

ASX & NZX Release – 29 October 2014

**BATHURST RESOURCES LIMITED**

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**DIRECTORS**

Dave Frow – *Non Exec Chairman*  
Hamish Bohannan – *Managing Director*  
Rob Lord – *Non Exec Director*  
Malcolm Macpherson – *Non Exec Director*  
Toko Kapea – *Non Exec Director*

**ISSUED CAPITAL**

(at 30 September 2014):

947,828,434 Ordinary Shares  
7,918,598 Unlisted Options &  
Performance Rights  
NZX & ASX Code: BRL

**SUBSTANTIAL SHAREHOLDERS**

(at 30 September 2014):

L1 Capital (9.67%)  
Republic Investment Management (6.69%)  
Asian Dragon Acquisitions (6.05%)

All dollar amounts referred to in this report are in New Zealand dollars unless otherwise noted

## QUARTERLY ACTIVITIES REPORT

**For three months ended 30 September 2014**

### 1. Highlights

- First coal from Escarpment
- Rights Issue completed
- Bathurst takes over as owner/operator at Takitimu

### 2. Operating Summary

Bathurst's three operating mines, project works and exploration activities have been without a lost time injury or a reportable environmental incident for the quarter.

Work commenced at the Escarpment site on July 1 and first coal was recovered in September as part of construction activity.

On September 15 the company took over as owner/operator of its largest mine, Takitimu.

A further \$126,140 (before costs) was raised from the Non-renounceable Rights Issue which closed in July.

While export coking coal prices have yet to rise to a level to warrant the full ramp up of Escarpment, the focus remains on developing the company's domestic operations.



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### 3. Operations Report

#### 3.1 Health, Safety and Environment

No significant Safety or Environmental incidents occurred at any of the company's operations during the September quarter. The company is significant incident free, with just two Lost Time Injuries in the last three years.

#### 3.2 Production

During the quarter, Bathurst achieved total coal production of 89,113 tonnes. This represents an increase of 41% for the same period last year.

Site	Production (Raw coal tonnes)	Overburden (bcm's)
Cascade	25,777	202,818
Takitimu	63,296	607,203
Canterbury Coal	40	5,295
<b>Total</b>	<b>89,113</b>	<b>815,316</b>

#### 3.3 Buller

Cascade, on the edge of the Denniston Plateau near Westport, produces high energy coal for the domestic industrial market.

The production rate from Cascade has been reduced in response to a lessening of market demand. Cost saving measures have been implemented to offset the reduction of revenue; rosters were reduced to 5 days and the equipment fleet has been rationalised.

Construction of a new mine access road commenced. This will replace the current road which will be excavated to expose the next block of coal. Rehabilitation planting has commenced in the Hagan Creek block. This will continue throughout October with a total of 16,000 plants to be planted in Hagan Creek and other final landforms within the Cascade mine.

#### 3.4 Takitimu

The Takitimu mine, at Nightcaps, north of Invercargill, produces around 200,000 tonnes of sub-bituminous coal per annum.

Takitimu was back to full coal production for the quarter following the winter slow down of the dairy industry.

On September 15, Bathurst assumed full mining services from the previous site contractor and employed all the existing staff. This will enable the company to implement better cost control over the mining operations at its largest site. Takitimu now employs 52 personnel.

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### 3.5 Canterbury Coal

The Canterbury Coal mine near Coalgate, west of Christchurch, is targeting production of up to 35,000 tonnes per annum of energy coal for the local dairy processing industries.

Full mining activities at Canterbury Coal have been temporarily reduced while modifications are made to the processing system to improve efficiencies. This should be completed by year end. During the modification period coal is being supplied to customers from Takitimu.

### 4. Escarpment Development

Initial mining works commenced at Escarpment on 1 July. Fencing and first stage roadworks have been completed. Preliminary water management and treatment systems have been installed.

First coal was recovered in September as part of the construction phase. This coal was trucked to the Cascade coal storage site at Coalbrookdale and will be sold into the domestic market. The ramp up to full commercial production from Escarpment will be deferred until international coking coal prices recover.



**First construction coal from Escarpment**

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## **5. Sales**

Coal sales were 78,821 tonnes compared with 79,285 tonnes for the same period last year.

While the focus remains on the domestic market until export pricing improves, Bathurst is continuing discussions with end users in the key markets of India, Japan, Korea and China. Interest remains strong however the company will wait for the coal price to recover before committing to long term contracts. As discussions progress, the company is planning for bulk samples to be taken from Escarpment.

## **6. Exploration**

While drilling operations remain suspended the exploration team has been supporting the Escarpment startup operations. Tenement portfolio and work programme commitments have been rationalised.

Work is ongoing to ensure compliance with the new JORC 2012 reporting standards.

## **7. Corporate**

### **7.1 Non-renounceable Rights Issue completed**

Further to the AUD\$7.393 million placement in April, a Non-renounceable Rights Issue was announced to enable all shareholders the opportunity to participate at the placement price. The Rights Issue closed in early July with the allotment of 2,146,913 ordinary shares, raising NZ\$56,188 and AUD\$76,948 before expenses.

### **7.2 Impairment**

Following a review of the carrying value of non-current assets as at 30 June 2014, the company announced an impairment adjustment of NZ\$449.9 million on its investment in the Buller Coal Project due to current consensus coking coal price, the adjusted production levels at Escarpment following the decision to defer exports, and the higher than anticipated New Zealand dollar exchange rate at the time. The adjustment is non-cash in nature and will have no impact on Bathurst's ability to continue to operate its business.

## **8. Cashflow and outlook**

As previously indicated, for the quarter ended 30 September the operations recorded a net cash outflow of \$3.3 million due to seasonal fluctuations resulting in lower demand from the dairy industry during winter. The forecast for the December quarter and the remainder of the 2015 financial year is projected to be cashflow positive.

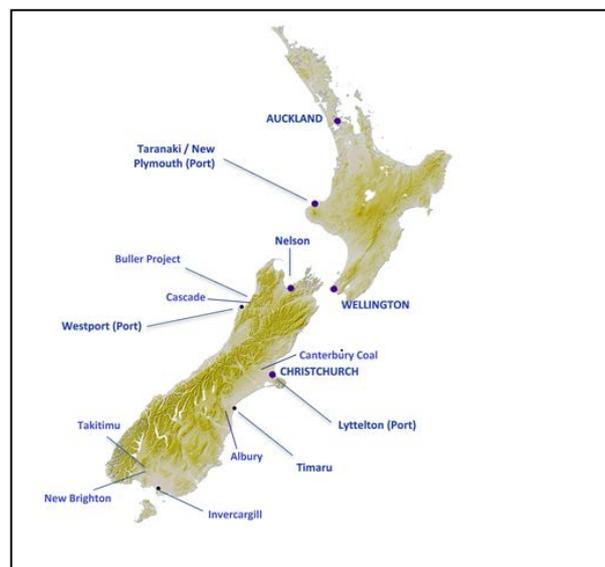
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## 9. About Bathurst Resources Limited

Bathurst is an NZX and ASX listed resources company. Its operations are in the South Island of New Zealand where it aims to be a leading coal producer, delivering high quality coking coal into export markets, providing coal for local cement manufacture and providing energy for the domestic food and dairy processing industries.

In June 2013 the company completed its redomicile from Australia to become a wholly New Zealand company. Bathurst now employs over 100 staff and contractors in New Zealand and has its head office in Wellington.

The flagship for the company is the Buller Coal Project near Westport, currently producing semi soft coking coal for local cement production but ultimately targeting high quality export coking coal for the steel mills of Japan, India and Asia.



Bathurst has a growing domestic business supplying energy to major South Island industrial users. Bathurst currently has three operating mines - Cascade at Buller, Takitimu at Nightcaps in Southland and Canterbury Coal, west of Christchurch. Cascade primarily provides coal as feedstock for the local cement industry while Takitimu and Canterbury Coal supply cost effective energy to the South Island food and dairy industries. This provides a sound revenue stream to support the development of the export business.

The company also operates coal handling and distribution centres in Timaru and Rolleston.

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

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The Southland and Canterbury coal fields comprise sub-bituminous coals which are used to create energy for local industry in the South Island, where other options for power and energy infrastructure are either not available or not commercially viable.

## 9.1 Buller Project

Buller is the company's flagship project. It will comprise mining operations north and south of the Solid Energy Stockton mine, blending coal from the various coal blocks to create a high grade west coast export product.

The first production block is Cascade in the southern area, adjacent to the Escarpment and Coalbrookdale blocks. Cascade has historically produced around 45,000 tonnes per annum of high value low contaminant coal for the local industrial market. A large cut back to expose new coal areas has recently been completed, supporting an expansion to 150,000 tonnes per annum. Increased production will allow the coal from Cascade to be blended into the high quality export product with a proportion continuing to supply the cement industry.

The key first stage of the export coal project at Buller is Escarpment which is targeting an initial output of 500,000 tonnes per annum of coal for international steel markets once global coal prices recover. Siteworks have commenced and the coming months will see the mine developed to a stage where it can quickly move into steady state production to meet export demand when prices improve. Over the life of the block, total production is expected to increase to around one million tonnes per annum.

The next blocks to be developed at Buller as production from Escarpment extends outward are Coalbrookdale and Whareatea West. Coalbrookdale is fully consented for underground mining however Bathurst will apply for opencast consents for parts of the deposit which can be developed as an extension of Escarpment. Work is underway in preparation for this.

Whareatea West, which adjoins the Escarpment permit's western boundary, is an Exploration Permit. The company is currently gathering data in preparation for the consenting of this area of operation.

Bathurst has further coal blocks north of the Stockton Plateau. These blocks are contained within two separate Exploration Permits; Buller and Coal Creek. Preliminary analysis indicates that the very low ash, higher sulphur coal from this area can be blended with coal from the southern blocks to produce a single West Coast premium product. Coal from both the northern and southern blocks will be trucked to the same stockpile and washplant site established on the coastal plain, negating the need to duplicate infrastructure.

## APPENDIX 11

### QUARTERLY REPORT OF CONSOLIDATED CASH FLOWS

Bathurst Resources Limited .....  
(Name of Mining Issuer)

For Quarter ended September ..... 2014 .....  
(referred to in this Quarter as the "Current Quarter")

Quarterly Report of Consolidated Cash Flows in accordance with NZSX Listing Rule 10.10.4. These figures are based on accounts which are **unaudited**. If these figures are based on audited accounts, a statement is required of any material qualification made by the auditor. The Mining Issuer has a formally constituted Audit Committee of the Board of Directors.

[PLEASE REFER TO ATTACHED NOTES WHEN COMPLETING THIS FORM]

**1. CASH FLOWS RELATING TO OPERATING ACTIVITIES**

- (a) Receipts from product sales and related debtors
- (b) Payments for exploration and evaluation
  - for development
  - for production
  - for administration
- (c) Dividends received
- (d) Interest and other items of a similar nature received
- (e) Interest and other costs of finance paid
- (f) Income taxes paid
- (g) Other

**(h) NET OPERATING CASH FLOWS**

**2. CASH FLOWS RELATED TO INVESTING ACTIVITIES**

- (a) Cash paid for purchases of
  - prospects
  - equity investments
  - other fixed assets
- (b) Cash proceeds from sale of
  - prospects
  - equity investments
  - other fixed assets
- (c) Loans to other entities
- (d) Loans repaid by other entities
- (e) Other

**(f) NET INVESTING CASH FLOWS**

**3. CASH FLOWS RELATED TO FINANCING ACTIVITIES**

- (a) Cash proceeds from issues of shares, options, etc
- (b) Proceeds from sale of forfeited shares
- (c) Borrowings
- (d) Repayments of borrowings
- (e) Dividends paid
- (f) Other

**(g) NET FINANCING CASH FLOWS**

**4. (a) \*NET INCREASE (DECREASE) IN CASH HELD**

- (b) Cash at beginning of quarter / year to date
- (c) Exchange rate adjustments to Item 4(a) above

**(d) CASH AT END OF QUARTER**

Current Quarter \$NZ 000	Year to Date (12 Months) \$NZ 000
10,078	10,078
(251)	(251)
(1,319)	(1,319)
(9,674)	(9,674)
(1,925)	(1,925)
-	-
34	34
(268)	(268)
(5)	(5)
12	12
<b>(3,318)</b>	<b>(3,318)</b>
(444)	(444)
-	-
(508)	(508)
-	-
-	-
2,800	2,800
-	-
-	-
-	-
<b>1,848</b>	<b>1,848</b>
47	47
-	-
-	-
(1,135)	(1,135)
-	-
1	1
<b>(1,087)</b>	<b>(1,087)</b>
<b>(2,557)</b>	<b>(2,557)</b>
8,855	8,855
-	-
<b>6,298</b>	<b>6,298</b>

**5. NON-CASH FINANCING AND INVESTING ACTIVITIES**

(a) Provide details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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(b) Provide details of outlays made by other entities to establish or increase their shares in projects in which the reporting entity has an interest.

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**6. FINANCING FACILITIES AVAILABLE**

Provide details of used and unused loan facilities and credit standby arrangements, adding such notes as are necessary for an understanding of the position.

Loan facilities .....

Credit standby arrangements .....

**Total** .....

Amount Available \$NZ 000	Amount Used \$NZ 000
4,505	4,505
505	-
5,010	4,505

**7. ESTIMATED OUTLAYS FOR SPECIFIED QUARTERS**

(a) Exploration and evaluation

(b) Development

(c) Production

(d) Administration

**TOTAL**

Current Quarter# \$NZ 000	Following Quarter \$NZ 000
392	189
1,602	562
8,731	5,882
2,083	1,495
12,808	8,128

Actual development spend for the quarter ended 30 September 2014 was \$1,319k (section 1(b)) against previous estimates of \$1,602k for the same period.

The difference is due to timing around development expenditure.

**8. RECONCILIATION OF CASH**

Cash at the end of the quarter as shown in the statement of cash flows is reconciled to the related items in the amounts as follows:

Cash on hand and at bank

Deposits at call

**TOTAL**

Current Quarter \$NZ	Previous Quarter \$NZ
3,458	5,565
2,840	3,290
6,298	8,855

**9. CHANGES IN INTERESTS IN MINING TENEMENTS**

	Tenement Reference	Nature of Interest	Interest at Beginning of Quarter	Interest at End of Quarter
(a) Interests in mining tenements relinquished, reduced and/or lapsed	53047	Surrender	100%	0%
(b) Interests in mining tenements acquired and/or increased	40625	Extension	100%	100%

(c) Where changes are reported in (a) and/or (b), an amended list of interests in mining tenements is to be attached to this statement.

**10. ISSUED AND QUOTED SECURITIES AT END OF CURRENT QUARTER**

Category of Securities	Number Issued	Number Quoted	Paid-Up Value Cents	
<b>PREFERENCE SHARES:</b>	-----	-----	-----	-----
Issued during current quarter:	-----	-----	-----	-----
<b>ORDINARY SHARES:</b>	947,828,434 -----	<b>947,828,434</b> -----	-----	-----
Issued during current quarter:	2,146,913-----	<b>2,146,913</b> -----	-----	-----
Conversion of performance rights:	749,559 -----	<b>749,559</b> -----	-----	-----
<b>OPTIONS:</b>			Exercise Price* AUD	Expiry Date
Issued during current quarter:	2,000,000-----	-----	38 cents	19 Dec 2014
	-----	-----	-----	-----
<b>PERFORMANCE RIGHTS:</b>			Exercise Price	
Issued under the company's long term incentive plan:	5,918,599-----	<b>5,918,599</b> -----	n/a	
Issued during current quarter:	-----	-----	n/a	
DEBENTURES – totals only:	\$-----	\$-----		
UNSECURED NOTES – totals only:	\$-----	\$-----		

# Description includes rate of interest and any redemption or conversion rights together with prices and dates thereof.



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(Signed by) Authorised Officer of Listed Issuer

29 October 2014

# **Bathurst Resources Limited**

## **Addendum**

### **ASX Listing Rule 5.3.3**

➤ *The mining tenements held at the end of each quarter and their location*

<i>Reference</i>	<i>Location</i>	<i>Interest</i>
51-078	EP Coal Creek	100%
51-212	EP Moody Creek	100%
51-258	EP Greymouth	100%
51-260	EP Ohau Southland	100%
51-279	MP Escarpment	100%
52-147	EP Greymouth	100%
52-484	PP Canterbury Albury	100%
52-713	EP West Coast	100%
53-614	MP Coaldale	100%
53-756	EP Mokihinui	100%
54-031	EP West Coast	100%
54-389	EP Waikato	100%
54-505	EP West Coast	100%
54-507	EP West Coast	100%
54-512	EP Flat Creek Tasman	100%
54-590	EP Inangahua	100%
54-658	EP North Reefton	100%
54-846	EP Albury	100%
54-896	PP Buller	100%
54-933	EP Home Hills Otago	100%
54-935	PP Waitaki Otago	100%
40-591	EP West Coast	100%
40-625	EP Southland	100%
40-628	EP West Coast	100%
41-274	MP Cascade Creek	100%
41-332	MP Cascade Creek	100%
41-372	MP Canterbury	100%
41-455	MP Cascade Creek	100%
41-456	MP Cascade Creek	100%

➤ *The mining tenements disposed of during the quarter and their location*

<i>Reference</i>	<i>Location</i>	<i>Interest at beginning of quarter</i>	<i>Interest at end of quarter</i>
53047	EP Charleston	100%	0%

➤ *The beneficial percentage interest held in farm-in or farm out agreements at the end of the quarter*

Not applicable

➤ *The beneficial percentage interest held in farm-in or farm out agreements acquired or disposed of during the quarter*

Not applicable