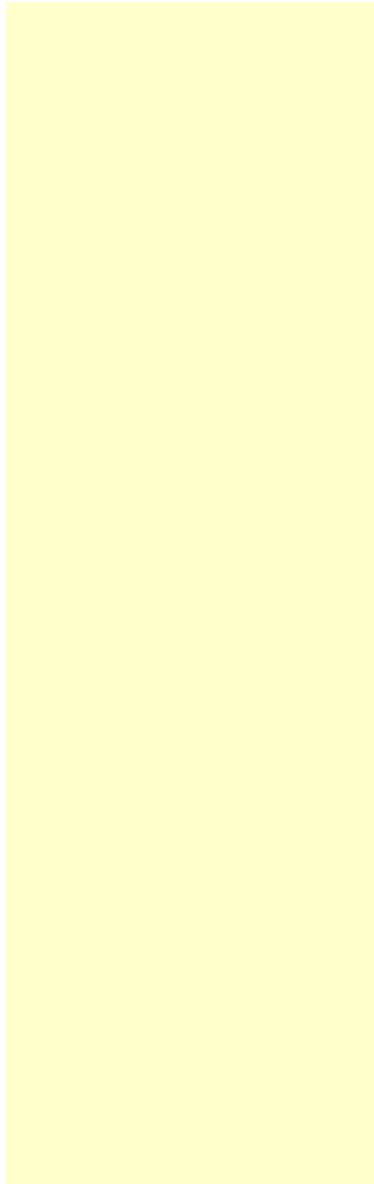
Year to 30 June	2010A	2011CL	2012CL	2013CL	2014CL
Summary P&L forecast (A\$m)					
Revenue	0	1	33	226	403
Op Ebitda	(3)	(21)	14	130	250
Op Ebit	(3)	(21)	13	129	249
Interest income	0	2	3	1	4
Interest expense	0	0	(3)	(3)	(1)
Other items	0	0	0	0	0
Profit before tax	(3)	(19)	12	127	252
Taxation	0	1	(4)	(38)	(76)
Minorities/Pref divs	0	0	0	0	0
Net profit	(3)	(18)	9	89	177
Summary cashflow forecast (A\$m)					
Operating profit	(3)	(21)	13	129	249
Operating adjustments	(6)	3	(4)	(40)	(72)
Depreciation/amortisation	0	1	1	1	1
Working capital changes	4	11	(3)	(4)	(5)
Net interest/taxes/other	(6)	(1)	(2)	(2)	(2)
Net operating cashflow	(11)	(8)	5	85	171
Capital expenditure	0	(17)	(49)	(3)	(4)
Free cashflow	(11)	(25)	(45)	82	166
Acq/inv/disposals	0	(68)	(73)	(41)	0
Int, invt & associate div	0	0	0	0	0
Net investing cashflow	0	(85)	(122)	(44)	(4)
Increase in loans	20	164	0	0	0
Dividends	0	0	0	0	0
Net equity raised/other	0	0	60	(30)	(30)
Net financing cashflow	20	164	60	(30)	(30)
Incr/(decr) in net cash	9	71	(58)	11	136
Exch rate movements	0	0	0	0	0
Opening cash	0	8	79	22	32
Closing cash	8	79	22	32	169
Summary balance sheet forecast (A\$m)					
Cash & equivalents	8	79	22	32	169
Debtors	0	3	7	45	81
Inventories	0	0	10	68	121
Other current assets	0	0	7	18	32
Fixed assets	0	84	205	248	252
Intangible assets	0	0	0	0	0
Other term assets	6	0	0	0	0
Total assets	15	168	253	418	662
Short-term debt	0	0	12	6	0
Creditors	0	5	0	11	20
Other current liabs	0	0	0	5	8
Long-term debt/CBs	0	0	48	24	0
Provisions/other LT liabs	0	4	25	114	200
Minorities/other equity	0	0	0	0	0
Shareholder funds	14	159	168	257	434
Total liabs & equity	15	168	253	418	662
Ratio analysis					
Revenue growth (% YoY)	nm	nm	5693.1	593.3	78.1
Ebitda growth (% YoY)	nm	nm	nm	850.3	92.0
Ebitda margin (%)	0.0	(3694.1)	41.9	57.5	62.0
Net profit margin (%)	0.0	(3242.8)	26.4	39.4	43.8
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
Effective tax rate (%)	0.0	6.0	30.0	30.0	30.0
Ebitda/net int exp (x)	0.0	0.0	41.0	78.7	0.0
Net debt/equity (%)	(58.4)	(49.7)	22.9	(0.9)	(38.9)
ROE (%)	(27.9)	(21.1)	5.3	42.0	51.1
ROIC (%)	(74.3)	(45.7)	5.7	30.6	42.5
EVA@/IC (%)	(84.8)	(56.1)	(4.4)	20.5	32.4

Source: CLSA Asia-Pacific Markets

Buller drives revenue growth from 2013

In the short term capex is funded from cash reserves and available debt facilities

Debt is likely to peak at around \$100m



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Note: In the interests of timeliness, this document has not been edited.

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