

December Quarter FY2017

HIGHLIGHTS

- **Successful bid for Solid Energy Assets**
- **Signed S&P agreement for Stockton, Rotowaro & Maramarua mines**
- **Successful capital program announced to support acquisition**
- **Domestic production on track**
- **Zero lost time injuries in the quarter**

ACQUISITION OF SOLID ENERGY ASSETS

During the quarter, Bathurst was pleased to announce that it was successful in its bid for selected assets of Solid Energy New Zealand Limited (Subject to Deed of Company Arrangement) via a joint venture Phoenix Coal Limited. Phoenix Coal Limited has changed its name to BT Mining Limited in which Bathurst holds a 65% interest.

The acquired assets include;

- Buller Plateau operating assets of Stockton Mine, including Cypress, Upper Waimangaroa, Mt William North and the Ngakawau loadout; and
- Rotowaro Mine, Maramarua Mine and certain assets at Huntly West Mine

The acquisition delivers on the company's strategic goals earlier than could be expected through organic growth alone. Importantly this has the potential to unlock and realise synergies with the company's existing assets on the Denniston Plateau.

The sale and purchase agreement contains a number of conditions including New Zealand Petroleum and Minerals approval and Overseas Investment Office approval. Both applications have been submitted to the regulators and an update will be provided when further information is to hand on the timing and or outcome.

Bathurst was required to submit a fully funded offer for the assets and undertook a successful capital program to ensure the offer was not discounted from the process. The capital instruments will be issued in Q3 of FY17.

This is an exciting development for Bathurst and transitional planning is underway to extent possible prior to the agreement becoming unconditional.

SAFETY

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

Management's focus continues to be on training and testing of the emergency systems enacted under the new health and safety act and mining regulations (April 2016) .

OPERATIONS REPORT

December Quarter Production

	Production (ROM tonnes)	Overburden (BCM's)
Takitimu	61,883	463,684
Canterbury	29,587	226,024
Total	91,470	689,708

Takitimu mine

Coal production increased in Q2 in line with seasonal demand from the dairy sector.

Mining continued to progress in the Northern end of the Coaldale pit and the change in gear setup in 2016 is delivering expected efficiency gains.

Overseas Investment Office approval has been granted which allows the finalisation of the Black Diamond land acquisition. The land acquisition will settle in next quarter and preparatory work completed includes localised pond dewatering and haul road construction.

This block contains reserves of 1.5Mt and will form the main mining area within the next year.

Canterbury mine

Production at Canterbury was 29,587 tonnes in the quarter and progress continues towards 100kt production for the year compared with 61kt in the year prior.

Improvements to site processing plant have been made in the past quarter and the mine continues its development in response to strong demand for Canterbury Coal in nearby markets.

Exploration and planning continue for this development where the increased scale will drive production efficiencies and position the company well for supply into South Canterbury markets.

Buller Operations

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

There has been further volatility in the price of coking coal over the quarter and the company continues to monitor this very closely.

A sustained increase in coal price and positive outlook for the market will provide favorable conditions for the company's continued development of the Escarpment mine which is under constant review.

Exploration and permits

Exploration during the quarter was limited to that required to meet short term operational planning and permit requirements.

This primarily relates to development and validation of the geologic models at both Canterbury and the new Black Diamond block.

FINANCIAL

The December quarter has seen the seasonal uplift in domestic coal supply, primarily driven by the dairy (milk processing) sector.

Positively, the existing operations are performing well on the ground with costs remaining under tight control.

The company continues to fund activities related to the Solid Energy asset acquisition from operations and therefore the Group result will include these costs in its half year result to be posted late February.

The capital raised to support the acquisition included funds allocated for transition and transaction costs and these will be released to free cash in Q4.

The company expects the underlying operations to report positive cashflow quarters for the remainder of the financial year.

The Company continues to have nil bank debt at 31 December 2016.

CORPORATE MATTERS

Claim lodged against the company

On 23rd December L&M Coal Holdings Limited (LMCH) filed legal proceedings against the Company in the High Court.

The dispute has arisen out of an agreement for sale and purchase (SPA) entered into between BR Coal Pty Ltd (whose rights and obligations under the agreement have been assumed by BRL) and LMCH in 2010 and a related royalty deed entered into between what is now Buller Coal Ltd and LMCH in 2010.

LMCH asserts that BRL is now required to make a US\$40m performance payment under the SPA.

BRL denies that it is in default under the relevant agreements as is asserted by LMCH and this position is supported by the legal advice it has received.

BRL will be vigorously defending the claim. Further information is contained in announcements made by the company on the 15th December and 23rd December, 2016.

Performance rights

BRL Shareholders approved the issue of performance rights to Directors at the AGM held on 2 December 2016. Due to some timing issues including the Christmas period, it is expected that these will be issued in February 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 80 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.

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

The company 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 the company'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. Studies completed to date indicate a mine life of 20 years at an average output of 750ktpa.

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Richard Tacon

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Richard Tacon – Executive Director
Peter Westerhuis – Non Executive Director
Russell Middleton – Non Executive Director

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ISSUED CAPITAL

986,028,209 Ordinary Shares

Unless otherwise noted, all dollar amounts referred to in this report are in New Zealand dollars