



Bathurst Resources Limited

Date of Lodgement: 3/5/12

Title: “Company Insight – Buller Appeals & Production Profile”

Highlights of Interview

- **Environment Court finds in Bathurst’s favour regarding relevance of climate change in Escarpment Mine appeal**
- **Discusses likely process and timeline for resolution of appeals**
- **Amended project plan developed to allow expanded production, in parallel with securing new approvals and building infrastructure and processing facilities**
- **Outlines the expected production profile for the Company**

Record of interview:

Bathurst Resources Limited (ASX & NZX code: BTU; market cap of ~\$450m) operates the Takitimu and Cascade mines and plans to develop its high quality coal projects in the Buller Coalfield (all in the South Island of New Zealand). Here we interview the new Chief Operating Officer, Richard Tacon, who joined Bathurst in March this year.

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The Buller coal project looks to be a ‘company-maker’. Can you give us an update on the overall project metrics, i.e. the resource base, mine planning, markets and off-take agreements?

Chief Operating Officer, Richard Tacon

Buller is an excellent project, with outstanding quality coking coal.

As most people are aware, the Escarpment mine was approved in August 2011 but we were subject to three appeals. While these appeals were being dealt with, we’ve done more drilling on the resource and achieved better definition of it. We’ve also progressed mine planning, and we now have some fairly robust schedules, and have planned a more efficient and effective mining sequence.

The important outcome from this is that we can mine virgin coal initially and so defer the need for a coal handling plant. And because we’re not putting the coal through a washery we’ll have a higher yield and we can get this virgin coal to market much sooner.

In terms of markets, India and China are obviously important. Since the Buller Project came on the radar we have been, and continue to be, approached by some of the major players in the coking coal markets. As previously announced we are currently in the final stages of signing off-take agreements with two of those that also include lines of credit from each totaling US\$90 million.

There's some uncertainty about timing because of the final appeals, which is partly outside of our control because we're in the Environment Court's timeframes, but we're driving the process as fast as we can.

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Bathurst inherited much of the planning and design work when it purchased the Buller project from L&M, and the Company has recently undertaken a complete review of the project. Has anything changed?

Richard Tacon

There have been major changes, and for the better.

L&M had the best plan possible for the project at the time. But they had only a very small resource, being the Escarpment Mine, and the land sites and corridor available to them were fairly restricted. So L&M put together their mining and processing plans and proposed transport route, subject to these constraints.

The first thing that changed was that, since the L&M acquisition, Bathurst picked up adjoining leases which has allowed us to increase quite significantly our resource base, especially at Whareatea West and Coalbrookdale. This bigger resource has allowed us to look at other options for transporting the coal off the Plateau.

The second thing that changed was that while we were putting our information together for the appeals, we identified some significant environmental values at the proposed location of the coal wash-plant.

Thirdly, the revised mine plan we've devised has enabled us to defer expenditure on a wash-plant.

The plan we've announced to the market now involves an aerial transport system, most likely an aerial conveyor, carrying the coal down to a stockpile situated on a new site on the lowlands. This site has fewer environmental issues – and we're fortunate to have managed to acquire it. This site just wasn't available to L&M at the time they'd put their plan together.

The new plan ticks a lot of boxes: We have better technical risk and a reduced environmental footprint. The steps are much more proven. For instance, aerial conveyors have been used in this area of NZ for a hundred years and by situating the wash-plant away from the Plateau we get away from a lot of the sensitive water control issues that the previous plant location presented. Further, with our original project plans, we'd have actually had to assemble the coal plant and associated infrastructure while we were developing the mine. But now – or at least when we obtain our approvals – we anticipate that we'll be able to mine coal and truck it straight away while waiting for consents for the new infrastructure to be granted and construction completed.

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The Company has been granted all appropriate approvals by the NZ regulatory bodies but these have since been appealed. Can you take us through how the NZ approval process works?

Richard Tacon

Generally, projects go to the local regional councils, in our case the Buller Regional Council and the West Coast Regional council for assessment. A Commissioner is appointed, a hearing is held, and a decision is made to give consent based on a number of conditions relating to how we operate, and how we would monitor our undertakings. Those conditions reflected the sensitivities in the local Councils, and community feeling about the area we'd be operating in.

After that, the Commissioner's decision can be appealed to the NZ Environment Court.

Another alternative approvals process that we are considering for our future requirements is through the EPA whereby an application is made to the Minister for the Environment to have the project declared of 'National Significance'. This path is very structured in its nature and the outcome is known in a set timeframe, typically within 9 months of notification of the project. The other feature is that the final decision can only be appealed on a point of law.

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You've successfully worked with the resident groups, and we see the NZ Environment Court has held it won't accept the appeal based on 'climate change'. Where does that leave Bathurst with the remaining appeal?

Richard Tacon

Yes, the settlement with the Residents Association was very pleasing, as was the finding of the Environment Court judge this week. We are now putting all efforts into resolving the outstanding issue. Whilst our preference is of course to resolve this by mediation, we are nonetheless preparing for a hearing in the Environment Court.

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When do you expect resolution and commencement of operations?

Richard Tacon

Operations commencement will obviously depend on the resolution of the remaining appeal matters. If we can't resolve these by mediation then we have our evidence already prepared for a court hearing. We're expecting a Court date to be announced shortly. All evidence from both sides has to be lodged by 1 June 2012, so our best guess is that we can look forward to a hearing early in the September quarter with resolution later in the year.

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The local residents have withdrawn their appeal (i.e. the first of the appeals) based on your proposed changes to infrastructure. How was the agreement reached?

Richard Tacon

It was very much a collaborative process. The Residents Association's appeal had a number of issues and the Company sat down in a series of meetings and went through each of the concerns trying to work them through from a blank sheet of paper, but on the understanding that the project would still go ahead. That's when it became evident that an alternative stockpile site was available and the Company moved to acquire it.

We also dealt with other issues of local concern, such as the impact on local whitebait fishing from the discharge of treated water. The revised infrastructure plan means this is no longer an issue.

The new stockpile site also means a much shorter route to transport coal from the Plateau, and importantly, it means the use of an aerial transport system such as an aerial conveyor is now feasible.

Overall, working with the Residents Association has facilitated the consideration of other options - allowing us to review our project and achieve a better outcome.

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Did the residents force you to change the structure of your operations?

Richard Tacon

There have certainly been changes but they have not been forced. As I say, it was really a collaborative effort that has created a better outcome in terms of the community, the environment and the project's long term economics.

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What do the changes to infrastructure mean for the approvals process? Do you have to go back to square one?

Richard Tacon

Our infrastructure has changed but that will not affect our existing consent applications which we will continue to seek as a back-up plan. We will have to lodge new consent applications for the revised infrastructure, however, these should be less contentious, particularly as the proposed site for the stockpile is not on conservation land and the aerial conveying system has a significantly lower environmental footprint. We are also considering the EPA approval path as discussed previously.

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The NZ Environment Court has announced that the impact of coal mining in New Zealand on climate change is not a relevant consideration for local councils in determining applications for resource consents? What does that mean for Bathurst?

Richard Tacon

The Environment Court found that, in law, the Commissioner didn't have to consider climate change implications from combustion of coal or discharge of greenhouse gases in determining whether to grant the resource consents. We see this as a positive move in progressing the project, however there is a possibility that the decision of the Environment Court may be appealed.

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How is project financing holding up given the delays? Are you still fully-funded?

Richard Tacon

With our cash-on-hand, and the US\$90 million in finance facilities we anticipate being available to us when we conclude agreements with our offtake partners, we expect the project will be fully-funded. The present operations, Cascade and Takitimu, are generating cash and we are applying that cash to building up the Escarpment project. Further, we are revising the capital schedule, deferring the need for a wash plant, and adjusting our production sequence. The other opportunity we are exploring for the aerial conveyor is a 'build-own-operate' system, which would mean we would not have to draw down our credit lines as much as previously anticipated.

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With last week's announcement on revised mining and infrastructure for the Buller Project, what does this mean for the Company's production profile?

Richard Tacon

Our most recent announcement did foreshadow reduced tonnages for the first couple of years, but if you combine the production from Cascade and the potential production from Coalbrookdale, we will not be a long way off the mark.

In the first full year of production from Escarpment we will produce approximately 500,000 tonnes of hard coking coal as well as 150,000 tonnes from Cascade. Subject to the project being formally approved by our Board, the small Coalbrookdale underground could initially deliver an additional 100,000 tonnes. We are hopeful of commencing development of the Coalbrookdale project later this calendar year.

Production rates will be slightly higher in Year 2 as we would expect Coalbrookdale to increase to an annualised rate of 200,000 tonnes, again, subject to mine plans being finalised.

We then expect annualised production rates to increase, once the conveyor system is built, to around 1 million tonnes per annum from Escarpment plus the 350,000 tonnes from Cascade and Coalbrookdale. We are also confident that we can add to this production via our next mine, which is likely to be Whareatea West, which will lift our annualised production to our target of just over 2 million tonnes per annum.

In the medium to long term we will be looking to progress our North Buller project which, subject to completion of full feasibility studies and approvals, could bring production levels for the Buller Project to the 4 million tonnes per annum mark.

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How confident are you that the Company's project will be underway and when?

Richard Tacon

We are now focusing all our efforts on the remainder of the appeal process. On resolution we believe we will have an excellent project that is good for New Zealand and the Buller community, and not detrimental to the environment. We will know our Court date shortly, which will give us a better view on the most likely start date for the Escarpment Project.

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Thank you Richard.

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