

QUARTERLY ACTIVITIES REPORT

For the three months ended 30 September 2015

1. Highlights

- **Coal sales and production ahead of guidance**
- **Thermal coal acquisition to boost Southland operations**
- **Escarpment export development progressing**
- **Significant reduction in net debt position**
- **Revised strategy results in improved operating margins**

2. Operating Summary

Bathurst's operations completed another quarter without a lost time injury or a reportable environmental incident.

Both production tonnes and coal sales exceeded guidance, despite the September quarter traditionally being the quietest due to the seasonal shut down in the dairy industry.

The planned acquisition of a new thermal coal deposit adjacent to the Coaldale block will significantly increase the company's Southland resource base.

The development of the Escarpment export business remains the ultimate objective and development works are continuing to ensure the site can rapidly ramp up to export production at the appropriate time.

Disposal of land in Buller considered surplus to requirements has resulted in a reduction of net debt for the company.

With the strategy of implementing cost efficiencies and increasing profitability at each operational site now firmly underpinning all aspects of the business, results are starting to become apparent with improved operating margins compared with previous quarters.

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 – Non Executive Director

COMPANY SECRETARY

Bill Lyne
blyne@bathurstresources.co.nz

ISSUED CAPITAL

954,982,755 Ordinary Shares

SUBSTANTIAL HOLDERS

Republic Investment Management (18.54%)
Asian Dragon Acquisitions (6.0%)

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

3. Operations Report

3.1 Health, Safety and Environment

Bathurst's operating mines, project works and exploration activities have been without a lost time injury or a reportable environmental incident for the quarter.

Training is ongoing across Bathurst's operational staff to ensure that the company meets its obligations under the new health and safety mining regulations.

3.2 Production

Coal production was 7% above guidance for the quarter, at 111,648 tonnes.

	Production (Raw coal tonnes)	Overburden (bcm's)
Cascade	15,850	144,200
Escarpment	17,217	110,418
Takitimu	67,463	435,288
Canterbury Coal	11,118	96,643
Total	111,648	786,549

3.3 Buller Operations

Coal recovery at Cascade during the quarter was from Cut 1 with dozer push implemented to increase productivity and cost efficiencies.

Work has continued developing the final land form on the Waterfall dump area in anticipation of spring rehabilitation planting. Planting of approximately 7,500 plants is scheduled to commence in spring and gorse and other weed spraying is planned for late October.

Site works continued at Escarpment which included soil stripping for a waste dump extension, clearing of the Pit 4 area and the completion of the Barren Valley rock underdrain. During this process, 17,217 tonnes of coal were recovered for sale into the domestic market.

3.4 Takitimu

Continued wet weather during the early part of the quarter resulted in several lost days of production. Activities concentrated on stripping in the southern part of the Coaldale pit to expose a large quantity of coal to cover the increase in demand from the dairy industry following the normal winter shut down. By the end of the quarter an improvement in weather saw most of this coal recovered and operations move further to the east.

Waste material was used to rehabilitate the southern part of the Takitimu pit. Progress was made on developing the final landform in readiness for planting in the spring. Coal production for the quarter was 67,463 tonnes.

3.5 Canterbury Mine

Work continued at Canterbury recruiting staff and gearing the mine up to full production. Culverts have been installed around the ROM pad to allow for a light vehicle access road with further room for a workshop and maintenance area. New haul roads have been established to shorten the distance from the pit to the ROM pad. Production increased to 11,000 tonnes for the quarter. This is up from a total production for FY15 of 2,656 tonnes. The mine is targeting 60,000 tonnes for FY16.

5. Exploration and permits

Drilling and exploration during the quarter remained limited to that required to meet permit obligations.

During the quarter, a review of permits was undertaken to consider the value of their resource potential in comparison with compliance costs. The result of this was that a number of permits considered not critical to the company's overall production strategy were surrendered.

Work is now complete on updating the Resource and Reserve reporting in line with the new JORC 2012 guidelines.

6. Black Diamond acquisition

Bathurst has entered into a conditional agreement to purchase an area of land known as Black Diamond. This lies adjacent to the Takitimu mine in Southland and is the natural northern extension of the Coaldale pit.

The area is prospective for high quality, low ash, sub-bituminous coal which is in high demand by South Island dairy processing plants. The acquisition of this block will give us access to coal which is contained within the company's Ohai Exploration Permit. This will be mined under an extension to the Takitimu Mining Permit, increasing the life of the Takitimu operations by approximately 6 years and further underpinning the company's domestic business strategy. A deposit of \$85,000 has been paid and a further settlement \$2,265,000 is due on the satisfaction of all conditions. It is envisaged final settlement will not take place until late in 2016.

7. Cashflow and outlook

As previously forecast, the operations saw a minimal net cash outflow for the quarter as a result of the normal reduced coal sales to the dairy sector during its winter shutdown. The operating cash performance however improved by \$3.03 million compared with the same period last year (Sept 2015 quarter: cash outflow of \$285k - September 2014 quarter: cash outflow of \$3.32 million).

The business efficiency initiatives implemented over the past year are now seeing results with administration overheads down 16% on the June 2015 quarter and down 48% for the corresponding period last year. There was also a 26% reduction in cost of mining compared

with the September quarter last year. Bathurst is aiming to reduce this by a further 20% by the end of FY16.

In addition, net debt has decreased from \$4.7m at 30 June 14 to nil at 30 September 2015 due to a rationalisation of assets in line with the company's revised growth strategy. During the quarter, the company disposed of a property which had been acquired as a site for the location of infrastructure for the Buller export project. With the deferred development of the export project and alternative options for logistics and coal processing under consideration, the property was considered surplus to immediate requirements. The property was sold to the original vendor, resulting in a debt reduction of \$5.3 million.

Plans have already been put in place to absorb the loss of the Holcim sale in early 2016. It is not expected that the projected financial performance of the company will deteriorate as a result with coal able to be redirected profitably into other markets.

8. Corporate

The Annual General Meeting for Bathurst will be held at 9.00am on Monday 23 November 2015 at the offices of Minter Ellison Rudd Watt, 125 The Terrace, Wellington. A Notice of Meeting, proxy and Section 209 notice was mailed to all shareholders on 22 October 2015.

About Bathurst Resources Limited

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 Asia.

Whilst listed on the ASX, Bathurst is a New Zealand registered company, employing over 100 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

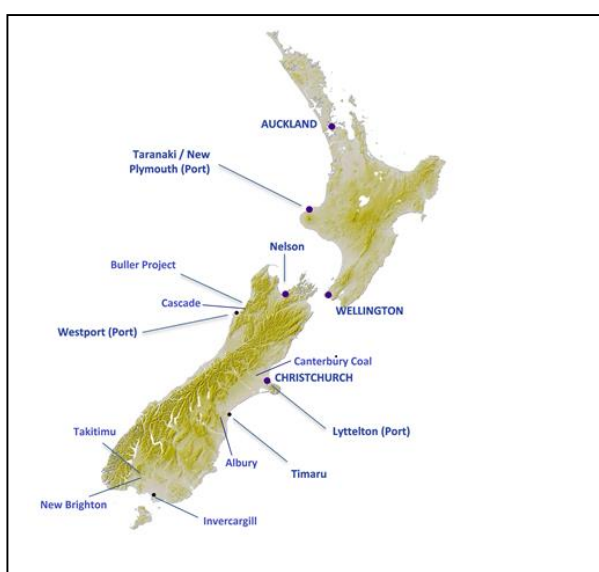
Bathurst currently has three operating mines – Cascade/Escarpment at Buller, Takitimu in Southland, and the Canterbury mine, west of Christchurch. Cascade and Escarpment produce bituminous (coking) coal which is currently primarily sold as feedstock for the local cement industry. Takitimu and Canterbury 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 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 of approximately 400,000 tonnes per annum 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.



The Buller Project

Bathurst is developing an export coking coal operation from its permits in the Buller coalfield near Westport. Escarpment, the first stage of this project, is operating and mining small quantities of coal as part of the initial site construction works. This is currently supplementing the domestic market supply until the area is fully developed. 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 logistics. Export operations can then commence.

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.

Escarpment will be targeting an initial output of 500,000 tonnes of coking coal per annum for international steel markets. The coming months will see the mine developed to a stage where it can quickly move into steady state production to meet potential export demand. Over the life of the block, total annual production is expected to increase to around 750,000 tonnes.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Bathurst Resources Limited

ABN

164 306 905

Quarter ended ("current quarter")

30 September 2015

This appendix has been presented in New Zealand Dollars which is the presentation and functional currency of Bathurst Resources Limited. The AUD:NZD rate at 30 September 2015 was 1.0996.

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$NZD'000	Year to date (3 months) \$NZD'000
1.1 Receipts from product sales and related debtors	9,746	9,746
1.2 Payments for (a) exploration & evaluation	(176)	(176)
(b) development	(270)	(270)
(c) production	(8,391)	(8,391)
(d) administration	(1,091)	(1,091)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	25	25
1.5 Interest and other costs of finance paid	(130)	(130)
1.6 Income taxes (paid)/received	-	-
1.7 Other (provide details if material)	2	2
Net Operating Cash Flows	(285)	(285)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(254)	(254)
(b) equity investments	(376)	(376)
(c) other fixed assets	(253)	(253)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	(7)	(7)
Net investing cash flows	(890)	(890)
1.13 Total operating and investing cash flows (carried forward)	(1,175)	(1,175)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,175)	(1,175)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(516)	(516)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(516)	(516)
	Net increase (decrease) in cash held	(1,691)	(1,691)
1.20	Cash at beginning of quarter/year to date	5,230	5,230
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	3,539	3,539

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$NZD'000
1.23	Aggregate amount of payments to the parties included in item 1.2	60
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors fees

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

n/a

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

n/a

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$NZD'000	Amount used \$NZD'000
3.1 Loan facilities	2,587	2,587
3.2 Credit standby arrangements	910	nil

Estimated cash outflows for next quarter

	\$NZD'000
4.1 Exploration and evaluation	107
4.2 Development	354
4.3 Production	8,062
4.4 Administration	878
Total	9,401

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$NZD'000	Previous quarter \$NZD'000
5.1 Cash on hand and at bank	916	2,460
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Restricted deposits	2,623	2,770
Total: cash at end of quarter (item 1.22)	3,539	5,230

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	54512	Exploration permit <small>(reduced)</small>	100%	100%
	54505	Exploration permit <small>(reduced)</small>	100%	100%
	51078	Exploration permit <small>(reduced)</small>	100%	100%
	51260	Exploration permit <small>(reduced)</small>	100%	100%
	52713	Exploration permit	100%	-
	53756	Exploration permit	100%	-
	54031	Exploration permit	100%	-
	54590	Exploration permit	100%	-
	54933	Exploration permit	100%	-
	55199	Exploration permit	100%	-
	54389	Exploration permit	100%	-
	52147	Exploration permit	100%	-
6.2 Interests in mining tenements and petroleum tenements acquired or increased		No change		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	954,982,755	954,982,755	n/a	n/a
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,154,321	7,154,321	nil	n/a

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Performance rights <i>(description and conversion factor)</i>	-	-	n/a	n/a
7.8	Issued during quarter	-			
7.9	Exercised during quarter	154,321			
7.10	Expired during quarter	-			
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Company Secretary)

Date: 30 October 2015

Print name: Bill Lyne

+ See chapter 19 for defined terms.