

# June Quarter 2017

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## HIGHLIGHTS

- **NZP&M and OIO grant approval**
- **Successful tender for significant coal supply contract in Canterbury**
- **Zero lost time injuries in the quarter**

## ACQUISITION OF SOLID ENERGY ASSETS

Bathurst Resources Limited (Bathurst) is pleased to announce that its joint venture, BT Mining Limited<sup>1</sup> (BT Mining), has been granted approval by the New Zealand Overseas Investment Office (OIO)<sup>2</sup>. This is a key condition precedent in the agreement to acquire assets from Solid Energy New Zealand Limited (Subject to Deed of Company Arrangement) (Solid Energy).

On 2 November 2016, Bathurst announced it was successful in its bid for the Stockton and North Island assets of Solid Energy, via its joint venture BT Mining Limited.

The sale and purchase agreement contains a number of conditions including approval of the transfer of mining licenses and permits by New Zealand Petroleum and Minerals (NZP&M) and approval of the OIO.

On 14 of June 2017, Bathurst was pleased to announce that BT Mining had been granted approval by NZP&M for the transfer of key mining licenses.

The transaction involves the acquisition of both mining licenses and exploration and mining permits and it is expected that NZP&M will approve the transfer of the exploration and mining permits from Solid Energy to BT Mining immediately prior to settlement of the transaction.

The company continues to work with The Treasury in respect of its appointment as the “acceptable owner” of the mines to be purchased which is expected to be finalised in the short term.

On 14 June 2017, Bathurst also announced that it would take economic interest, being financial risk and reward in the assets to be acquired, from 1 July 2017. That is, a profit during the period from 1 July 2017 will reduce the purchase price required to settle the transaction.

**It is now anticipated that the settlement of the transaction will occur on 31 August 2017.**

Detailed transitional planning continues to ensure BT Mining is well positioned for settlement and ultimate possession of the acquired assets once final conditions are met. This includes offers of employment having been made to the majority of the existing Solid Energy employees across the respective operations.

Bathurst will update the market as and when further information comes to hand on the satisfaction of the outstanding conditions precedent. Given the material nature of the acquisition, Bathurst will provide guidance upon finalisation of the acquisition.

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<sup>1</sup> A joint venture with Talleys Energy Limited in which Bathurst holds a 65% shareholding.

<sup>2</sup> For the acquisition of sensitive land under the Overseas Investment Act 2005 (NZ).

## COAL SUPPLY CONTRACT

During the quarter Bathurst announced the successful tender of a coal supply contract from the Canterbury mine, situated West of Christchurch.

The agreement will see supply of up to 65,000 tonnes per annum (with an escalation option) for up to 10 years from the mine.

This agreement underpins the further development and scaling of the Canterbury mine which is strategically located close to market within the wider Canterbury region.

## SAFETY

Bathurst's operating mines, project works and exploration activities recorded zero lost time injuries for the quarter.

During the quarter the Company completed enterprise and site specific risk assessment workshops, and continued to embed its training of systems enacted under the new health and safety act and mining regulations (April 2016). This included delivery of development program for supervisors focusing management and leadership skills.

Health and Safety is critical to the success of the forthcoming acquisition. With this in mind Bathurst continues to assess the current health and safety systems of the acquired assets and plans for integration of these sites into the existing Bathurst Health and Safety Management System. The results of a series of compliance audits and technical reviews have been the foundation for a health and safety transition plan for the acquisition sites.

## OPERATIONS REPORT

### June Quarter Production

	Quarter	Quarter	YTD	YTD
	Production (ROM tonnes)	Overburden (BCM)	Production (ROM tonnes)	Overburden (BCM)
Takitimu	44,628	460,036	230,031	1,763,424
Canterbury	22,028	211,073	101,048	824,187
<b>Total</b>	<b>66,656</b>	<b>671,109</b>	<b>331,079</b>	<b>2,587,611</b>

### Takitimu mine

Coal production in the June quarter resulted in the full year plan being achieved. Stripping has progressed into the Black Diamond block in Q4 with first coal expected in Q1 of FY18. Coal will continue to be mined from the Northern East of the Coaldale block which has performed better than modelled.

Demand from the Dairy sector reduces through the winter months and the mine takes this opportunity to get in front of the spring surge in coal supply.

As noted previously, a significant amount of rehabilitation has been completed during FY17 with land being returned to pasture in an enhanced final land formation.

## **Canterbury mine**

Canterbury production was in line with plan in Q4 and the mine has achieved the targeted production of 100kt for the year. This compares with 61kt in FY16 and builds toward a significant increase in scale in FY18, underpinned by the successful tender for a significant coal supply contract noted above.

With the continued development of the mine, Bathurst has progressively upgraded its mining fleet and expect the benefits of this to flow through FY18 and beyond. The mine will produce in excess of 150k in FY18.

## **Buller Operations**

The Escarpment mine remained on care and maintenance during the quarter.

Bathurst has continued to evaluate the Denniston assets. With the pending purchase of the Sullivan CML from Solid Energy an update of the overall geologic model has been completed. This is now being evaluated to enhance the Denniston integrated mine plan.

## **Exploration and permits**

Exploration was limited during the quarter with a focus on validating the geologic models at both Canterbury and the new Black Diamond block.

## **FINANCIAL**

Operations have continued to perform well in the June quarter and cash costs remain under tight control.

Bathurst has continued to seek operational improvements throughout the period and operating cashflows for the year are favourable. This has enabled Bathurst to invest in the development of the Canterbury mine, extend into owned land at Takitimu (Black Diamond block), and support BT Mining's extended transitional period through to completion on the Solid Energy asset acquisition.

Bathurst will update the market on its annual results prior to 31 August 2017.

## **CORPORATE MATTERS**

### **Litigation**

Bathurst wishes to advise that a court date has been set down for the claim raised by L&M Coal Holdings Limited against it in respect of the Buller Coal project acquisition, as announced to the market on 23 December 2016. The hearing is set to commence on 12 February 2018 for a period of two weeks. As previously noted, Bathurst will vigorously defend this claim.

### **Senior Management Changes**

Bathurst advises that current Chief Financial Officer and Joint Company Secretary, Mr Jason Hungerford, will be leaving the company on 31 July 2017 to take up an alternative opportunity.

Bathurst wishes to announce that Mr Russell Middleton, Executive Director of Bathurst Resources, will take the position of Interim Chief Financial Officer with effect from 1 August 2017 until a permanent replacement is found.

The Board wishes to thank Mr Hungerford for his service to the company during his tenure and wish him well for the future.

**SHARE PRICE AT 30 JUNE 2017: AUD 9.1c**

**ISSUED CAPITAL AT 30 JUNE 2017:**

986,028,209 Ordinary Shares

**MARKET CAPITALISATION: AUD \$89.7M**

**BATHURST RESOURCES LIMITED**

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**CHIEF EXECUTIVE OFFICER**

Richard Tacon

**DIRECTORS**

Toko Kapea – Chairman

Richard Tacon – Executive Director

Peter Westerhuis – Non Executive Director

Russell Middleton –Executive Director

**SUBSTANTIAL HOLDERS**

Republic Investment Management Pte Ltd: 19.48%

Asian Dragon Acquisitions Ltd 9.40%

**ASX Code: BRL**

**WEBSITE & EMAIL**

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**JOINT COMPANY SECRETARY**

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Unless otherwise noted, all dollar amounts referred to in this report are in New Zealand dollars and quoted at 30 June 2017.

**ABOUT BATHURST RESOURCES LTD**

Bathurst is an ASX listed resources company. Its operations are in the South Island of New Zealand where it is established as a leading coal producer, providing energy for local industrial users and, ultimately, positioning to become an exporter of high quality metallurgical coal for steel production in Japan, India and China.

Whilst listed on the ASX, Bathurst is a New Zealand registered company, employing approximately 90 staff across its operations in the South Island. The Company's head office is in Wellington. Bathurst has no operations outside New Zealand.

**Domestic operations**

Bathurst currently has two operating mines – Takitimu in Southland, and the Canterbury mine, west of Christchurch. Takitimu and Canterbury produce sub-bituminous (thermal) coal to supply cost effective energy to the agri-sector in the South Island where other options for power and energy infrastructure are either not available or not commercially viable.

Bathurst also has two mines - Escarpment and Cascade, located on the west coast. These mines contain bituminous (coking) coal which was previously sold as feedstock for the local cement industry. Due to closure of the main customer in April 2016, both mines have suspended operations.

Bathurst holds exploration permits at Ohai and New Brighton in Southland, and at Albury, near Timaru. The Southland permits are adjacent to the Takitimu mine and will be the next blocks to be developed as an extension of the current mining operations.

Bathurst also operates a coal handling and distribution centre in Timaru where it stockpiles and blends coal from its South Island operations for distribution to local industrial customers.

The domestic sales provide a sound revenue stream to underpin Bathurst's operations. The key focus is to drive lower costs from the business and to increase the productivity rates. Bathurst is exploring all opportunities to increase market share.

**Export Coking Coal**

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.

The first development area within the Bathurst holdings is the Escarpment mine. This has been developed to a stage where it has the initial water control structures and dams in place and infrastructure areas formed. The main objective at this time is to design the operations to ensure a margin in today's market conditions and to explore routes to markets that are cost effective in terms of capital outlay and operating cost. Export operations can then commence.

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