

PRELIMINARY HALF YEAR REPORT

Your directors present their report on the consolidated entity consisting of Bathurst Resources Limited ("Bathurst") and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

FINANCIAL PERFORMANCE

The consolidated entity made a net profit before tax for the half-year of \$8.1m. The net profit before tax comprised of the following key items:

	\$'000
Operating mines	7,595
Deferred consideration fair value, foreign exchange, and unwinding adjustments	9,728
Project development costs expensed, administration and support costs	(12,449)
Share based payments	2,953
Interest revenue	276
Net profit before income tax	8,103
Income tax benefit	217
Profit for the half year after tax	8,320

Included in the \$8.1 million net profit relating to deferred consideration adjustments (shown in the table below) is \$9.4 million of unrealised foreign exchange gains due to a strengthening NZ dollar relative to the US dollar. The deferred consideration only becomes payable upon sales targets being met and as such is considered to be naturally hedged against US dollar sales receipts expected at the time the deferred consideration falls due.

Adjustment to deferred consideration	\$'000
Fair value gain (through income statement)	4,965
Foreign exchange gain on deferred consideration	9,400
Unwinding of discount	(4,637)
	9,728

FINANCIAL POSITION

Shareholders' equity of \$238.1m, compared with \$219.6m as at 30 June 2013, was an increase of \$18.5m. Following a successful share placement in September of \$18.9 million (104.9 million shares), a Share Purchase Plan in October raised a further \$0.8m (4.3 million shares) for a total of \$16.9m net of transaction costs. Share options of \$1.6m were exercised during the six months to December 2013.

Total assets stand at \$514.3m, up \$17.9m on the \$496.4m reported in June 2013, mainly due to elevated strip activity cost at the Cascade and Takitimu mines being deferred to waste moved in advance.

CASH FLOW

The cash outflow for the consolidated entity for the half-year was \$3.3m which included operational cash outflows of \$13.4m. The operational cash out flows comprised:

	\$'000
Operating mines	1,301
Net interest received	31
Project development, administration & support costs paid	(14,726)
Income taxes paid	(2)
Cash out flow from operations	(13,396)

When steady state export sales from Buller are established, the cash flows from mining operations are expected to improve. Other significant cash flows for the half-year include the construction of the Whareatea West road of \$1.1m.

The consolidated entity had \$10.8m cash on hand at 31 December 2013.

No dividends were paid in the six months to 31 December 2013.

OPERATING REVIEW

The table below shows the production and sales information for the 6 months ended 31 December 2013:

Operation (Mine)	Coal Mined (t)	Overburden (bcm's) *1	Coal Sales (t) *2
Total	133,636	3,139,903	186,429

*1 includes cut back material at Cascade mine

*2 includes a small quantity of 3rd party purchased coal used for blending purposes.

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 and providing energy for the domestic food and dairy processing industries.

In June 2013 the Group completed its redomicile from Australia to become a New Zealand Group. On July 1, 2013, Bathurst Resources (New Zealand) Limited commenced trading shares under the code BRL on both the New Zealand and Australian stock exchanges. In December 2013 the company name changed to Bathurst Resources Limited.

The key focus for the company is the development of the Buller Coal Project near Westport targeting high quality export coking coal for the steel mills of Japan, India and Asia.

Buller Project

The Buller Project comprises permits near the Solid Energy Stockton mine. These include Escarpment, Whareatea West, Cascade and Coalbrookdale on the Denniston Plateau, and the Buller and Coal Creek Exploration Permits, north of Stockton.

Cascade

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 was completed in late 2013 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.

Escarpment

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, increasing to around one million tonnes per annum over the life of the block.

In October 2013 the Environment Court granted the final consent for the Escarpment Project. Throughout the consenting process Bathurst did not lose any legal arguments however it was frustrated by numerous appeals. The last of these was an application made directly by Forest and Bird for Special Leave to Appeal the decision on the relevance of the Sullivan permit in relation to the Resource Consents for the Escarpment Mine. This was declined in early October. There can be no further appeals on the consent.

The operating plans for the Escarpment mine are now under review by the Department of Conservation, Iwi, District and Regional Councils to verify the compliance with the terms of the approvals. This process is not appealable and is expected to be completed in early 2014 after which the company will be allowed to enter and operate on the lease.

The next blocks to be developed at Buller as production from Escarpment extends outward are Coalbrookdale and Whareatea West.

Coalbrookdale

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

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. An application for a Mining Permit will be submitted for Whareatea West early in 2014

Further Development

Bathurst has additional coal blocks north of the Stockton Plateau contained within the Buller and Coal Creek Exploration Permits. 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.

Domestic Operations

Bathurst operates three mines in the South Island supplying energy needs to large dairy and food processing industries in Southland, Otago and South Canterbury, and coal for cement manufacture on the West Coast.

Bathurst also operates coal handling and distribution centres in Timaru and Rolleston and holds Exploration Permits at Ohai, New Brighton and Albury.

Cascade

Cascade, part of the Buller project, as detailed above, currently produces coal for the local cement plant. Cascade coal will eventually be blended into an export product with a proportion of production continuing to supply the cement industry.

Canterbury Coal

In November 2013 Bathurst completed the acquisition of Canterbury Coal and entered into a joint venture in August 2013 with Johnson Bros Transport to operate the Rolleston coal yard. Bathurst also secured the contract to supply coal to a nearby dairy processing plant.

Canterbury Coal, around 70 kilometres west of Christchurch, produces 35,000 tonnes per annum of energy coal for the local dairy industries. This tonnage will increase to 50,000 tonnes, targeting 100,000 tonnes in the next few years to meet the growing coal demand in the Canterbury market.

Takitimu

The Takitimu mine, at Nightcaps, north of Invercargill, produces around 200,000 tonnes of sub-bituminous coal per annum supplying energy to South Island industries.

Whilst production is now mainly from the Coaldale block, an exploration programme has identified further coal reserves in the original Takitimu block. This has a low strip ratio and will be mined over the first half of 2014.

Health, Safety and Environment

No significant Safety or Environmental incidents occurred at any of the company's operations during the December quarter. As of January, the company has been significant incident free, with just two Lost Time Injuries in the last three years.

Following the Royal Commission into the Pike River tragedy, new mining regulations were introduced into New Zealand, effective from December 2013.

The regulations were developed in consultation with the New Zealand mining industry. They will bring New Zealand's approach to mining health and safety into line with international best practice. Richard Tacon, Bathurst's Chief Operating officer, and Health and Safety Manager, Richard Thompson, were both involved in developing the new regulations.

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