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ASX ANNOUNCEMENT

Market Announcements
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Bathurst Resources Limited (“BRL”/ “the Company”): Conversion of Redeemable Convertible Preference Shares (RCPS)

Acquisition of mining assets

On 31 August 2017 Bathurst Resources confirmed that its joint venture with Talley’s Energy Limited, BT Mining Limited (BT Mining), has completed the purchase of the assets of the three mines acquired from Solid Energy New Zealand Limited (Subject to Deed of Company Arrangement) (Solid Energy). BRL holds 65% of the Joint Venture.

As previously announced, full operations under BT Mining commenced on 1 September 2017. BRL is able to confirm the following guidance for its operations.

Bathurst Resources Guidance FY18

- Stockton mine (65% BRL) forecast to produce approximately 1.0mt of product at an FOB cost of NZ\$100 per tonne at a cash margin average across all products of NZ\$50 per tonne, based on US\$135 coking coal price and an exchange rate of NZD/USD of \$0.70
- Rotowaro and Maramarua mines (65% BRL) forecast to produce 850kt of product to its domestic customers at an average margin of NZ\$25 per tonne.
- Takatimu and Canterbury mines (100% BRL) forecast to produce 400kt of product to its domestic customers at an average margin of NZ\$30 per tonne.

BRL Development Plans

- BRL’s primary focus will be on the continued operation of its domestic wholly owned assets and on supporting BT Mining with the transition of the acquired assets to BT Mining.
- BRL will also be evaluating the combination of Escarpment and Whareatea West with the acquisition of Sullivan from Solid Energy as a contiguous group of development assets, with the opportunity to integrate in the future with the BT Mining infrastructure of the Coal Handling and Preparation Plant, Aerial Ropeway and Train Loadout.

Acquisition Funding

The acquisition funding comprised of a mix of instruments with the primary objective of providing certainty to the vendor whilst minimising the dilution to existing shareholders. The instruments included issuing equity, Convertible Notes and USD Bonds, collectively for the Company’s 65% interest in the Joint Venture.

As part of the prerequisite conditions of the vendor for the bid, BRL needed to secure a fully funded proposal that necessitated all commitments to be funds certain.

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The Company needed to demonstrate that it had the capital committed and available under any circumstance, hence traditional methods were not available or viable. The lengthy process of approvals and completion, has highlighted this further. The preparedness of the RCPS holders to put cash upfront prior to BT Mining winning the bid made it clear to the Vendor and its Advisors that Bathurst could complete the transaction no matter what occurred during the period between announcement and closure.

RCPS Placement

A key component of the acquisition funding package BRL secured to acquire the assets, BRL conducted an institutional placement of redeemable convertible preference shares (**RCPS**) for a maximum amount of A\$11.3 million. These funds were subscribed for in September 2016. The RCPS is a Hybrid instrument that allowed the Company to return (redeem) funds should the acquisition bid or transaction be not successful or convert to fully paid ordinary shares for a successful acquisition.

Bathurst accepted applications for 11,304 RCPS at an issue price of A\$1,000 per RCPS, raising up to A\$11.3 million in total (**RCPS Placement**). The RCPS are convertible into ordinary shares of Bathurst at completion of the Transaction at A\$0.022 per share.

In order to participate in the RCPS Placement, the institutional subscribers were also required to commit funds to both the Convertible Notes and the USD Bonds, in order to complete the funding package.

RCPS Conversion

As per the terms of issue of the RCPS and the Shareholder approval granted on 2nd December 2016, Bathurst has given today notice to RCPS holders that it intends to convert all RCPS into fully paid ordinary shares on Monday 18 September, 2017. This will result in the issuance of 513,818,186 new BRL shares. Shares on issue post conversion of the RCPS will therefore be 1,504,846,395.

Transaction Completion

The Board of Bathurst wishes to acknowledge and thank all the RCPS investors for their support and foresight in backing the company during a difficult and uncertain process and at a time when the future was far less certain. In particular, the support of Bathurst's largest shareholders has been critical to the successful capital raising and the completion of the acquisition. Leading up to the bid, the vendor was highly sceptical of Bathurst's ability to financially complete the transaction, given BRL's earnings and market capitalisation of less than \$15 million.

The acquisition of the former Solid Energy assets has been significantly value accretive to all BRL shareholders. Not only does the acquisition make BRL a more diversified company with a stronger portfolio of producing, cash generative assets, it also potentially allows BRL access to key infrastructure at a fraction of the capital that might otherwise have been required.

On behalf of Bathurst Resources Limited

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