



**BATHURST**  
RESOURCES LIMITED

# **AGM Presentation**

## **December 2016**

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# Overview of Bathurst Resources

**Bathurst Resources is a leading domestic thermal coal producer with significant upside opportunities in metallurgical coal**

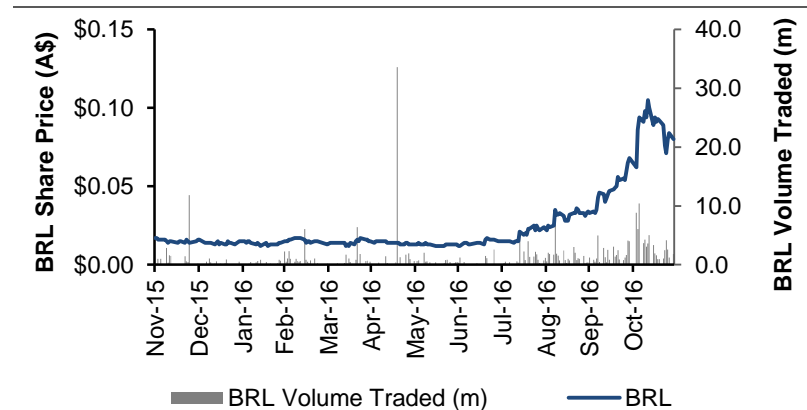
## Capital Structure

Share price (28-Nov-16)	0.068
Diluted Shares Outstanding (m)	986.0
<b>Market Cap (A\$m)</b>	<b>67.0</b>
Bank Debt (A\$m)	-
Cash (A\$m)	4.5

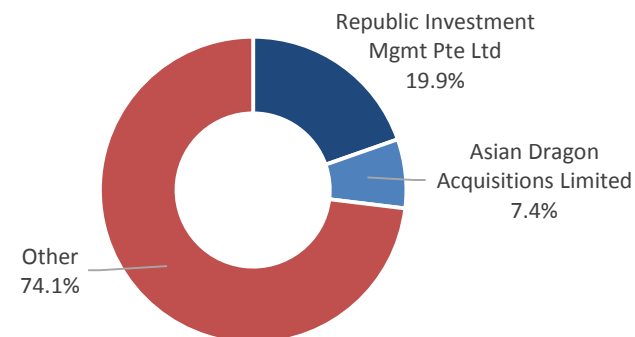
## Snapshot

- ✓ Profitable NZ based coal producer
- ✓ 46% South Island market share
- ✓ Record production results in FY16 of 431kt
- ✓ Increased operating margins
- ✓ Operating cash positive
- ✓ Low cost option on metallurgical coal expansion

## Share Price Performance



## Substantial Shareholders



Source: Company filings, CapIQ, as at 28-Nov-16

<sup>1</sup> Cash includes restricted cash, cash and bank debt figures as at 31-Oct-16.

# FY16 Highlights

Bathurst has delivered on its FY16 strategy across operations, safety performance and financial outcomes as well as expanding via acquisition at a low point in the cycle

Ongoing training under Health and Safety Act<sup>1</sup>

Record production of 431kt ROM

Reduced average cash cost of mining ~NZ\$60/t

Cash positive result across the financial year

Binding agreement with Solid Energy<sup>2</sup> to acquire the Rotowaro, Maramarua, and Stockton coal mines

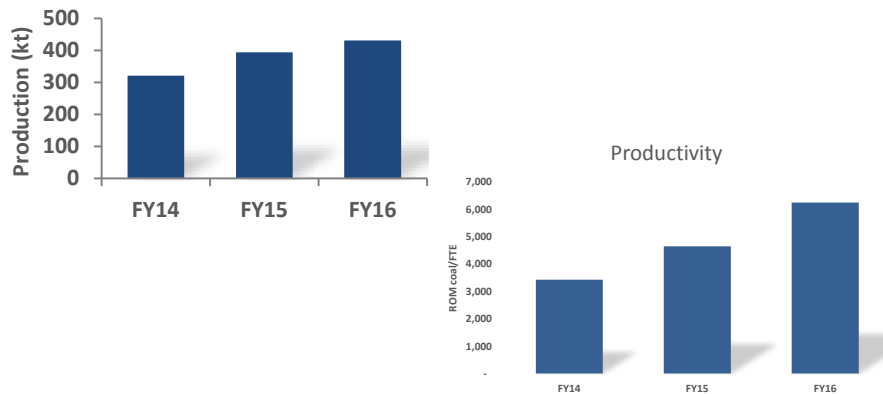
<sup>1</sup> Revised New Zealand Health and Safety Act become effective 4-Apr-16.

<sup>2</sup> Solid Energy New Zealand Limited (Subject to a Deed of Company Arrangement).

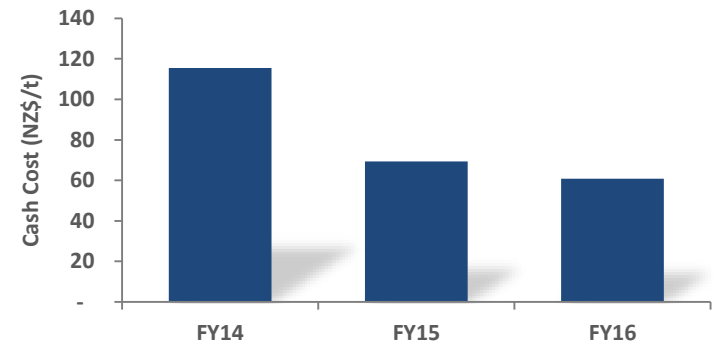
# FY16 Key Profit Metrics

In FY16 the Company has improved on its historical performances to deliver an adjusted EBIDTA of NZ\$11.8m, an increase of 140% year on year

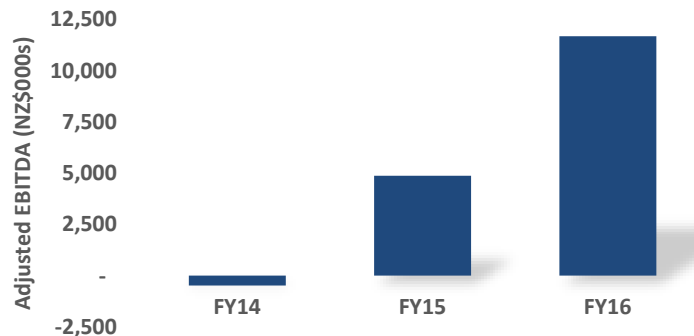
Production



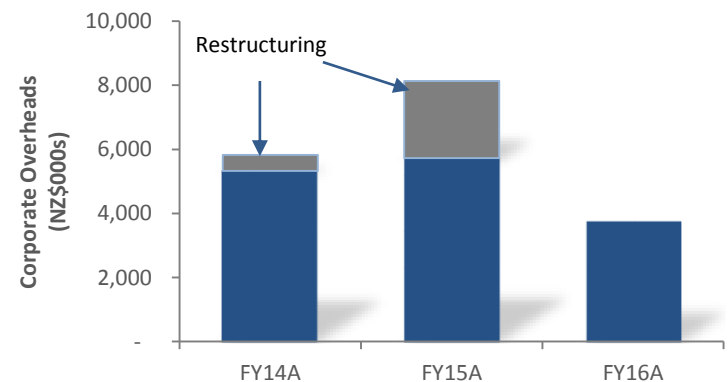
Cash Costs<sup>1</sup>



Adjusted EBIDTA



Corporate Overheads<sup>2</sup>



<sup>1</sup> Cash costs per ROM tonne including cost of pre-strip, excluding corporate overheads.

<sup>2</sup> Corporate costs include HSEC and exclude D&A, financing, and M&A costs.



# Strategic Pillars

## Creating Shareholder Value

### Grow the South Island Domestic thermal market



- Currently a leading market participant
- Focus on production costs through efficient mining to improve margin and enhance sustainability

### Entry into the Export market



- Stockton acquisition accelerates entry into Export market
- Potential to unlock material synergies with Buller Plateau assets

### Entry into the North Island domestic thermal market



- Qualification trials on the North Island for Bathurst South Island thermal coal
- Acquisition of Rotowaro and Maramarua including existing customer relationships

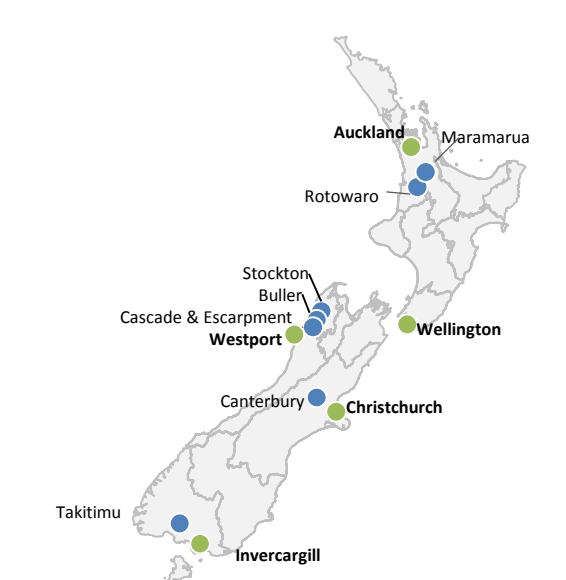
# Leading Presence in New Zealand

Bathurst has established itself as the preeminent coal producer in New Zealand

Rotowaro (100%) <sup>1</sup>	
Production (FY18)	700 kt <sup>2</sup>
Margin	NZ\$25-35/t
Resource	18.6 Mt
Reserve	2.5 Mt

Maramarua (100%) <sup>1</sup>	
Production (FY18)	700 kt <sup>2</sup>
Margin	NZ\$25-35/t
Resource	10.3 Mt
Reserve	2.0 Mt

Stockton (100%) <sup>1</sup>	
Production	1.0 Mt
Unit Cost (at port)	NZ\$90-110/t
Resource	71.8 Mt
Reserve	12.3 Mt



Buller
Development asset

Cascade & Escarpment
Placed on C&M during FY16 due to cessation of offtake by main customer and uneconomic operations

Takitimu	
Production (FY16)	303.5 kt
Cash Cost <sup>3</sup>	NZ\$65/t
Resource	3.7 Mt
Reserve	1.6 Mt

Canterbury	
Production	61.7 kt
Cash Cost <sup>3</sup>	NZ\$65/t
Resource	5.3 Mt
Reserve	0.2 Mt

<sup>1</sup> Note that the 65% ownership of the Rotowaro, Maramarua, and Stockton mine is via the Phoenix Joint Venture with Talley's Group, and is subject to completion of the sale and purchase conditions

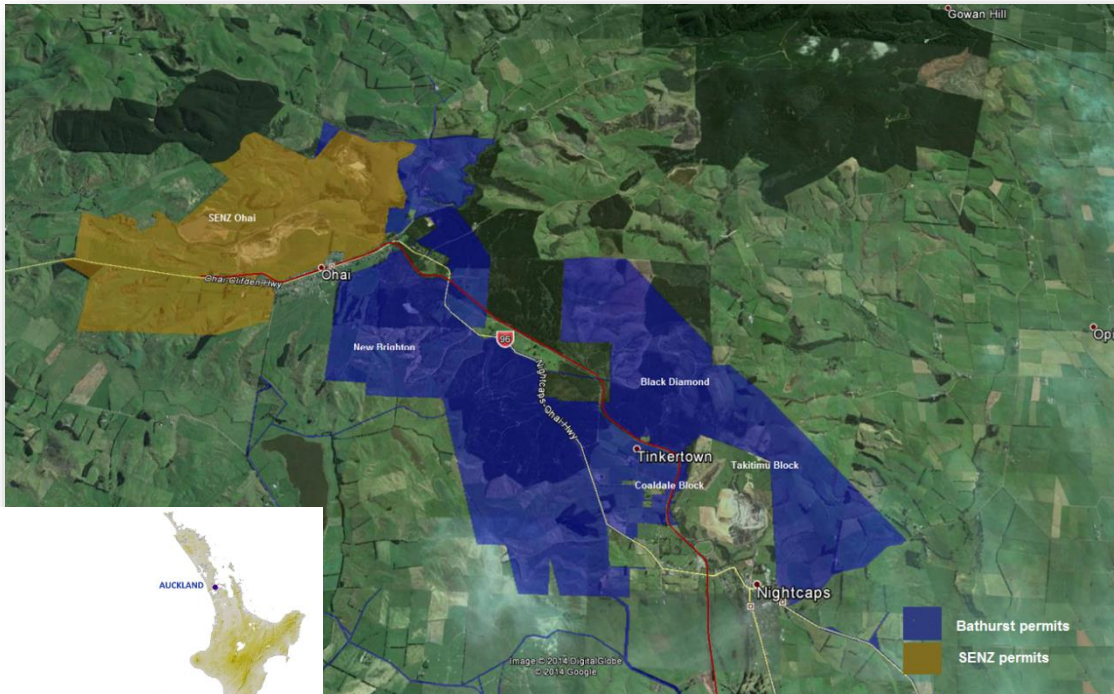
<sup>2</sup> Production for Rotowaro and Maramarua is in aggregate.

<sup>3</sup> Cash cost for existing Bathurst operations represents an average across all operations.



# Takitimu Mine & Southland Footprint

Developed mine producing thermal coal for domestic industrial use

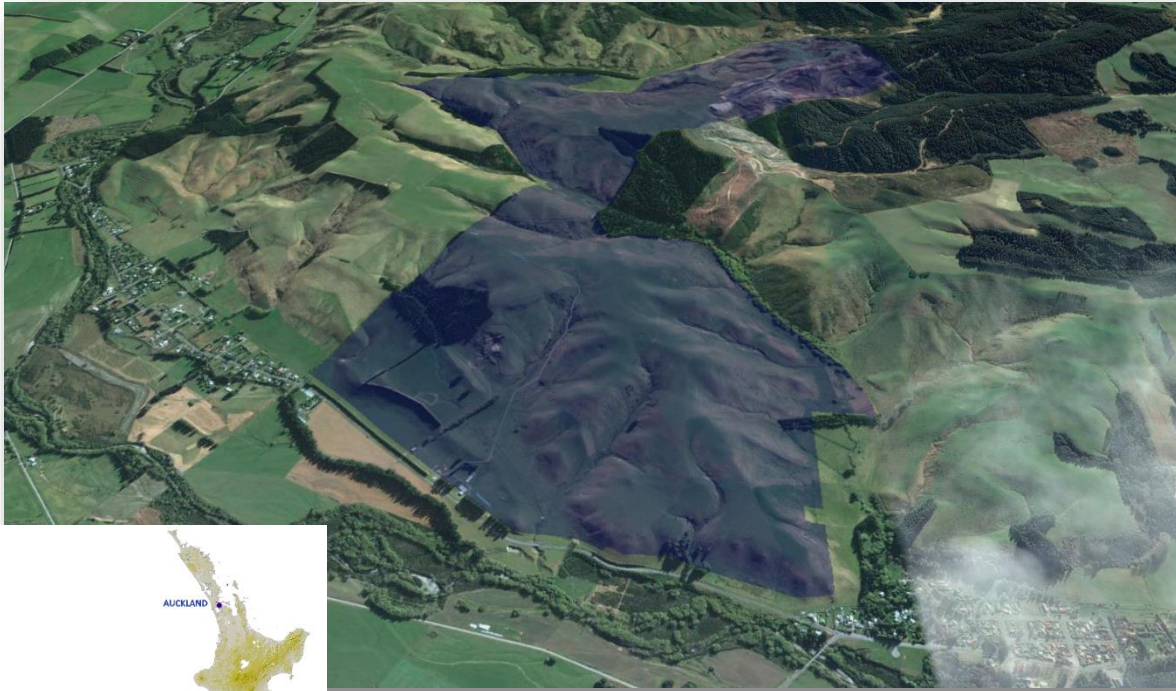


Takitimu	
Production (FY16)	303 kt
Resource	3.7 Mt
Reserve	1.6 Mt

- Well established mine with significant resources in adjacent blocks
- Mining to progress North into the Black Diamond block in FY2017
- Heavy vehicle fleet progressively shifting to owner operated with significant savings achieved
- Production target of 230kt in FY2017

# Canterbury

Provides thermal coal for domestic industrial use and in close proximity to end users

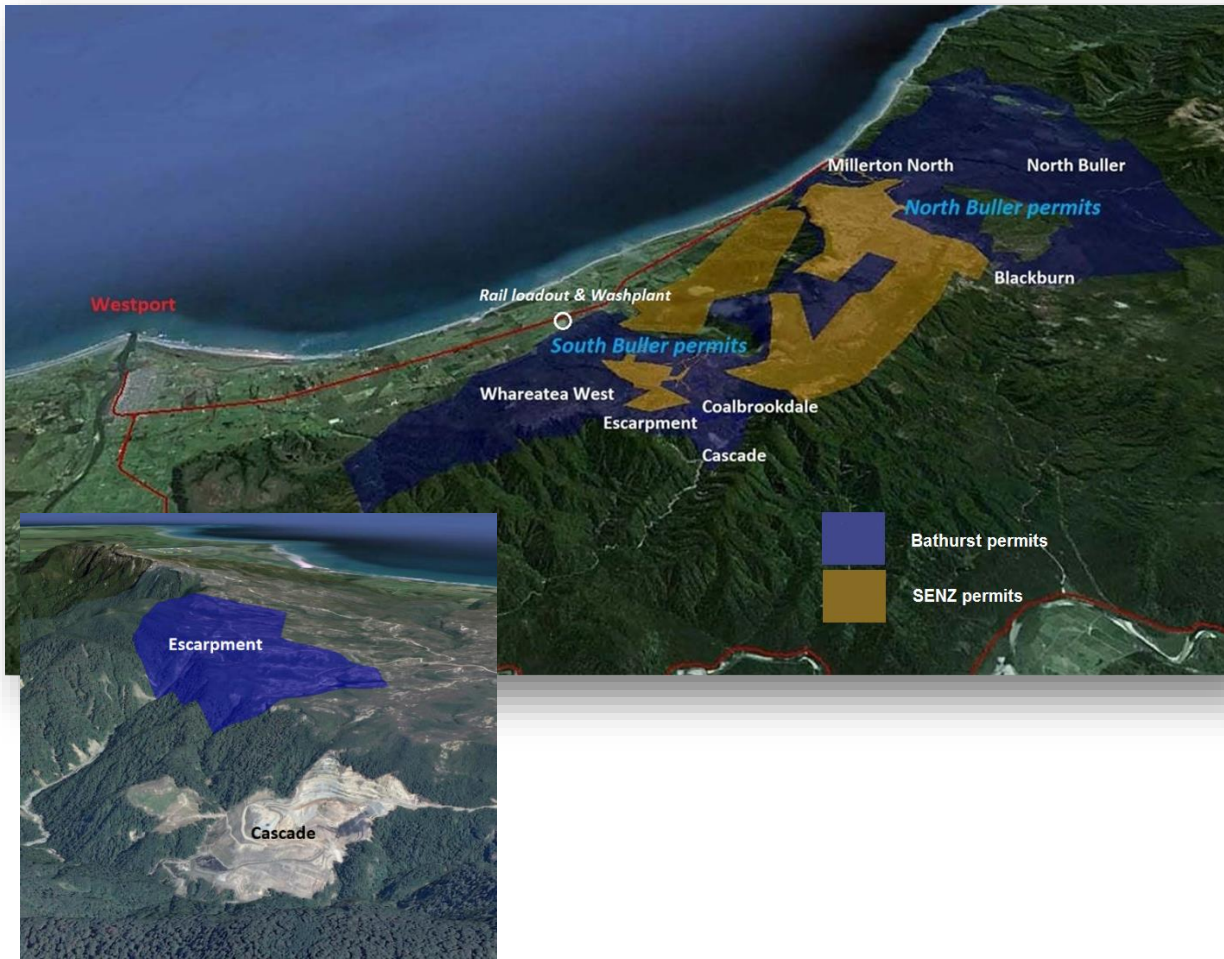


Canterbury	
Production (FY16)	62 kt
Resource	5.3 Mt
Reserve	0.2 Mt

- Developing mine on track to produce 100kt in FY2017 and 150kt in FY2018
- Growing industrial coal use in the Canterbury region within close proximity to the mine
- Heavy vehicle fleet progressively shifting to owner operated with significant savings achieved
- Production target of 100kt in FY2017

# Buller Coal Project

High quality export metallurgical coal resource



- Significant resource on the Denniston Plateau
- Cascade and Escarpment mines on care and maintenance
- Review underway to assess production in current (volatile) market conditions
- Future blending opportunities with Stockton coal



# Asset Acquisition

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# Background to Transaction

Following the approval of Solid Energy's DOCA in September 2015, Bathurst signalled its intention to participate in the asset sale process in November 2015

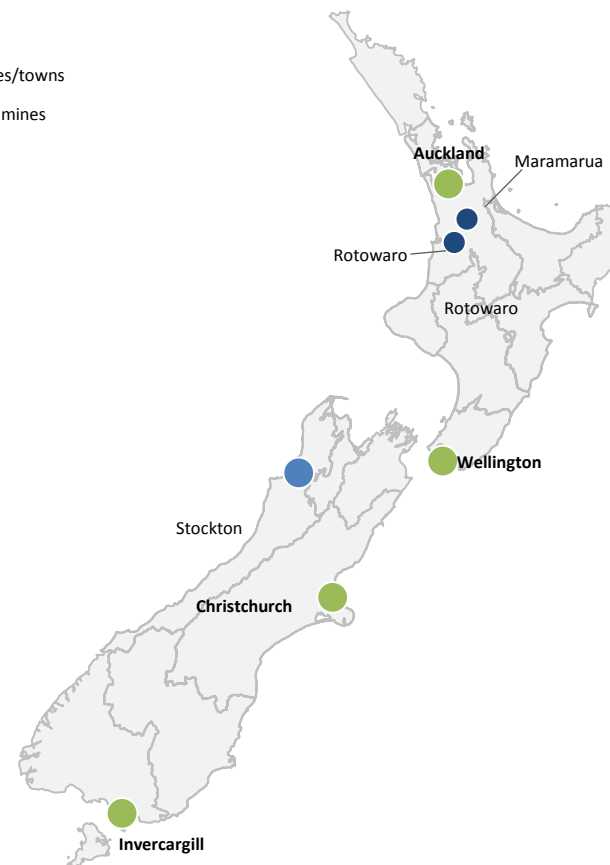
## Solid Energy Sale Process

- Solid Energy is the largest coal business in New Zealand, mining both metallurgical and thermal coal
- In August 2015, the Board of Solid Energy placed the Company and all New Zealand subsidiaries into voluntary administration ("VA").
- A progressive sell-down of Solid Energy's assets over an agreed timeframe was announced
- In November 2015, Bathurst alerted the market to its interest in the Solid Energy sale<sup>1</sup>

## Relevant Solid Energy Asset Locations

### Legend

- Major Cities/towns
- Operating mines



<sup>1</sup> Refer to the BRL AGM Presentation, released to the ASX 23-Nov-15.

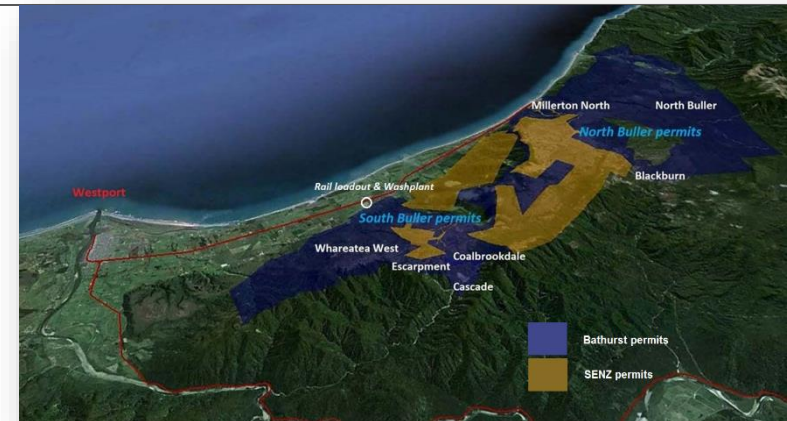
# Strategic Rationale

The combination of the Solid Energy assets acquired with Bathurst's existing Buller Plateau assets could unlock material synergies for the Company

## Strategic Rationale & Benefits

- Stockton accelerates Bathurst's entry into the export market with established customer relationships, infrastructure, and resources
- Potential synergies with Bathurst's existing Buller Plateau assets:
  - Opportunities to achieve a premium blend characterised by a Stockton product with lower sulphur and improve the coking characteristics
  - Potential to leverage Stockton infrastructure to access Bathurst assets at Escarpment and at a later stage, Whareatea West

## Asset Location



## Stockton/Denniston Infrastructure



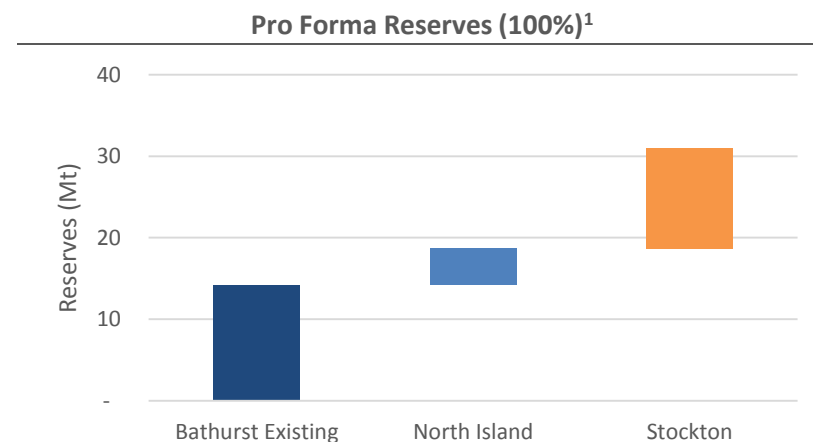
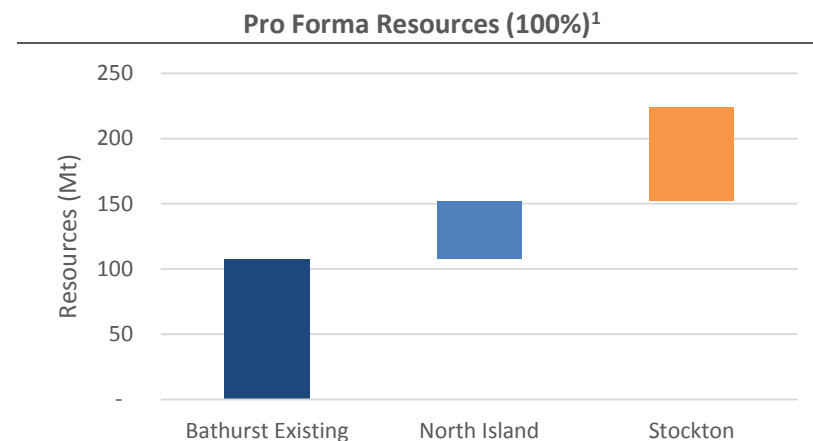
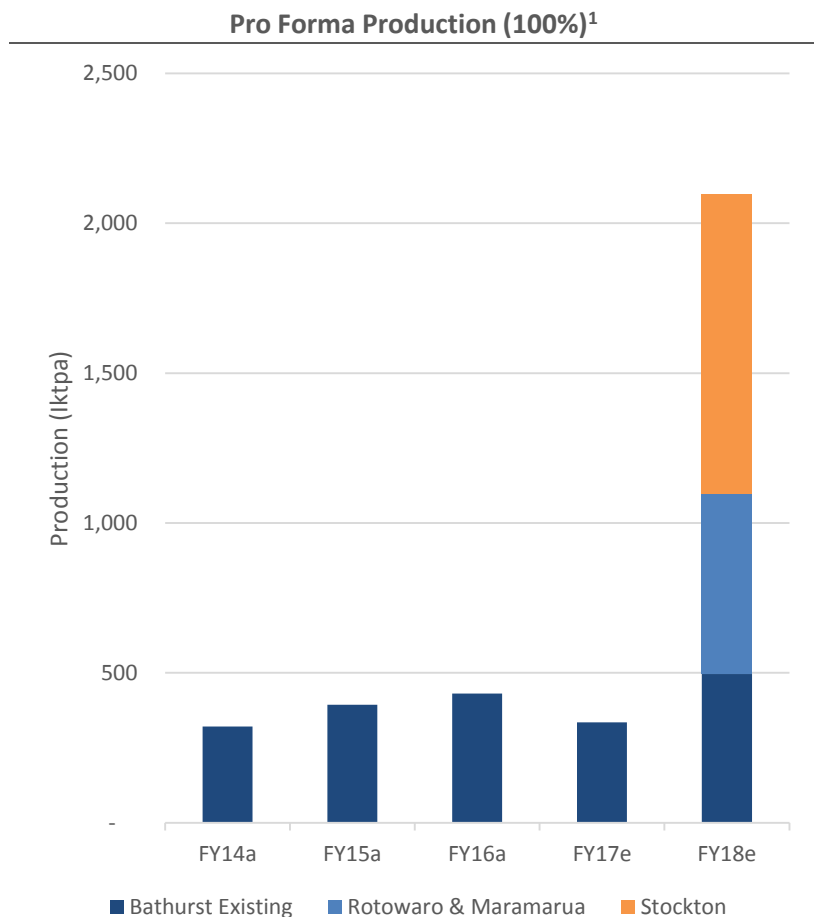
# Inherent Complexity

The transaction presented a number of complex issues requiring navigation

Key Issues	Solutions Identified
1. Vendor requirement for funding certainty	✓ Major shareholder support
2. Challenging operating environment	✓ Experienced due diligence team
3. Transaction larger than Bathurst market capitalisation	✓ Conservative valuation fundamentals and extensive scenario testing
4. Complex environmental risks	✓ Innovative and flexible acquisition funding structure
5. Unusually long transaction timeline	✓ Attractive bid structure aligned to asset upside

# Pro Forma Bathurst Resources

A successful transaction will have a material impact on Bathurst's production profile, as well as its resource and reserve base



<sup>1</sup> Assumes first year of full production including the Solid Energy assets acquired under the transaction occurs in FY18 and 100% ownership.



# Overview of Phoenix Coal

**Bathurst Resources together with Talley's Group have formed a joint venture, Phoenix Coal Limited (Phoenix Coal), to acquire select North and South Island assets from Solid Energy**

## Talley's Group Overview

- Talley's Group, established in 1936, is a multi-division, international company operated by the Talley family producing seafood, frozen vegetables, dairy and meat
- The operations of Talley's Group span the length of the country, and are headquartered in Motueka, New Zealand

## Phoenix Coal Overview

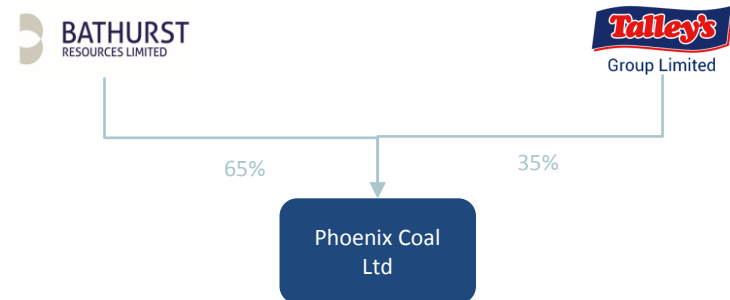
- Phoenix Coal is owned 65% by Bathurst and 35% by Talley and is governed by a Board of Directors structured in line with the shareholding
- Phoenix Coal will hold the Rotowaro and Maramarua thermal coal mines, as well as the Stockton metallurgical coal mine

## Talley's Group Locations

- HEAD OFFICE >
- SEAFOOD >
- VEGETABLES >
- DAIRY >
- MEAT >



## Phoenix Coal Ownership Structure



# Phoenix Coal Funding Sources & Uses

Phoenix Coal will acquire the Rotowaro, Maramarua, and Stockton mines for an upfront cash consideration of NZ\$46m funded through equity commitments from Bathurst and Talley's, and a bank debt facility provided by BNZ

## Selected Asset Consideration

- Under the sale and purchase agreement, Phoenix Coal will acquire these assets for:
  - Cash consideration of NZ\$46m
  - Contingent payments of up to NZ\$50m based on a sliding scale of Stockton coal sales revenue, subject to metallurgical coal prices being above NZ\$150/t.
  - Subject to a maximum four year term
  - No volume or production commitments

## Phoenix Coal Sources of Funds

Sources	Commitment <sup>2</sup>
Talley's Group (35%)	~NZ\$14.0m
Bathurst Resources (65%)	~NZ\$26.0m
BNZ Bank Debt Facility	NZ\$15.0m
<b>Total</b>	<b>~NZ\$55.0m</b>

## Phoenix Coal Uses of Funds

Uses	Amount <sup>3</sup>
Upfront Cash Consideration	NZ\$46.0m
Working Capital & Bonds	~NZ\$9.0m
<b>Total</b>	<b>~NZ\$55.0m</b>

<sup>1</sup> Please refer to Slide 5 for map detailing key asset locations.

<sup>2</sup> Commitments represent maximum raise sizes for all BRL funding sources and are subject to reduction at the discretion of BRL.

<sup>3</sup> Uses of funds are indicative only, and subject to revision by Phoenix Coal.

# Bathurst Resources Funding Sources & Uses

**Bathurst will fund its ~NZ\$26m equity contribution to Phoenix Coal through a combination of RCPS, Convertible Notes, and Bond issuance**

## Funding Instrument Overview<sup>1</sup>

- Placement of redeemable convertible preference shares (RCPS) for A\$11.3m to institutional and sophisticated investors at an amount of A\$0.022 per share
  - Pricing set prior to the final commitment of investors on 21-Sep-16 and represented a discount to Bathurst's then 30-Day VWAP of A\$0.0266 and a premium to the 90-Day VWAP of A\$0.0197
- A placement of unsecured convertible notes (Convertible Notes) for an amount of A\$7.5m to institutional and sophisticated investors with a conversion price of A\$0.0375 per share
  - Represented a 40% premium to Bathurst's then 30-Day VWAP and a 70% premium to the conversion price under the RCPS
  - Features include a 4 year term and a coupon of 8% per annum
- An issuance of term debt to institutional and sophisticated investors (Bonds) for US\$8.5m
  - Features include a 3 year term and an interest rate of 10% per annum

## Bathurst Resources Sources of Funds

Sources	Commitment <sup>2</sup>
RCPS	~A\$11.3m   ~NZ\$12.0m
Convertible Notes	~A\$7.5m   ~NZ\$8.0m
Bonds	~US\$8.5m   ~NZ\$11.9m
<b>Total</b>	<b>NZ\$31.9m</b>

## Bathurst Resources Uses of Funds

Uses	Amount <sup>3</sup>
Phoenix Coal Equity Contribution	~NZ\$26.0m
Transition Costs	~NZ\$3.0m
Transaction Costs	~NZ\$2.9m
<b>Total</b>	<b>~NZ\$31.9m</b>

Note: Figures converted to NZD using exchanges rates of AUD:USD 0.7602 and NZD:AUD 1.0635

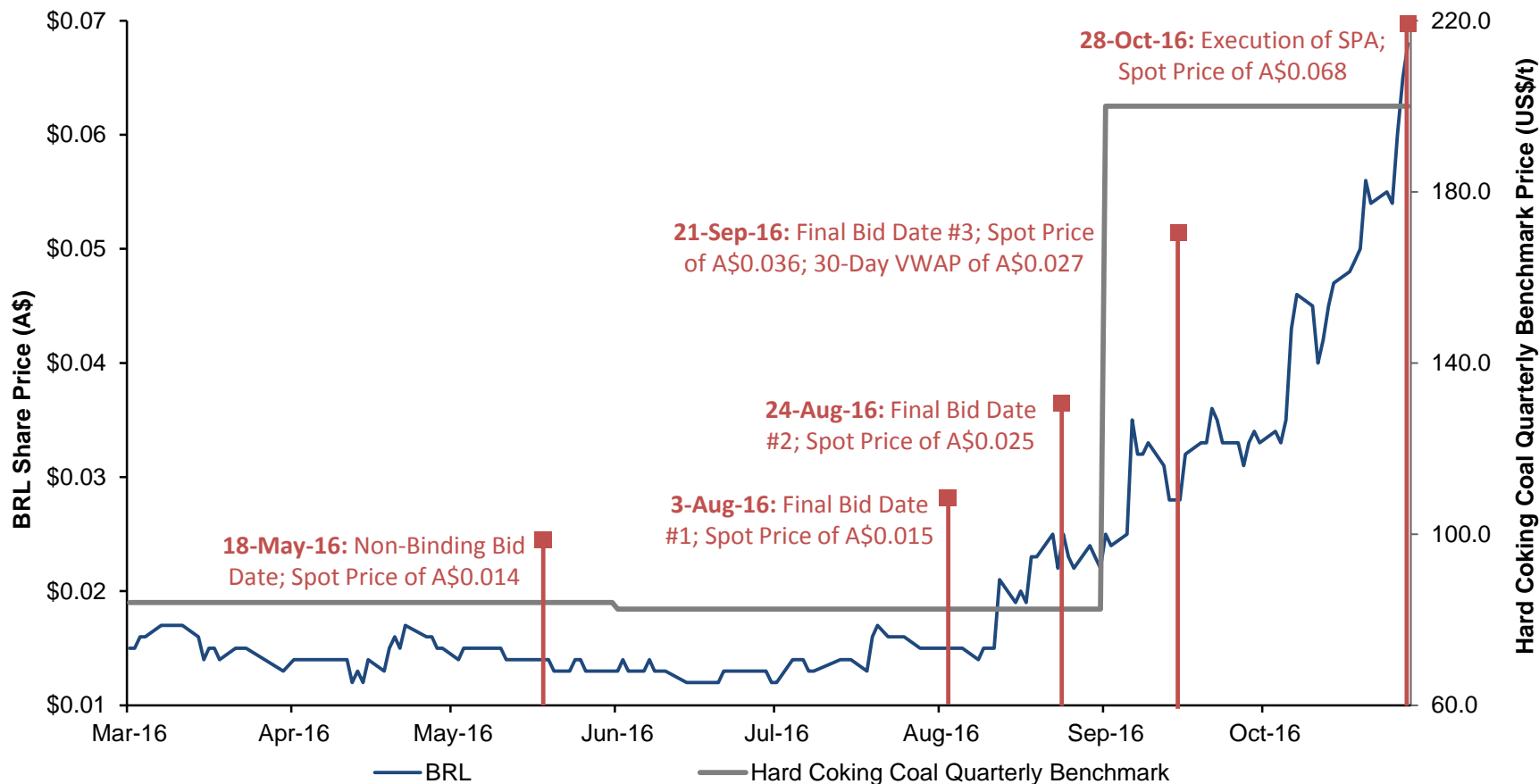
<sup>1</sup> For full details of the capital raising refer to the BRL transaction announcement, released to the ASX 2-Nov-16.

<sup>2</sup> Commitments represent maximum raise sizes for all BRL funding sources and are subject to reduction at the discretion of BRL.

<sup>3</sup> Uses of funds are indicative only, and subject to revision by BRL.

# Capital Raising Pricing

Slippage in the process timetable coincident with a rally in the metallurgical coal price has reduced the discount/premium to which the instruments were originally priced



# Sale & Purchase Conditions

**Phoenix Coal's sale and purchase agreement is conditional on, among other things, OIO approval. This is expected to occur between end Q1 2017 and Q2 2017**

Sale & Purchase Conditions	Key Process Milestones <sup>2</sup>	
	Key Event	Date
<ul style="list-style-type: none"> <li>Approval by the New Zealand Overseas Investment Office (OIO)</li> </ul>	Sale Agreement signed	29 October 2016
<ul style="list-style-type: none"> <li>Whilst Bathurst and Phoenix Coal are confident of making a successful application to the OIO, through the formal regulatory process they cannot be definitive about the outcome or the timing of any outcome</li> </ul>	Notice of Meeting sent to shareholders	On or before 18 November 2016
	Annual General Meeting to include ordinary resolutions in connection with conversion of RCPS and Convertible Notes into ordinary shares	2 December 2016
<ul style="list-style-type: none"> <li>The best guide that can be provided is that OIO approval could be forthcoming at some point between the end of Q1 2017 and Q2 2017</li> </ul>	Crown Approval and DOCA Approvals to be obtained by Solid Energy	On or before 14 November 2016
	NZP&M Approvals	Expected Q1 2017 (required to later than 30 June 2017)
<ul style="list-style-type: none"> <li>Bathurst's capital commitments will remain binding and certain throughout this period<sup>1</sup></li> </ul>	OIO Approval	Expected by end Q2 2017 (required to later than 31 July 2017)
	Completion of the Transaction	Estimated to be during Q2 2017

<sup>1</sup> For further detail on BRL's capital raising process please refer to Slide 18.

<sup>2</sup> Note that these dates are indicative only, and subject to revision by the Company.

# Rotowaro Overview

Rotowaro is an open cut mine located in the Waikato region of New Zealand producing a high-quality, low-ash thermal coal for the domestic market

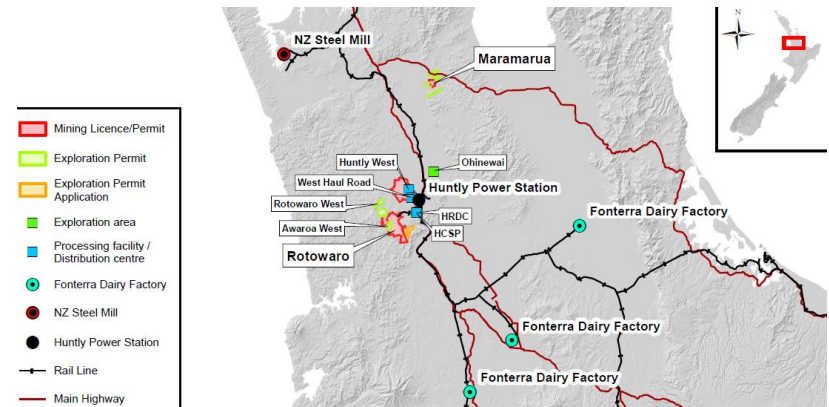
## Snapshot

- Status: production; O/C; domestic thermal coal (high-quality low-ash)
- Location: 9km West of Huntly, Waikato, New Zealand
- Operations
  - Mining: truck & shovel via 1 main pit currently mined
  - Throughput: 700ktpa (together with Maramarua)
  - Margin: NZ\$25-35/t (based on anticipated production with Maramarua)
  - Other Infrastructure: 1.0Mtpa rail loadout facility linked to New Zealand Steel's Glenbrook mill
  - Rehabilitation: NZ\$13.2m indemnity in place with the Crown to cover historical disturbances

## Historical Customers<sup>1</sup>



## Location



## Resources & Reserves (100%)<sup>2</sup>

### Rotowaro Resource Estimate, as at Dec-15

Category	Mt
Measured	2.9
Indicated	4.6
Inferred	11.1
<b>Total</b>	<b>18.6</b>

### Rotowaro Reserve Estimate, as at Dec-15

Category	Mt
Proven	0.7
Probable	1.8
<b>Total</b>	<b>2.5</b>

Source: Solid Energy

<sup>1</sup> Note that these represent a selection of historical Solid Energy customers, and are not necessarily representative of what may be available to BRL upon financial close.

<sup>2</sup> Additional resources available include 9.9Mt from Rotowaro West and 0.3Mt from Awaroa West.

# Maramarua Overview

Maramarua is an open cut mine located in the Waikato region of New Zealand producing a low-ash thermal coal for the domestic market

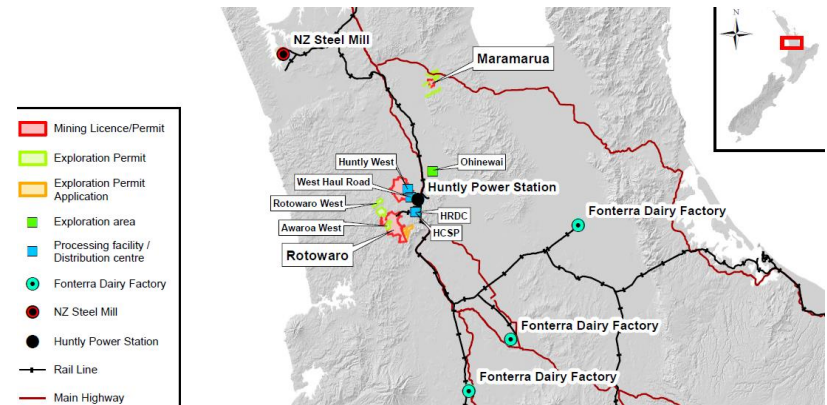
## Snapshot

- Status: production; O/C; thermal coal (low-ash)
- Location: 45km North of Huntly, Waikato, New Zealand
- Operations
  - Mining: truck & shovel via 2 main pits currently mined
  - Throughput: 700ktpa (together with Rotowaro)
  - Margin: NZ\$25-35/t (based on anticipated production with Rotowaro)
  - Other Infrastructure: screening & processing plant
  - Rehabilitation: NZ\$3.3m indemnity in place with the Crown to cover historical disturbances

## Historical Customers<sup>1</sup>



## Location



## Resources & Reserves (100%)<sup>2</sup>

### Maramarua Resource Estimate, as at Dec-15

Category	Mt
Measured	9.4
Indicated	0.7
Inferred	0.2
<b>Total</b>	<b>10.3</b>

### Maramarua Reserve Estimate, as at Dec-15

Category	Mt
Proven	1.7
Probable	0.3
<b>Total</b>	<b>2.0</b>

Source: Solid Energy

<sup>1</sup> Note that these represent a selection of historical Solid Energy customers, and are not necessarily representative of what may be available to BRL upon financial close.

<sup>2</sup> Additional resources include 5Mt from Maramarua K4.

# Stockton Overview

Stockton is an open cut mine located on the West Coast of New Zealand producing a low-ash metallurgical coal for export

## Snapshot

- Status: Production; O/C; export metallurgical coal (low-ash)
- Location: 25km North of Westport, West Coast, New Zealand
- Operations:
  - Mining: truck & shovel via 5 main pits (Rockies, A-Drive, No. 2 South, Millerton, and Cypress) currently mined
  - Throughput: optimised to 1.0Mtpa under current market conditions; CHPP with capacity of up to 1.8Mtpa
  - Unit cost: NZ\$90-110/t at port
  - LOM: 11 years
  - Other Infrastructure: 2.5km aerial ropeway, 2.0Mtpa rail loadout facility linked to the Port of Lyttelton
  - Environmental: acid mine drainage (AMD) Deed of Commitment finalised with the Crown for assumption of historical liabilities
  - Rehabilitation: NZ\$48.8m Crown indemnity to cover historical disturbances

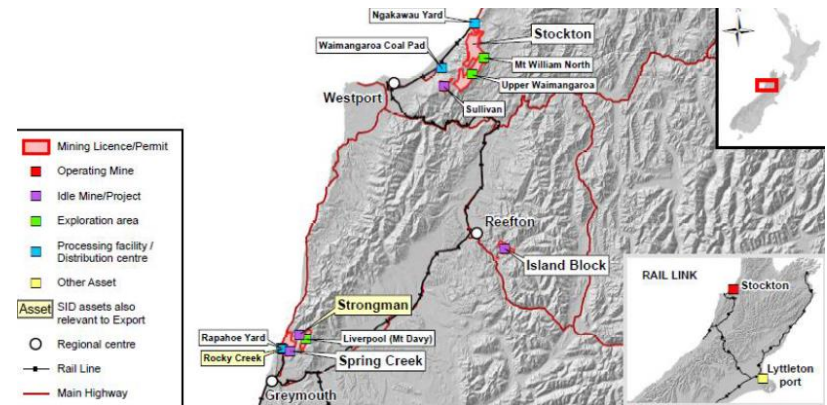
## Historical Customer Base<sup>1</sup>



中国五矿集团公司  
CHINA MINMETALS CORPORATION



## Location



## Resources & Reserves (100%)

### Stockton, Cypress, & Upper Waimangaroa Resource Estimate, as at Dec-15

Category	Mt
Measured	1.9
Indicated	27.2
Inferred	42.7
<b>Total</b>	<b>71.8</b>

### Stockton & Cypress Reserve Estimate, as at Dec-15

Category	Mt
Proven	1.4
Probable	10.9
<b>Total</b>	<b>12.3</b>

Source: Solid Energy

<sup>1</sup> Note that these represent a selection of historical Solid Energy customers, and are not necessarily representative of what may be available to BRL upon financial close.



# APPENDICES

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# Appendix 1 Board of Directors



**Toko Kapea**

***Non-Executive Chairman***

*Commercial lawyer and company director*



**Richard Tacon**

***Executive Director & CEO***

*Over 32 years coal mining operations experience*



**Russell Middleton**

***Non-Executive Director***

*Strong financial background in mining and construction*



**Peter Westerhuis**

***Non-Executive Director***

*Engineer with 30 years experience in iron ore, gold and coal*

# Appendix 2 Director Profiles

## **Toko Kapea – Non-executive Chairman**

Toko is a Wellington based commercial lawyer, consultant and director. He is a director of Tuia Group Limited and a partner in Tuia Legal. Toko has worked at Chapman Tripp and in legal roles in-house at Meridian Energy, Bank of New Zealand, St. George Bank NZ and ANS. He currently sits on the board of Television New Zealand Limited Ngāti Apa Development Limited (Whanghanui-Rangitikei region). He was on the Governmental Review Panel relating to the Te Ture Whenua Maori Act 1993 (Maori Land Act) and was also the lead negotiator for Ngati Apa ki Rangitiki (North Island) for its direct negotiation of Treaty of Waitangi claims with the Crown.

## **Richard Tacon – Executive Director**

Richard studied at the Otago School of Mines in New Zealand. His first job in the industry was at Greymouth’s Liverpool State Mine. He moved to Australia to further his mining career and went on to hold several management roles in coal mines around the country, working his way from undermanager to General Manager. Richard has held senior leadership roles in the coal sector for the past decade. After living and working in Australia for 32 years, Richard returned to New Zealand to take up the position of Chief Operating Officer in 2012. He was appointed to the role of Chief Executive Officer in March 2015. Richard holds first, second and third class coal mining qualifications. He has also spent 15 years on a rescue crew, making him familiar with the principles and practice of mine safety. Richard is an ex secretary for the Australian Mine Managers Association and sits on the board of the New Zealand Mines Rescue Trust.

## **Peter Westerhuis – Non-executive Director**

Peter is a professional engineer with post-graduate business qualifications and more than 30 years of Australian and international resources experience in the iron ore, gold and coal industries; the last 7 years at CEO and MD level. He has successfully developed and managed large mining and processing operations including overseeing the transition from explorer to producer. Peter has undertaken many complex commercial negotiations for joint ventures, capital funding, contracts, litigation, product marketing and off-take agreements. Peter is currently CEO at Batchfire Resources Limited. More recently he was the Group Managing Director of Guildford Coal, developer of a coking coal business in Mongolia, and the CEO of the Ensham Joint Venture developing and operating large open cut and underground coal reserves in Queensland. Peter has been a director of the Queensland Resources Council and a director of the Australian Coal Association.

## **Russell Middleton – Non-executive Director**

Russell has over 25 years in the mining and construction sector with significant experience in mine project evaluations and the construction of new mines. Based in Sydney, Russell was most recently Chief Financial Officer with Hillgrove Resources Limited, an ASX listed resources company focused on developing base and precious metals projects. Starting his career as a public accountant, Russell has held senior management positions in accounting, commercial and planning roles. He undertook various roles with BHP before joining Shell where he was Commercial Manager for the construction, development and production of a major underground mine. Russell is also a director of Tiger Resources Limited.

# Appendix 3 Executive Management Team



**Jason Hungerford**  
*Chief Financial Officer*



**Alison Brown**  
*General Counsel*



**Craig Pilcher**  
*General Manager,  
Operations*



**Fiona Bartier**  
*General Manager,  
HSEC*

# Competent Person Statements

## **Bathurst Resources Competent Person Statement**

The information on this report that relates to mineral resources for Deep Creek and the mineral reserves for Escarpment Export and Whareatea West is based on information compiled by Sue Bonham-Carter who is a full time employee of Golder Associates (NZ) Ltd and is a member of the Australasian Institute of Mining and Metallurgy. Sue Bonham-Carter has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Sue Bonham-Carter consents to the inclusion in this report of the matters based on her information in the form and context in which it appears above.

The information in this report that relates to exploration results and mineral resources for Escarpment, Cascade, Coalbrookdale, Whareatea West, Millerton North, North Buller, Blackburn, Takitimu, Canterbury Coal, New Brighton, Rotowaro, Maramarua, Stockton, Cypress, and Upper Waimangaroa and the mineral reserves for Takitimu, Rotowaro, Maramarua, Stockton, and Cypress is based on information compiled by Hamish McLauchlan as a Competent Person who is a full time employee of Bathurst Resources Limited and is a member of the Australasian Institute of Mining and Metallurgy. Mr. McLauchlan has a B.Sc and M.Sc

(Hons) majoring in geology from the University of Canterbury, and has had 19 years of experience in the mineral resource industry in New Zealand and offshore. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McLauchlan consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears above. This presentation accurately reflects the information compiled by the Competent Person.

The information on this report that relates to mineral reserves for Escarpment Domestic and Canterbury is based on information compiled by Terry Moynihan who is a full time employee of Core Mining Consultants Ltd and is a member of the Australasian Institute of Mining and Metallurgy. Mr. Moynihan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.