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## Australia Materials

Reuters BTU.AX  
Bloomberg BTU AU

**Priced on 6 September 2011**  
ASX200 @ 4,075.5

**12M hi/lo** A\$1.30/.24

**12M price target** A\$1.55  
**±% potential** +76%  
**Target set on** 21 Jun 11

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

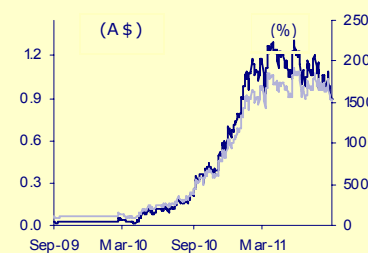
**Market cap** US\$637m

**3M average daily volume**  
A\$5.7m (US\$6m)

**Major shareholders**  
Mathews Capital 11.7%  
Nefco Nominees 6.0%

## Stock performance (%)

	1M	3M	12M
Absolute	(7.4)	(24.8)	257.4
Relative	(6.7)	(15.7)	301.3
Abs (US\$)	(6.7)	(26.3)	310.0



Source: Bloomberg

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## Site tour inspires confidence

Following CLSA's recent site tour to Bathurst's Buller Coal Project, which includes the Cascade, Brookdale and Escarpment mines, we are increasingly confident on short term production potential. The Brookdale mine is fully approved and permitted to commence production and could contribute 200-250ktpa of hard coking coal from April 2012. A ramp up of the Cascade mine to 100ktpa is well underway. An appeal against the Escarpment mine Resource Consent remains possible, however we ultimately expect the development to be successful. After increasing our short term production forecasts our target price has increased by 3.3% to \$1.55 and we retain our BUY rating on Bathurst Resources. Factoring in a development of North Buller would see our target price increase to \$2.60, representing more than 200% upside to the current share price.

### Brookdale and Cascade to contribute 360ktpa within 12 months

With increased confidence on the potential of the Cascade and Brookdale mines, we have increased our short term production forecasts. Within 12 months we expect Brookdale to be contributing 240ktpa on an annualised basis, while Cascade could increase to 120ktpa. Although small relative to Australian peers, these two projects could contribute \$90m in revenue on an annualised basis within 9 months. Brookdale is fully permitted, with first commercial hard coking coal production expected in April 2012. Cascade is already in production, and the expansion is well progressed.

### Escarpment – the next stage of growth

It appears likely an appeal will be lodged against the Escarpment Resource Consent. Mediation is the first stage of an appeal, which could see a quick resolution. An appeal could take 9 months to play out, but we ultimately expect the appeal to be overturned, and approvals to be granted. Following final approvals, Escarpment could be producing ROM coal within 8 weeks, with coal trucked down the plateau for export. The Whareatea West development looks likely to follow Escarpment, lifting total production to around 2.5mtpa from mid FY14. The approval for Whareatea West should be a much simpler process, involving a modification to existing consents.

### Future Growth options – Buller North and Takitimu

A development of North Buller could add another 2.0mtpa of hard coking coal production in the long term. Although currently not included in our forecasts, a development of North Buller could see our valuation increase to \$2.60, representing nearly 200% upside to the current share price. Longer term production from Takitimu could also increase, representing further upside to our forecasts.

## Financials

Year to 30 Jun	10A	11CL	12CL	13CL	14CL
Revenue (A\$m)		6	37	288	485
Rev forecast change (%)	-	931.9	21.7	39.1	28.4
Ebitda (A\$m)	(3)	(15)	15	126	262
Net profit (A\$m)	(3)	(14)	11	87	185
NP forecast change (%)	-	nm	51.5	15.0	16.6
EPS (A¢)	(3.4)	(3.7)	1.4	11.2	23.8
CL/consensus (6) (EPS%)	-	128	141	117	76
EPS growth (% YoY)	nm	nm	nm	698.4	112.2
PE (x)	nm	nm	62.6	7.8	3.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/Ebitda (x)	(28.0)	(31.5)	41.6	4.9	1.7

Source: CLSA Asia-Pacific Markets

**Following a site tour to Bathurst's New Zealand assets, we have upgraded our production forecasts**

**Escarpment remains the key driver, but Brookdale and Cascade could contribute 360ktpa within 12 months**

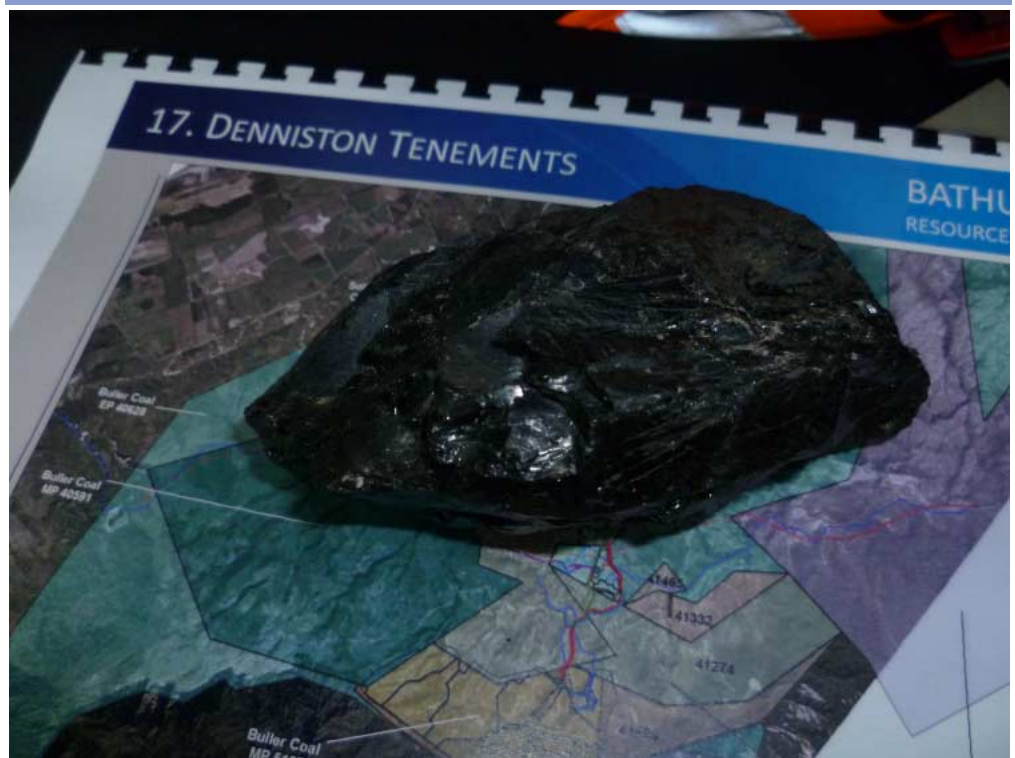
## Site tour inspires confidence

CLSA attended a site tour to Bathurst's Buller Coal project in New Zealand, including existing mining operations, future development properties and existing port infrastructure. Following the site tour we have increased our production forecasts from the existing Cascade mine, and factored in a small development from the Brookdale hard coking coal project. Brookdale is fully permitted, with commercial production expected from April 2012, albeit a smaller operation at around 240ktpa.

The Escarpment mine remains the key driver for Bathurst Resources. With resource consent awarded on Friday 26 August, there remains the potential for an appeal within three weeks of resource consent being awarded. An appeal could see a nine month delay in the environmental courts, however we highlight that the environmental court has never overturned a resource consent approval, although additional concessions could be required. The ramp up to first production from Escarpment could be as little as 8 weeks from final approval, with raw coal trucked down the Denniston plateau for export.

Figure 1

### Bathurst Resources coal sample



Source: CLSA Asia-Pacific Markets

### Cascade ramp up underway

Bathurst acquired the Cascade mine as part of the Eastern Resources Group acquisition, which was completed in May 2011. The Cascade mine is already in production, with coal stockpiled on the Denniston Plateau, and trucked to local customers. Historic production from Cascade has been around 35-40ktpa, however an increase in mining activity is likely to see production increase to around 100ktpa shortly.

**An expansion of Cascade is well progressed**

Figure 2

**Cascade exposed coal seam**



Source: CLSA Asia-Pacific Markets

Figure 3

**Cascade mining operation**



Cascade coal is currently sold to the local cement works, despite being semi soft coking coal, with very low ash levels. Plans are in place to export Cascade coal, with a sample recently sold well above current benchmark SSCC pricing. Since taking control of the mine, Bathurst have successfully increased pre-stripping activity, in preparation for an increase in coal production. We estimate around 4-5kt of coal is currently stockpiled at both the mine site and on the Denniston Plateau.

Figure 4

**Cascade coal stockpiles**



Source: CLSA Asia-Pacific Markets

Figure 5

**Cascade operations**



**Increasing production forecasts from Cascade**  
After visiting the Cascade mine, we have increased our production forecasts, and now expect 72kt of coal to be produced from Cascade in FY12, increasing to 120kt from FY14. Although a small mine, we expect Cascade to generate around \$4-6mpa in cashflow. The expansion is a low risk strategy, with no additional approvals required to increase production.

**Brookdale is fully permitted, and could contribute 20kt per month from April 2012**

**Brookdale – already permitted, with production from early CY12**

Bathurst acquired the Brookdale mine site in May 2011. Brookdale adjoins the Cascade mine, providing access to additional Cascade coal not available without the Brookdale lease holding.

The Brookdale asset is fully permitted, with both mining and trucking approvals in place. Brookdale is likely to operate as a small underground bord and pillar mine. Contractor selection is at the final stage, with mining costs likely to be around A\$130-140/t. Production is likely to average around 20kt per month (240kt per year) of hard coking coal.

A box cut is expected to commence shortly, which should contribute a small amount of development coal from early CY12. Underground production is likely to contribute around 20kt per month from April 2012, and we have now factored this in to our forecasts.

**360ktpa annualised production rate from mid CY12**

Updating our Cascade and Brookdale production forecasts sees Bathurst producing at an annualised rate of around 360ktpa from mid CY12. Although small relative to some Australian peers, on an annualised basis this equates to around US\$90m in revenue, factoring in 120kt of SSCC and 240kt of HCC.

**Ultimately we expect Bathurst to receive approval to mine Escarpment, but an appeal looks likely**

## Escarpment – The next stage of growth

Following Resource Consent being awarded on 26 August, parties have three weeks to appeal to the New Zealand environmental court. We believe the most likely group to appeal the resource consent is the Royal Forest & Bird Protection Society. We note the first stage of an appeal involves mediation, which could see a quick resolution. The Environmental Court aims to have decisions concluded within 9 months of an appeal.

Ultimately we expect Bathurst to secure mining approval, albeit with a potential small delay from an appeal. Post approvals, a ramp up to first coal production at Escarpment is only likely to take around 8 weeks, with coal able to be trucked to port while infrastructure is built. Whareatea West is likely to be development after Escarpment, increasing production from South Buller to nearly 2.5mtpa from Escarpment, Whareatea West, Cascade and Brookdale.

### Royal Forest & Bird Society campaign underway

The Royal Forest & Bird Society is lobbying against mining activity on the Denniston Plateau. The August 2011 Forest & Bird magazine includes an article on mining of the Denniston Plateau. We contrast the two pictures below, with the picture on the left from the Forest & Bird magazine, compared to the actual mining area. The actual mining area is littered with old waste, weeds, and includes an old mine visible in the background.

Figure 6

**Forest & Bird Society image of plateau**



Source: Royal Forest & Bird Society

Figure 7

**Actual mine region, including old pit in background**



Source: CLSA Asia-Pacific Markets

### An appeal looks likely, but ultimately we expect consent

Although we believe an appeal looks likely, ultimately we believe Bathurst Resources will be awarded consent to develop the Escarpment mine, given the significant contribution the Buller Coal Project will bring to the local community, and New Zealand as a whole. Of note, we draw attention to the wording of the initial Resource Consent announcement, and draw particular attention to the bold text:

“We have decided to grant this application, but not without some considerable reservations and anguish. The most and almost overwhelming factor that we had to consider is the enormous financial benefit that the mine will bring to the Buller district and the West Coast region. **The proposed mine will bring**

**Post approval, Escarpment could be producing coal within 8 weeks**

hundreds of millions of dollars into the region and will provide hundreds of jobs. In that respect the proposed mine will be meeting one of the prime imperatives of the Resource Management Act, which is to enable people to provide for their social and economic wellbeing."

"In granting this application we have imposed a number of conditions that we think will mitigate and avoid adverse environmental effects, many of which were volunteered by the applicant and some of which we have determined to impose. We consider these conditions are reasonable, appropriate and enforceable."

**Short ramp up post approvals**

Bathurst currently has approved trucking capacity of 1mtpa down the Denniston Plateau, which will allow for a fast ramp up of the Escarpment development. Coal is exposed in a number of areas (see images below) which could allow ROM coal production in as little as 8 weeks after final mining approvals.

Figure 8

**Historic mine, showing outcropping coal**



Figure 9

**Historic mine with coal in foreground**



Source: CLSA Asia-Pacific Markets

**A development of Whareatea West is likely to follow Escarpment**

Infrastructure construction is likely to take around 6-8 months, including wash plant, pipeline and dewatering infrastructure, however trucking capacity will allow Bathurst to sell raw hard coking coal into the export market within only 8 weeks.

**Whareatea West looks likely to follow Escarpment**

Escarpment is likely to produce around 1.5mtpa ROM coal. Existing washing and dewatering infrastructure has capacity to support a second mine, of similar scale to Escarpment. Initially we expected Deep Creek to be Bathurst's second development, however mine planning suggests Whareatea West could form the second development project. Development of Whareatea West would require a modification of the existing resource consent, a much simpler process than a new resource consent application. Our forecasts include an additional 1mtpa saleable coal production from Whareatea West, commencing in mid FY14.

**Export infrastructure at the port of Westport is crude, but available for use**

**Small barges are likely to be used initially for proof of concept**

Initial development plans for Whareatea West suggest 50% of coal would require washing, with a yield of 76% yield on the washed coal, for an aggregate yield of around 88%. The strip ratio is around 5:1, and little additional capex would be required, as washing, pipeline and dewatering infrastructure has all been designed to support a second mine development.

**Export Infrastructure – crude, but available**

The Fairdown dewatering facility is located around 11km from the town of Westport, which has a small port and export infrastructure available. Although far from state of the art, capacity is available, allowing Bathurst to export almost immediately. Export infrastructure will likely involve three stages of development, initially utilising small barges as proof of concept while coal volumes are low, increasing to around 2mtpa capacity in the longer term as mine ramp up progresses.

Initially export will be via truck to the port of Westport. 800t vessels will be loaded (vessels are available to charter), and travel to the port of Taranaki. This transport option allows Bathurst to prove the concept, and get coal into the export market. This transport option should meet production forecasts from Cascade and Brookdale. Figure 9 below shows an example of the type of vessel available for charter. This particular vessel already transports slag to the Westport cement works, through the port of Westport.

Following approval of the escarpment mine, Bathurst is likely to charter 6-8kt seagoing vessels, and export using existing infrastructure at the port of Westport. This export option should see sufficient capacity for production from Escarpment, plus Brookdale and Cascade. Figure 10 below shows the existing ship loading infrastructure

Figure 10

**Charter vessel, currently transports slag to Westport**



Source: CLSA Asia-Pacific Markets

Figure 11

**Existing loading infrastructure, available for use**



As development progresses on the Buller Coal Project, Bathurst has the option to upgrade existing port infrastructure, which could allow more than 2mtpa of export capacity through the port of Westport. To achieve in excess of 2mtpa through the port, Bathurst would need to install an upgraded ship loaded at the port, which would allow loading of 10kt vessels.

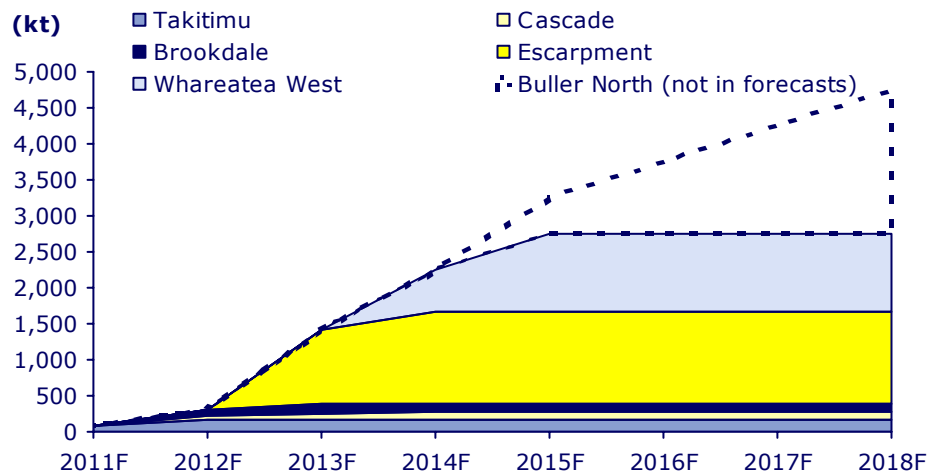
**Production forecasts**

Our forecasts include 0.3mt of production in FY12, including production of 0.11mt from Takitimu, 0.07mt from Cascade and 0.08mt from Brookdale. Our forecasts include a contribution from Escarpment from September 2012 ramping up to 1.5mtpa ROM coal production over 18 months. Our forecasts include first production from Whareatea West from FY14.

The North Buller projects are currently not included in our forecasts, and represent potential upside to our estimates.

Figure 12

**Bathurst Resources Production forecasts**



Source: CLSA Asia-Pacific Markets

Our forecast include peak production of 2.7mt from FY15. Cash costs are expected to increase initially, as underground production comes on line from Brookdale, with cash costs around A\$130-140/t. Cash costs from the Buller Coal project are expected to be around US\$100/t in FY14, decreasing to around US\$90/t in FY16. The reduction in cash costs longer term is driven mainly by our currency forecasts approaching our long term estimates, including A\$/US\$ of \$0.85 and NZ\$/A\$ of \$1.20.

Figure 13

**Bathurst Resources production forecasts**

	2012F	2013F	2014F	2015F	2016F
Coking Coal (Mt)	0.1	1.2	2.0	2.6	2.6
Thermal Coal (Mt)	0.2	0.2	0.2	0.2	0.2
<b>Total Coal Production</b>	<b>0.3</b>	<b>1.4</b>	<b>2.2</b>	<b>2.7</b>	<b>2.7</b>
Weighted Average Cash Costs (US\$/t)	65.10	117.64	95.14	83.18	85.72

Source: CLSA Asia-Pacific Markets

**Forecasts assume resource conversion**

Our forecasts include 28mt of coal production over the life of the Buller Coal Project. Bathurst current has total reserves of 12.5mt at the Escarpment and



Deep Creek projects within the Buller Coal Project, and total resources of 76mt.

Bathurst coal seams vary in thickness between about 4m and 15m. Seams are continuous, with little faulting on the plateau. Drilling is underway to increase resources, and we expect an upgrade to reserves in late September, as recent infill drilling activity is quantified. Whareatea West has total measured and indicated resources of 25.7mt, and we expect a proportion of this to be upgraded to reserves with the next reserve and resource statement.

Although we believe our forecasts remain achievable, we highlight the requirement for resource conversion to meet our forecasts.

## Future growth options

Growth beyond South Buller could include a replication of processing infrastructure in the North Buller mining area. North Buller could contribute an additional 2.0mtpa of hard coking coal production, on similar metrics to Escarpment and Whareatea West. Takitimu currently produces around 150ktpa of thermal coal. Although currently small, in the long term there is the potential to increase production from Takitimu, using existing infrastructure at the port of Bluff.

**Factoring in a development of North Buller sees out target price increase to \$2.60**

### North Buller all upside to our forecasts

The Denniston Plateau is around 60km long. Bathurst has a significant landholding in the north of the Denniston Plateau, which could form a second, satellite development. Infrastructure would include a replication of the Escarpment design, allowing for 2mtpa of saleable coal production. Factoring in a development scenario for North Buller, using similar development metrics to South Buller, would see our valuation increase to \$2.60, representing a 67% increase over our existing price target, and more than 200% upside against the current share price.

A pre-feasibility is under way on a development of North Buller, and likely to be completed in around 6-8 weeks. We would expect a full feasibility to commence shortly after the PFS is complete.

### Takitimu provides some optionality

Takitimu is currently a small thermal coal mine, producing around 150-160ktpa of thermal coal. Coal is currently sold to Fonterra. Although small in scale, there is the potential to increase Takitimu production over time.

**Long term, there is a potential to expand Takitimu, with more details expected within 6 months**

The region around Takitimu has a large thermal coal resource, and export infrastructure is available through the port of Bluff. Over time, we believe Bathurst may seek to increase production from Takitimu, however this is a long dated strategy. Planning is underway, and we would expect to see a clear strategy in the next 3-6 months.

Figure 14

**Bathurst Resources summary financials**

<b>Bathurst Resources (BTU AU) - Income statement</b>						<b>Bathurst Resources (BTU AU) - Commodity price assumptions</b>					
(A\$m, Jun y/e)	10A	11CL	12CL	13CL	14CL	(Jun y/e)	10A	11CL	12CL	13CL	14CL
Operating revenue	0.0	5.8	37.3	288.2	485.4	Hard Coking Coal (US\$ / t)	146.00	247.25	282.50	245.00	230.00
Cost of sales	0.0	(14.9)	(18.8)	(157.7)	(219.1)	PCI Coal (US\$ / t)	67.50	195.98	223.00	196.00	184.00
Gross profit	0.0	(9.1)	18.5	130.5	266.3	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	1.08	1.05	0.98
Corporate expense	(3.2)	(6.3)	(4.0)	(4.1)	(4.2)	<b>Bathurst Resources (BTU AU) - Saleable production</b>					
Other income	0.0	0.0	0.0	0.0	0.0	(mt, Jun y/e)	10A	11CL	12CL	13CL	14CL
<b>Ebitda</b>	<b>(3.2)</b>	<b>(15.4)</b>	<b>14.5</b>	<b>126.4</b>	<b>262.1</b>	Coking Coal	0.0	0.0	0.0	0.1	1.2
Depreciation and amortisation	(0.0)	(0.5)	(1.2)	(1.3)	(1.4)	Thermal Coal	0.0	0.0	0.0	0.2	0.2
Ebit	(3.2)	(15.9)	13.4	125.1	260.7	<b>Group Production (mt)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>1.4</b>
Net Finance expense	0.1	1.9	1.8	(0.8)	2.9	<b>Bathurst Resources (BTU AU) - Cash costs</b>					
Tax expense	0.0	(0.5)	(4.6)	(37.3)	(79.1)	(Jun y/e)	10A	11CL	12CL	13CL	14CL
Minority interest	0.0	0.0	0.0	0.0	0.0	Cash costs (A\$/t)	n/a	22.58	60.14	111.78	97.58
<b>Net attributable profit (Normalised)</b>	<b>(3.1)</b>	<b>(14.4)</b>	<b>10.7</b>	<b>87.0</b>	<b>184.5</b>	Cash costs (US\$/t)	n/a	22.37	65.10	117.64	95.14
Exceptional items	(6.2)	0.0	0.0	0.0	0.0	<b>Bathurst Resources (BTU AU) - Ratios</b>					
Net attributable profit (Reported)	(9.3)	(14.4)	10.7	87.0	184.5	(Jun y/e)	10A	11CL	12CL	13CL	14CL
<b>Bathurst Resources (BTU AU) - Cashflow statement</b>						Undiluted shares outstanding - end period (m)	109.6	666.1	699.4	699.4	699.4
(A\$m, Jun y/e)	10A	11CL	12CL	13CL	14CL	Normalised EPS (US¢/share)	(3.4)	(3.1)	1.4	11.2	23.8
Net Profit	(9.3)	(14.4)	10.7	87.0	184.5	EPS growth (%)	177.3%	-7.9%	-145.2%	698.4%	112.2%
Plus Depreciation and Amortisation	0.0	0.5	1.2	1.3	1.4	PE (x)	n/a	n/a	64.8	8.1	3.8
Less Capitalised Tax, Int. and Expl.	(5.7)	(1.2)	(2.0)	(2.0)	(2.1)	EV / EBITDA (x)	n/a	n/a	43.3	5.1	1.8
Less change in other working capital	4.1	11.2	(1.8)	(6.9)	(6.0)	Dividend (A¢/share)	0.0	0.0	0.0	0.0	0.0
<b>Operating cash flow</b>	<b>(10.9)</b>	<b>(4.0)</b>	<b>8.0</b>	<b>79.4</b>	<b>177.8</b>	Dividend payout ratio	0%	0%	0%	0%	0%
Capex payments	(0.1)	(0.7)	(26.9)	(53.4)	(5.5)	Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
(Acquisitions) / Disposals	(0.2)	(67.5)	(73.0)	(37.7)	0.0	Net finance expense (US\$m)	0.1	1.9	1.8	(0.8)	2.9
Other	0.0	(0.4)	0.0	0.0	0.0	Net finance expense coverage (x)	34.83	7.42	n/a	103.63	n/a
<b>Investing cash flow</b>	<b>(0.2)</b>	<b>(68.6)</b>	<b>(99.9)</b>	<b>(91.1)</b>	<b>(5.5)</b>	<b>Bathurst Resources (BTU AU) - Balance Sheet Ratios</b>					
<b>Free cash flow</b>	<b>(11.1)</b>	<b>(72.5)</b>	<b>(91.9)</b>	<b>(11.8)</b>	<b>172.3</b>	(Jun y/e)	10A	11CL	12CL	13CL	14CL
Net borrowings	19.8	163.5	0.0	0.0	0.0	ROA (%)	-17.4%	-11.9%	4.3%	24.4%	31.1%
Dividends paid to shareholders	0.0	0.0	0.0	0.0	0.0	ROE (%)	-27.9%	-16.2%	6.3%	40.0%	52.3%
Proceeds from equity issuance	(0.2)	0.0	60.0	(30.0)	(30.0)	ROIC (%)	-20.2%	-30.1%	7.1%	29.0%	39.5%
<b>Financing cash flow</b>	<b>19.6</b>	<b>163.5</b>	<b>60.0</b>	<b>(30.0)</b>	<b>(30.0)</b>	Total debt (US\$m)	0.0	0.0	60.0	30.0	0.0
Forex changes	(0.5)	(0.0)	0.0	0.0	0.0	Net debt (US\$m)	(8.3)	(99.3)	(7.4)	4.4	(167.9)
<b>Net increase (decrease) in cash</b>	<b>8.0</b>	<b>91.0</b>	<b>(31.9)</b>	<b>(41.8)</b>	<b>142.3</b>	Gearing = ND/(ND+E)	n/a	n/a	n/a	1.7%	n/a
<b>Bathurst Resources (BTU AU) - Balance sheet</b>						<b>Bathurst Resources (BTU AU) - NPV at 10% discount rate</b>					
(A\$m, Jun y/e)	10A	11CL	12CL	13CL	14CL	(Jun y/e)	Equity share	A\$/share			
Cash	8.3	99.3	67.4	25.6	167.9	Buller	905	1.31			
Receivables	0.4	3.0	7.5	57.6	97.1	Buller Resources	41	0.06			
Inventories	0.0	0.3	11.2	86.4	145.6	Cascade	39	0.06			
Other	0.2	0.5	7.5	23.1	38.8	Takitimu	15	0.02			
<b>Total current assets</b>	<b>8.8</b>	<b>103.0</b>	<b>93.5</b>	<b>192.7</b>	<b>449.5</b>	Exploration	53	0.08			
Property, plant and equipment	0.0	67.8	166.5	256.3	260.4	Corporate	(27)	(0.04)			
Exploration, evaluation & Development	0.0	1.8	3.8	5.8	7.8	Unpaid Capital	22	0.03			
Other	5.8	0.0	0.0	0.0	0.0	Cash	119	0.17			
Total non current assets	5.8	69.5	170.3	262.1	268.2	Debt	(100)	(0.15)			
<b>Total assets</b>	<b>14.6</b>	<b>172.6</b>	<b>263.8</b>	<b>454.8</b>	<b>717.6</b>	<b>Total NPV</b>	<b>1,067</b>				
Payables	0.5	5.0	0.4	14.4	24.3	<b>Group NPV (A\$/share)</b>		<b>1.55</b>			
Borrowings	0.0	0.0	12.0	6.0	0.0	<b>Target Price (A\$/share)</b>		<b>1.55</b>			
Derivatives						<b>Bathurst Resources (BTU AU) - Coal Reserves</b>					
Other	0.0	0.3	0.4	5.8	9.7	(Jun y/e)	Proved	Probable	Total	Marketable Reserves	
<b>Total current liabilities</b>	<b>0.5</b>	<b>5.3</b>	<b>12.7</b>	<b>26.2</b>	<b>34.0</b>	Total Reserves	9.3	3.2	12.5	10.2	
Borrowings	0.0	0.0	48.0	24.0	0.0	<b>Bathurst Resources (BTU AU) - Coal Resources</b>					
Other non current liabilities	0.0	4.0	29.1	143.7	238.2	(Jun y/e)	Measured	Indicated	Inferred	Total	
Total non current liabilities	0.0	4.0	77.1	167.7	238.2	Total Resources	28.7	34.7	12.6	76.0	
<b>Total liabilities</b>	<b>0.5</b>	<b>9.3</b>	<b>89.8</b>	<b>193.9</b>	<b>272.2</b>	<b>Bathurst Resources (BTU AU) - Sensitivities</b>					
<b>Net assets</b>	<b>14.2</b>	<b>163.3</b>	<b>173.9</b>	<b>260.9</b>	<b>445.4</b>	(Jun y/e)	NPV	11CL EPS	12CL EPS	13CL EPS	14CL EPS
Issued capital	33.0	196.5	196.5	196.5	196.5	EPS sensitivity - for a 10% change in HCC	17.2%	0.0%	21.1%	17.6%	16.3%
Retained earnings	(20.0)	(34.4)	(23.7)	63.2	247.8	EPS sensitivity - for a 10% change in Thermal Coal	0.6%	0.0%	0.0%	0.0%	0.0%
Reserves	1.2	1.2	1.2	1.2	1.2	EPS sensitivity - for a 10% change in AUD/USD	10.3%	1.0%	6.2%	10.5%	10.8%
Minority interest	0.0	0.0	0.0	0.0	0.0	<b>Board of Directors</b>					
Total equity	14.2	163.3	173.9	260.9	445.4	<b>Equity Interest (m)</b>					
<b>Total attributable equity</b>	<b>14.2</b>	<b>163.3</b>	<b>173.9</b>	<b>260.9</b>	<b>445.4</b>	Mr Craig Munro	0.5				
<b>Board of Directors</b>						Mr Hamish Bohannon	9.7				
<b>Equity Interest (m)</b>						Mr Gerald Cooper	0.3				
<b>Mr Craig Munro</b>						Mr Rob Lord	0.5				
<b>Mr Hamish Bohannon</b>						Mr Malcolm McPherson	0.0				
<b>Mr Gerald Cooper</b>						Mr Tim Manners	0.0				
<b>Mr Rob Lord</b>						<b>Total Directors</b>	<b>10.9</b>				
<b>Mr Malcolm McPherson</b>											
<b>Mr Tim Manners</b>											

Source: CLSA Asia-Pacific Markets

Figure 15

**Australian Resources coverage – earnings multiples**

Diversified	Ticker	PE (x)		EV/Ebitda (x)	
		12CL	13CL	12CL	13CL
BHP Billiton	BHP AU	7.4	7.2	4.4	4.1
Rio Tinto*	RIO AU	6.7	7.1	4.2	4.1
Weighted Average		7.1	7.1	4.3	4.1
<b>Iron Ore</b>					
Fortescue Metals Group	FMG AU	8.9	6.4	6.1	4.3
Atlas Iron	AGO AU	16.3	11.9	8.5	5.8
Mount Gibson Iron	MGX AU	3.9	4.1	1.4	1.2
Murchison Metals	MMX AU	nm	nm	nm	nm
Sundance Resources	SDL AU	136.2	50.4	nm	nm
Gindalbie Metals	GBG AU	112.8	12.0	85.5	7.1
Weighted Average		18.9	9.2	8.0	4.1
<b>Copper</b>					
PanAust*	PNA AU	5.1	6.0	2.7	3.2
OZ Minerals*	OZL AU	10.7	11.9	4.1	3.8
Weighted Average		8.7	9.8	3.6	3.6
<b>Gold</b>					
Newcrest Mining	NCM AU	19.3	17.4	10.5	9.6
Kingsgate Consolidated	KCN AU	8.6	6.0	5.7	3.9
Perseus Mining	PRU AU	14.2	8.5	6.6	3.8
Medusa Mining	MML AU	9.1	7.7	8.2	6.4
St Barbara	SBM AU	6.3	5.1	3.1	1.6
Alacer Gold Corporation*	AQG AU	8.8	8.6	4.1	4.0
OceanaGold Corporation*	OGC AU	3.5	4.2	1.5	1.3
Resolute	RSG AU	5.4	4.0	2.1	1.3
Weighted Average		16.9	15.0	9.2	8.2
<b>Coal</b>					
Coal & Allied Industries*	CNA AU	17.2	22.4	10.4	13.1
Whitehaven Coal	WHC AU	13.6	10.0	7.3	5.1
Macarthur Coal	MCC AU	16.8	15.6	9.6	9.1
New Hope Corporation	NHC AU	18.0	19.1	9.2	9.7
Aston Resources	AZT AU	nm	nm	nm	nm
Bathurst Resources	BTU AU	94.9	9.0	57.0	5.6
Cockatoo Coal	COK AU	16.8	11.3	12.6	10.2
Weighted Average		17.1	16.7	9.9	9.5
<b>Uranium</b>					
Energy Resources of Australia*	ERA AU	12.4	9.1	4.4	3.5
Paladin Energy	PDN AU	162.1	29.6	22.1	13.3
Extract Resources	EXT AU	nm	234.4	nm	nm
Weighted Average		60.0	122.9	8.6	5.3
<b>Others</b>					
Lynas Corporation	LYC AU	942.1	10.4	nm	6.6
Aquarius Platinum	AQP AU	7.4	5.9	4.1	2.9
Alumina*	AWC AU	14.9	6.6	nm	n.m

Source: CLSA Asia-Pacific Markets \* Dec Year End

Figure 16

**Australian Resources coverage - Recommendations**

	Market Cap (US\$m)	Price (A\$/share)	Target (A\$/share)	Upside (%)	1 mth perf. (%)	3 mth perf. (%)	Recommendation
<b>Diversified</b>							
BHP Billiton	195,050	36.88	55.00	49%	(3.3)	(14.2)	BUY
Rio Tinto*	116,559	68.41	88.00	29%	(5.0)	(13.8)	OUTPERFORM
<b>Iron Ore</b>							
Fortescue Metals Group	19,677	6.02	6.70	11%	4.9	(5.3)	OUTPERFORM
Atlas Iron	3,166	3.54	3.90	10%	(5.6)	0.3	UNDERPERFORM
Mount Gibson Iron	1,736	1.49	1.40	(6%)	(1.0)	(14.7)	SELL
Murchison Metals	260	0.55	0.38	(31%)	(12.1)	(42.0)	SELL
Sundance Resources	1,397	0.46	0.58	27%	(1.1)	19.7	OUTPERFORM
Gindalbie Metals	782	0.65	0.22	(66%)	(8.5)	(26.8)	SELL
<b>Copper</b>							
PanAust*	2,148	3.31	4.50	36%	(8.3)	(13.6)	OUTPERFORM
OZ Minerals*	3,951	11.36	13.30	17%	(6.0)	(15.5)	UNDERPERFORM
<b>Gold</b>							
Newcrest Mining	31,688	39.75	50.00	26%	1.4	3.1	BUY
Kingsgate Consolidated	1,249	8.70	8.60	(1%)	10.5	14.6	UNDERPERFORM
Perseus Mining	1,679	3.84	4.54	18%	26.7	54.8	BUY
Medusa Mining	1,593	8.12	9.10	12%	13.4	1.4	OUTPERFORM
St Barbara	736	2.24	2.30	3%	25.5	24.4	OUTPERFORM
Alacer Gold Corporation*	3,022	10.60	12.60	19%	17.6	18.3	BUY
OceanaGold Corporation*	646	2.32	2.40	3%	19.0	0.9	OUTPERFORM
Resolute	780	1.61	1.70	6%	30.9	44.4	OUTPERFORM
<b>Coal</b>							
Coal & Allied Industries*	11,214	123.30	125.00	1%	35.5	13.5	UNDERPERFORM
Whitehaven Coal	2,948	5.63	6.60	17%	(4.4)	4.5	OUTPERFORM
Macarthur Coal	5,080	15.95	16.00	0%	4.9	44.0	SELL
New Hope Corporation	4,409	5.16	5.10	(1%)	4.9	0.8	UNDERPERFORM
Aston Resources	2,486	11.55	10.20	(12%)	17.4	16.3	UNDERPERFORM
Bathurst Resources	637	0.88	1.55	76%	(7.4)	(24.8)	BUY
Cockatoo Coal	438	0.41	0.50	22%	6.5	(4.7)	BUY
<b>Uranium</b>							
Energy Resources of Australia*	738	3.65	2.40	(34%)	3.4	(20.7)	SELL
Paladin Energy	1,546	1.80	2.00	11%	(19.1)	(40.0)	SELL
Extract Resources	2,047	7.71	9.40	22%	7.2	(1.0)	BUY
<b>Others</b>							
Lynas Corporation	3,046	1.72	1.45	(15%)	(7.8)	(20.6)	SELL
Aquarius Platinum	1,711	3.36	5.20	55%	(10.6)	(34.5)	BUY
Alumina*	4,285	1.63	2.40	48%	(11.0)	(26.5)	BUY

Source: CLSA Asia-Pacific Markets \* Dec Year End

## Summary financials

Year to 30 June	2010A	2011CL	2012CL	2013CL	2014CL
<b>Summary P&amp;L forecast (A\$m)</b>					
<b>Revenue</b>	<b>0</b>	<b>6</b>	<b>37</b>	<b>288</b>	<b>485</b>
Op Ebitda	(3)	(15)	15	126	262
Op Ebit	(3)	(16)	13	125	261
Interest income	0	2	5	2	4
Interest expense	0	0	(3)	(3)	(1)
Other items	0	0	0	0	0
<b>Profit before tax</b>	<b>(3)</b>	<b>(14)</b>	<b>15</b>	<b>124</b>	<b>264</b>
Taxation	0	0	(5)	(37)	(79)
Minorities/Pref divs	0	0	0	0	0
<b>Net profit</b>	<b>(3)</b>	<b>(14)</b>	<b>11</b>	<b>87</b>	<b>185</b>
<b>Summary cashflow forecast (A\$m)</b>					
<b>Operating profit</b>	<b>(3)</b>	<b>(16)</b>	<b>13</b>	<b>125</b>	<b>261</b>
Operating adjustments	(6)	1	(3)	(38)	(76)
Depreciation/amortisation	0	0	1	1	1
Working capital changes	4	11	(2)	(7)	(6)
Net interest/taxes/other	(6)	(1)	(2)	(2)	(2)
<b>Net operating cashflow</b>	<b>(11)</b>	<b>(4)</b>	<b>8</b>	<b>79</b>	<b>178</b>
Capital expenditure	0	(1)	(27)	(53)	(5)
<b>Free cashflow</b>	<b>(11)</b>	<b>(5)</b>	<b>(19)</b>	<b>26</b>	<b>172</b>
Acq/inv/disposals	0	(68)	(73)	(38)	0
Int, invt & associate div	0	0	0	0	0
<b>Net investing cashflow</b>	<b>0</b>	<b>(69)</b>	<b>(100)</b>	<b>(91)</b>	<b>(5)</b>
Increase in loans	20	164	0	0	0
Dividends	0	0	0	0	0
Net equity raised/other	0	0	60	(30)	(30)
<b>Net financing cashflow</b>	<b>20</b>	<b>164</b>	<b>60</b>	<b>(30)</b>	<b>(30)</b>
<b>Incr/(decr) in net cash</b>	<b>9</b>	<b>91</b>	<b>(32)</b>	<b>(42)</b>	<b>142</b>
Exch rate movements	0	0	0	0	0
<b>Opening cash</b>	<b>0</b>	<b>8</b>	<b>99</b>	<b>67</b>	<b>26</b>
<b>Closing cash</b>	<b>8</b>	<b>99</b>	<b>67</b>	<b>26</b>	<b>168</b>
<b>Summary balance sheet forecast (A\$m)</b>					
Cash & equivalents	8	99	67	26	168
Debtors	0	3	7	58	97
Inventories	0	0	11	86	146
Other current assets	0	0	7	23	39
Fixed assets	0	68	166	256	260
Intangible assets	0	0	0	0	0
Other term assets	6	0	0	0	0
<b>Total assets</b>	<b>15</b>	<b>173</b>	<b>264</b>	<b>455</b>	<b>718</b>
Short-term debt	0	0	12	6	0
Creditors	0	5	0	14	24
Other current liabs	0	0	0	6	10
Long-term debt/CBs	0	0	48	24	0
Provisions/other LT liabs	0	4	29	144	238
Minorities/other equity	0	0	0	0	0
Shareholder funds	14	163	174	261	445
<b>Total liabs &amp; equity</b>	<b>15</b>	<b>173</b>	<b>264</b>	<b>455</b>	<b>718</b>
<b>Ratio analysis</b>					
Revenue growth (% YoY)	nm	nm	541.7	671.7	68.5
Ebitda growth (% YoY)	nm	nm	nm	769.2	107.4
Ebitda margin (%)	0.0	(264.4)	38.9	43.9	54.0
Net profit margin (%)	0.0	(247.8)	28.5	30.2	38.0
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
Effective tax rate (%)	0.0	(3.5)	30.0	30.0	30.0
Ebitda/net int exp (x)	0.0	0.0	0.0	150.6	0.0
Net debt/equity (%)	(58.4)	(60.8)	(4.2)	1.7	(37.7)
ROE (%)	(27.9)	(16.2)	6.3	40.0	52.3
ROIC (%)	(74.3)	(45.5)	7.3	29.4	40.1
EVA@/IC (%)	(84.8)	(56.1)	(2.8)	19.3	30.0

Source: CLSA Asia-Pacific Markets

**Recommendation history - Bathurst Resources Ltd BTU AU**

Date	Rec level	Closing price	Target
21 June 2011	BUY	.98	1.50

Source: CLSA Asia-Pacific Markets

**Key to CLSA investment rankings:** **BUY** = Expected to outperform the local market by >10%; **O-PF** = Expected to outperform the local market by 0-10%; **U-PF** = Expected to underperform the local market by 0-10%; **SELL** = Expected to underperform the local market by >10%. Performance is defined as 12-month total return (including dividends).

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