BATHURST RESOURCES LIMITED
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ASX Code: BRL

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CHIEF EXECUTIVE OFFICER
Richard Tacon

DIRECTORS
Toko Kapea – Chairman
Richard Tacon – Executive Director
Peter Westerhuis – Non Executive Director
Russell Middleton – Executive Director

COMPANY SECRETARY
Bill Lyne
blyne@bathurst.co.nz

ISSUED CAPITAL

1,513,164,573 Ordinary Shares

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

Appendix 4D

Announcement release

For the six months ended 31 December 2017

- **Bathurst's results include for the first time the new joint venture BT Mining Limited ("BT Mining"). BT Mining successfully acquired control of certain previous Solid Energy mine site assets on the 1 September 2017.**

- **Consolidated EBITDA (which includes 65% of BT Mining's 4 months of operations) increased from $5.2m to $40.5m.**

- **Underlying profit after tax was $23.2m for the period compared to a loss of $0.5m in the prior period.**

	2017	2016
	000's	000's
Underlying profit/(loss)	**23,165**	**(530)**
Add back		
Finance costs on debt instruments	(3,473)	(700)
Fair value movement on derivatives	(27,687)	(9,880)
Fair value movement on borrowings	(4,434)	-
Statutory loss after tax	**(12,429)**	**(11,110)**
Add back		
BT Mining equity accounted profit share	(22,311)	-
Depreciation and amortisation	2,113	5,256
Impairment	630	-
Net finance costs	5,008	1,164
Fair value movement on derivatives	27,687	9,880
Fair value movement on borrowings	4,434	-
EBITDA	**5,132**	**5,190**
Add back		
65% share of BT Mining EBITDA	35,316	-
Consolidated EBITDA attributable to Bathurst	**40,448**	**5,190**

Note: EBITDA equals earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, and fair value movement on derivatives and borrowings

Results for announcement to the market

Bathurst Resources Limited	
Basis of Report	Review
Reporting Period	6 months ended 31 December 2017
Previous Reporting Period	6 months ended 31 December 2016

	2017	2016	% change
Sales revenue and other income ($'000)	24,727	21,479	15.1%
Profit/(loss) from ordinary activities after tax ($'000)	19,692	(1,230)	1,701%
Loss After Tax ($'000)	(12,429)	(11,110)	(12%)
Basic And Diluted Earnings Per Share (Cents)	(0.97)	(1.16)	(16%)
Net Tangible Assets Per Share (Cents)	4.50	0.63	613%

Interim / Final Dividend		Amount per Security	Imputed Amount per
No interim dividends are proposed in respect of the period ended 31 December 2017.			

Record Date	N/A
Dividend Payment Date	N/A

Comments:	
	This announcement should be read in conjunction with the reviewed financial statements for the 6 months ended 31 December 2017. Profit/(loss) from ordinary activities after tax equals loss after tax adjusted for fair value movement on derivatives and borrowings. These fair value movements are not considered to form part of the normal operations of Bathurst. Included in Bathurst's results for 31 December 2017 is $22.3m profit after tax relating to Bathurst's 65% share of equity accounted profit in BT Mining Limited (nil for 31 December 2016). The independent review report accompanying the financial statements contains an emphasis of matter paragraph. This paragraph draws the reader's attention to note 1 E in the financial statements, which states that the Company has restated at 30 June 2017 (for the comparative Balance Sheet) and 31 December 2016 (for the comparative Income Statement and Statement of Changes in Equity) the conversion feature of the convertible instruments from equity to derivative liabilities. The review opinion was not modified in respect of this matter.

BATHURST
RESOURCES LIMITED

BATHURST RESOURCES LIMITED

Interim Report for the 6 months ended 31 December 2017

Contents

Directors' Report

The Directors present their report on the consolidated entity consisting of Bathurst Resources Limited ("Bathurst") and the entities it controlled for the 6 months ended 31 December 2017.

Directors

The following persons were directors of Bathurst at any time during the period and up to the date of this report:

Toko Kapea	Non-Executive Chairman
Richard Tacon	Executive Director
Russell Middleton	Executive Director
Peter Westerhuis	Non-Executive Director

Financial review

The Directors are pleased to announce that the 6 months to 31 December 2017 have seen strong financial growth, highlighting in particular the success of Bathurst's new joint venture BT Mining Limited ("BT Mining").

Half year 31 December 2017 financial highlights:

- Consolidated revenue attributable to Bathurst increased by $79.1m to $100.6m from the equivalent prior reporting period. This was a direct result of the addition of the new mining operations via BT Mining, of which Bathurst has a 65% interest.
- Consolidated EBITDA attributable to Bathurst also increased from $5.2m to $40.4m in the current period.
- Operating profit has moved from a $0.1m loss for the December 2016 6 month period to a $24.7m profit in the current period. Included in these results for the first time is the Company's profit share of 4 months of operations from BT Mining of $22.3m. This also reflects a continued cost control focus across the Group.
- Net profit after tax, excluding the fair value movement expenses, was $19.7m versus a net loss after tax in the prior period of $1.2m. The fair value adjustments relate to the Convertible Instruments issued in July 2016 and February 2017. More on this is provided below.

BT Mining

The acquisition of Solid Energy assets via Bathurst's joint venture BT Mining completed on the 31 August 2017. The final settlement amount was $38.0m (initial $46.0m less closing adjustments) with a contingent payment capped at $50m over the next four years. Bathurst had invested $25.3m in BT Mining at 31 December 2017 on a proportionate share basis with Talley's Energy Limited, Bathurst's joint venture partner.

BT Mining has recorded outstanding results for its first 4 months of operations, allowing Bathurst to take full benefit of the favourable international hard coking coal prices. Numerous projects are underway to align BT Mining and Bathurst's financial and management reporting processes and ensure operational efficiencies are achieved wherever possible.

Convertible instruments

Bathurst issued several debt instruments in 2016 and 2017 to repay outstanding bank loans and provide a source of funding to invest in BT Mining. Two of the debt instruments were Convertible Notes and a series of Redeemable Convertible Preference Shares were also issued (collectively referred to as 'Convertible Instruments').

A qualified audit report was issued for Bathurst's 30 June 2017 annual financial statements regarding the classification and measurement of the conversion option implicit in these convertible instruments. The conversion option is the ability to convert the underlying debt into shares.

The audit qualification noted that the conversion option should have been classified as a derivative liability and fair valued because the Convertible Instruments were issued in AUD which is different to Bathurst's functional currency (NZD), with fair value movements to go through the Income Statement.

Directors' Report continued

Financial review continued

Convertible instruments *continued*

Bathurst has subsequently restated the 30 June 2017 Balance Sheet and 31 December 2016 Income Statement and Statement of Comprehensive Income, classifying the conversion option as a derivative liability measured at fair value. As the fair value of the derivative is driven by Bathurst's share price, significant fair value losses have been recorded which reflect the increase in Bathurst's share price.

These fair value adjustments are a one-off adjustment, as the denomination of the remaining Convertible Instruments was changed to NZD on the 31 December 2017. The fair value of the conversion options at that date now sits in Equity and will not change.

For more information on the restatement, refer to note 1 E.

Financial summary

	6 months ended 31 December 2017 $'000	6 months ended 31 December 2016 $'000
Underlying profit	**23,165**	**(530)**
Add back		
Finance costs on debt instruments	(3,473)	(700)
Fair value movement on derivatives	(27,687)	(9,880)
Fair value movement on borrowings	(4,434)	-
Statutory loss after tax	**(12,429)**	**(11,110)**
Add back		
BT Mining equity accounted profit share	(22,311)	-
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Fair value movement on derivatives	27,687	9,880
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Bathurst EBITDA	**5,132**	**5,190**
Add back		
65% share of BT Mining EBITDA	35,316	-
Consolidated EBITDA attributable to Bathurst	**40,448**	**5,190**

No dividends were paid in the six months to 31 December 2017 (2016: nil).

Operations

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

Performance metrics	Unit	Export*	Domestic*	Bathurst and BT Mining	Bathurst (excl. BT Mining)	Bathurst
		2017	**2017**	**2017**	**2017**	**2016**
Production	kt	367	489	856	191	166
Sales	kt	393	476	869	188	150
Overburden	Bcm '000	803	5,272	6,075	2,012	1,304

* Export represents BT Mining's South Island export mine at 100%, and Domestic represents BT Mining's two North Island domestic mines and Bathurst's two operating South Island domestic mines.

Directors' Report continued

Operational review continued

Export

Buller operations at Cascade and Escarpment

The Cascade and Escarpment mines continue to remain on care and maintenance with Bathurst continuing to evaluate the Denniston assets, particularly with reference to the purchase of the Sullivan coal mining licence on the 19 January 2018.

Stockton
Overburden and coal production exceeded budget for the 4 months operated as BT Mining. FOB unit cost per tonne was as forecast. Sales volumes exceeded budget. Changes in pit layouts are starting to show good results with overburden removal daily rates increasing.

Domestic

Canterbury
Coal production and overburden were negatively impacted by weather conditions in the first quarter, causing Takitimu to pick up some of the supply whilst a catch up was done in the second quarter. Gains were made in overburden reducing the year to date deficit, production is still behind budget as a flow on effect and from having to divert resources to address sediment control structure issues.

Maramarua
Inclement weather and a known fault which was found to be lying at a flatter angle than modelled negatively impacted both production and overburden for the 4 months against budget, with a shortage of operators further impacting overburden. A full complement is now in place and focus continues to be on productivity improvements.

Rotowaro
Production was above budget for the 4 months with overburden almost in line with the year to date target. Coal stocks have increased, even with additional sales and replacing coal sales from Maramarua.

Takitimu
Coal production was in line with budget and overburden ahead of budget, allowing for sales diverted from Canterbury. The preparatory works required to mine in the Black Diamond block were completed and the mine is seeking to maximise recovery of coal in the existing working areas prior to moving into new areas.

Health, Safety and Environment

The Directors are pleased to report that there were zero lost time injuries during the period.

Canterbury's planned sediment control structures were delayed which led to some minor breaches of the resource consent conditions. This was taken very seriously by management with significant resources expended to review the problem, and is expected to be resolved in the next quarter.

Risk assessment and management has been a fundamental focus over the 6 month period, particularly with the integration of the new BT Mining mine sites into the overall Bathurst management structure. The results from these risk assessments are being consolidated and documented with a focus over the next 6 months to make positive changes from the learnings.

The Directors of Bathurst Resources Limited authorised these financial statements for issue on behalf of the Board

T Kapea.	
Toko Kapea	Russell Middleton
Chairman, 26 February 2018	Director, 26 February 2018

	Notes	Reviewed 6 months ended 31 December 2017 $'000	Restated Reviewed 6 months ended 31 December 2016 $'000
Revenue	3	24,523	20,590
Less: cost of sales		(16,003)	(15,578)
Gross Profit		**8,520**	**5,012**
Share of equity accounted profit	8	22,311	-
Other income		110	828
Depreciation		(1,093)	(1,962)
Administrative and other expenses		(4,296)	(4,244)
Fair value (loss)/gain on deferred consideration	11	(208)	288
(Loss)/gain on disposal of fixed assets		(14)	10
Impairment losses	7	(630)	-
Operating profit/(loss) after tax		**24,700**	**(68)**
Fair value movement on derivatives	10	(27,687)	(9,880)
Fair value movement on borrowings	9	(4,434)	-
Finance cost	4	(5,102)	(1,213)
Finance income	4	94	51
Total loss after tax attributable to the owners of Bathurst Resources Limited		**(12,429)**	**(11,110)**

Loss per share for loss attributable to the ordinary equity holders of the Company:

	Cents	Cents
Basic loss per share	(0.97)	(1.16)
Diluted loss per share	(0.97)	(1.16)

The above income statement should be read in conjunction with the accompanying notes.

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Wellington
Marked for Identification

	Reviewed 6 months ended 31 December 2017 $'000	Restated Reviewed 6 months ended 31 December 2016 $'000
Total loss after tax	**(12,429)**	**(11,110)**
Other comprehensive profit/(loss), net of tax		
Items that may be reclassified to profit or loss:		
Exchange differences on translation	6	(1)
Total comprehensive loss, net of tax, attributable to the Owners of Bathurst Resources Limited	**(12,423)**	**(11,111)**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

ASSETS	Notes	Reviewed 31 December 2017 $'000	Restated Audited 30 June 2017 $'000
Current assets			
Cash and cash equivalents	5	3,347	28,892
Restricted short term deposits	5	3,961	3,808
Trade and other receivables	6	7,753	4,199
Inventories		1,748	2,083
Intangible assets – New Zealand emission units		233	233
Other financial assets		-	20
Total current assets		**17,042**	**39,235**
Non-current assets			
Interest in Joint Venture	8	46,870	3,515
Property, plant and equipment		14,658	14,325
Mining licences, properties, exploration and evaluation assets	7	23,921	20,614
Other financial assets		114	114
Total non-current assets		**85,563**	**38,568**
TOTAL ASSETS		**102,605**	**77,803**
LIABILITIES			
Current liabilities			
Trade and other payables		9,498	7,677
Borrowings	9	12,795	23,697
Deferred consideration	11	931	953
Provisions		1,308	1,111
Total current liabilities		**24,532**	**33,438**
Non-current liabilities			
Trade and other payables		143	143
Borrowings	9	15,807	10,340
Derivative liabilities	10	-	17,809
Deferred consideration	11	7,093	6,975
Provisions		3,159	2,874
Total non-current liabilities		**26,202**	**38,141**
TOTAL LIABILITIES		**50,734**	**71,579**
NET ASSETS		**51,871**	**6,224**
EQUITY			
Contributed equity	12	263,179	249,092
Debt instruments - equity component	12	43,788	-
Reserves		(32,435)	(32,636)
Accumulated losses		(222,661)	(210,232)
TOTAL EQUITY		**51,871**	**6,224**

The above balance sheet should be read in conjunction with the accompanying notes.

Reviewed	**Contributed Equity**	**Convertible Instrument Equity Component**	**Share Based Payment Reserve**	**Foreign Exchange Reserve**	**Retained Earnings**	**Re-organisation Reserve**	**Total Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
1 July 2016	**247,378**	**-**	**52**	**(154)**	**(194,565)**	**(32,760)**	**19,951**
Comprehensive loss for the year	-	-	-	(1)	(11,110)	-	(11,111)
Contributions of equity	1,714	-	-	-	-	-	1,714
Share based payments expense	-	-	12	-	-	-	12
	1,714	**-**	**12**	**(1)**	**(11,110)**	**-**	**1,726**
31 December 2016 (restated)	**249,092**	**-**	**64**	**(155)**	**(205,675)**	**(32,760)**	**10,566**
1 July 2017 (restated)	**249,092**	**-**	**278**	**(154)**	**(210,232)**	**(32,760)**	**6,224**
Comprehensive loss for the year	-	-	-	6	(12,429)	-	(12,423)
Contributions of equity	14,087	43,788	-	-	-	-	57,875
Share based payments expense	-	-	195	-	-	-	195
	14,087	**43,788**	**195**	**6**	**(12,429)**	**-**	**45,647**
31 December 2017	**263,179**	**43,788**	**473**	**(148)**	**(222,661)**	**(32,760)**	**51,871**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

	Reviewed 6 months ended 31 December 2017 $'000	Reviewed 6 months ended 31 December 2016 $'000
Cash flows from operating activities		
Receipts from customers	20,844	17,941
Payments to suppliers and employees	(16,961)	(16,746)
Interest received	133	37
Interest and other finance costs paid	(132)	(87)
Net cash inflow from operating activities	**3,884**	**1,145**
Cash flows from investing activities		
Exploration and consenting expenditure	(239)	(604)
Mining assets (including elevated stripping)	(4,518)	(3,151)
Property, plant and equipment	(508)	(466)
Proceeds from disposal of property, plant and equipment	-	17
Restricted deposits	(154)	(880)
Deferred consideration	(332)	-
Advances paid to BT Mining	(21,044)	(2,990)
Other investing activities	31	35
Net cash outflow from investing activities	**(26,764)**	**(8,039)**
Cash flows from financing activities		
Proceeds from borrowings and other liabilities	641	35,228
Repayment of borrowings	(1,279)	(2,321)
Interest on Debt Instruments	(2,027)	-
Net cash (outflow)/inflow from financing activities	**(2,665)**	**32,907**
Net (decrease)/increase in cash and cash equivalents	**(25,545)**	**26,013**
Cash and cash equivalents at the beginning of the period	28,892	3,325
Cash and cash equivalents at the end of the period	**3,347**	**29,338**

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. Summary of significant accounting policies

A. General information

Bathurst Resources Limited ("Company" or "Parent" or "BRL") is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and is listed on the Australian Securities Exchange ("ASX"). These financial statements have been prepared in accordance with the ASX listing rules.

These financial statements have been approved for issue by the Board of Directors on 26 February 2018.

The financial statements presented as at and for the 6 months ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). Joint ventures are accounted for using the equity method.

The Group is principally engaged in the exploration, development and production of coal.

B. Basis of preparation

These interim financial statements have been prepared in accordance with the New Zealand Equivalent to International Financial Reporting Standard NZ IAS 34: *Interim Financial Reporting*, and IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the annual financial statements for the year ended 30 June 2017.

The accounting policies used in the preparation of these interim financial statements are consistent with the accounting policies used in the preparation of the annual financial statements for the year ended 30 June 2017, except for a change in the accounting policy applied to the Company's Convertible Notes and Redeemable Convertible Preference Shares *("*Convertible Instruments") which is noted below.

C. Presentation currency and rounding

These financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency. References in these financial statements to '$' and 'NZ$' are to New Zealand dollars.

All financial information has been rounded to the nearest thousand unless otherwise stated.

D. Measurement basis

These financial statements have been prepared under the historical cost convention, except certain financial assets and liabilities are measured at fair value through profit or loss.

E. Restatement of Convertible Instruments

On recognition of a convertible instrument, the underlying debt liability and conversion feature (the ability to convert the instrument into shares) must be assessed separately for classification. A key judgement applied is with respect to whether the conversation feature can be classified as equity.

Whether a conversion feature can classify as equity is known as the 'fixed for fixed' test. The conversion feature must represent a fixed amount of debt principal convertible into a fixed quantity of shares (equity). The result of classifying the conversion feature as equity is that the value attributed to the conversion feature does not have to be subsequently remeasured after initial recognition. If the conversion feature fails the fixed for fixed test, the conversion feature must be classified as a derivative liability and re-measured at each reporting date at fair value through profit or loss.

The Convertible Instruments at 30 June 2017 were denominated in AUD and the share price conversion also in AUD, meaning that at the point of converting these instruments into the Group's shares, no further cash would change hands and the instrument holder would receive the same number of shares on conversion date as at issue date. For this reason, the Group judged at that time that the conversion feature met the fixed for fixed test, with the conversion option being included in Equity as 'Debt Instruments – equity component' in the 30 June 2017 Financial Statements.

1. Summary of significant accounting policies continued

E. Restatement of Convertible Instruments continued

It is noted that when the debt principal in AUD is translated to the Group's functional currency (NZD), this does create variability in the amount recorded. The Group has re-stated at 30 June 2017 (for the comparative Balance Sheet) and 31 December 2016 (for the comparative Income Statement and Statement of Changes in Equity) the conversion feature for the convertible instruments from equity to derivative liabilities to provide more relevant information about the effect of these convertible instruments.

On the 31 December 2017, the terms of the Convertible Notes were modified so that they are denominated in NZD and would convert to a fixed number of shares. This removes the translation from AUD to NZD variability for reporting purposes and satisfies the fixed for fixed test. At 31 December 2017 the conversion feature is classified as debt instruments – equity component within Equity.

A summary of the key disclosure changes to the convertible instruments as at 30 June 2017 are noted below:

	Classification		Dollar values ($'000)	
Convertible Notes	**Original**	**Restated**	**Original**	**Restated**
Underlying host debt liability	Liability	Liability	10,428	6,809
Conversion option	Equity	Derivative Liability	1,380	17,647
Redeemable Convertible Preference Shares				
Underlying host debt liability	Liability	Liability	11,276	11,382
Conversion option	Equity	Derivative Liability	414	162

The impact on the loss recorded for 31 December 2016 was $9.9m increase in fair value movement on derivatives expense, and $0.1m increase in finance expenses. Consequently the loss per share attributable to the ordinary equity holders of the Company has been restated as follows:

	Cents	
	Original	**Restated**
Basic loss per share for period ended 31 December 2016 (in cents)	(0.12)	(1.16)
Diluted loss per share for period ended 31 December 2016 (in cents)	(0.12)	(1.16)

2. Segment information

Management has determined operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The presentation of segments for 31 December 2017 has been modified to that presented in the 30 June 2017 Financial Statements. This reflects a change in how management view business operations with the integration of BT Mining Limited ("BT Mining") (for further information refer note 8).

The Export segment represents the previous BRL operating segment Buller Coal and 100% of BT Mining's South Island export mine results. The Domestic segment represents the prior BRL Eastern Coal segment and 100% of the two BT Mining North Island domestic mines. BRL Corporate now also includes 100% of BT Mining Corporate. A reconciliation to profit after tax per BRL's Income Statement is provided via the elimination of BT Mining column.

Total assets and total liabilities are reported on a group basis, as with tax expense.

6 months ended 31 December 2017 – reviewed

	Export $'000	Domestic $'000	Corporate $'000	TOTAL $'000	Eliminate BT Mining $'000	TOTAL BRL $'000
Revenue	**91,486**	**49,652**	**266**	**141,404**	**(116,677)**	**24,727**
EBITDA[1]	45,565	21,497	(7,597)	59,465	(54,333)	5,132
Share of equity accounted profit - BT Mining 65%	-	-	-	-	-	22,311
Income tax expense		-	(14,223)	(14,223)	14,223	-
Operating profit/(loss) after tax	**42,371**	**17,953**	**(23,219)**	**37,105**	**(34,716)**	***24,700**
Fair value movements	-	-	(32,121)	(32,121)	-	(32,121)
Net finance costs	(28)	(248)	(5,124)	(5,400)	(392)	(5,008)
Comprehensive income/(loss) after tax	**42,343**	**17,705**	**(60,458)**	**(410)**	**(34,324)**	***(12,423)**
Amounts included in comprehensive income(loss)						
Depreciation and amortisation	2,413	2,928	35	5,376	(3,263)	2,113

** Note that Total BRL operating profit and comprehensive loss does not equal the sum of Total minus BT Mining, as BRL's 65% share of BT Mining's profit is included.*

[1] Earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, and fair value movement on derivatives and borrowings

2. Segment information continued

6 months ended 31 December 2016 – reviewed (restated)

	Export $'000	Domestic $'000	Corporate $'000	TOTAL BRL $'000
Revenue	**115**	**20,608**	**756**	**21,479**
EBITDA	(500)	7,798	(2,108)	5,190
Profit/(loss) after tax	**(541)**	**2,416**	**(12,985)**	**(11,110)**
Comprehensive income/(loss) after tax	**(541)**	**2,416**	**(12,986)**	**(11,111)**
Depreciation and amortisation	39	5,187	30	5,256

3. Sales revenue

	Note	Reviewed 6 months ended 31 December 2017 $'000	Reviewed 6 months ended 31 December 2016 $'000
Coal sales		18,279	14,169
Freight		6,244	6,421
Sales Revenue		**24,523**	**20,590**

4. Net finance costs

	Note		Restated
Interest income		94	41
Foreign exchange gain		-	10
Total finance income		**94**	**51**
Success Fee		(860)	-
Interest expense		(2,504)	(708)
Realised foreign exchange loss		(925)	-
Unrealised foreign exchange loss		(348)	-
Provisions: unwinding of discount		(128)	(120)
Deferred consideration: unwinding of discount	11	(337)	(385)
Total finance costs		**(5,102)**	**(1,213)**
Total net finance costs		**(5,008)**	**(1,162)**

Included in the above interest expense is $2.2m (2016: $0.7m) relating to the Convertible Instruments and Subordinated Bonds issued primarily to fund the Company's investment in BT Mining. The realised foreign exchange loss reflects foreign exchange movements on the convertible instruments, and the unrealised on the Subordinated Bonds.

5. Total cash and restricted short term deposits

	Reviewed 31 December 2017 $'000	Audited 30 June 2017 $'000
Cash at bank and on hand	3,347	3,950
Cash held in escrow	-	24,942
Cash and cash equivalents	**3,347**	**28,892**
Restricted short term deposits	3,961	3,808
Total cash and restricted short term deposits	**7,308**	**32,700**

The cash held in escrow which was cash called in accordance with the debt instruments (refer to note 9) was used to settle the acquisition of certain Solid Energy assets via BT Mining.

6. Trade and other receivables

Included in trade and other receivables is $0.8m related party receivables from BT Mining ($0.8m at 30 June 2017).

7. Mining licences, properties, exploration, and evaluation assets

Exploration and evaluation assets		
Opening balance	2,022	1,245
Expenditure capitalised	242	777
Impairment recognised	(630)	-
Transfer to mining licenses and property assets	(1,375)	-
Total exploration and evaluation assets	**259**	**2,022**
Mining licenses and property assets		
Opening balance	18,592	18,882
Expenditure capitalised	-	1,530
Transferred from exploration and evaluation assets	1,375	-
Amortisation	(1,015)	(7,680)
Abandonment provision movement	196	132
Waste moved in advance capitalised	4,514	5,728
Total mining licenses and property assets	**23,662**	**18,592**
Total mining licenses, property, exploration and evaluation assets	**23,921**	**20,614**

8. Interest in Joint Venture

Loan to BT Mining	25,334	4,290
65% share of BT Mining's retained earnings	21,536	(775)
Total interest in BT Mining	**46,870**	**3,515**
Opening Balance	**3,515**	**-**
Increase in loan to BT Mining	21,044	4,290
65% share of profit/(loss)	22,311	(775)
Closing Balance	**46,870**	**3,515**

8. Interest in Joint Venture continued

BT Mining Balance Sheet	**Reviewed 31 December 2017 $'000**	**Audited 30 June 2017 $'000**
Cash	29,208	415
Trade and other receivables	26,604	-
Inventories	27,993	-
Other current assets	3,717	-
Current assets	**87,522**	**415**
Property, plant and equipment	39,249	1,207
Mining licences, properties, exploration and evaluation assets	20,843	-
Crown indemnity	62,582	-
Deposit paid to Solid Energy	-	4,600
Non-current assets	**122,674**	**5,807**
Total assets	**210,196**	**6,222**
Trade and other payables	21,416	814
Tax payable	6,423	-
Provisions	4,222	-
Deferred consideration	10,900	
Current liabilities	**42,961**	**814**
Bank loan facility	14,258	-
Loans payable to shareholders	38,975	6,600
Provisions	69,590	-
Deferred consideration	11,280	-
Non-current liabilities	**134,103**	**6,600**
Total liabilities	**177,064**	**7,414**
Net assets	**33,132**	**(1,192)**
Reconciliation to BRL's interest in BT Mining		
BRL's 65% share of BT Mining's loans payable to shareholders	25,334	4,290
BRL's 65% share of BT Mining's net assets	21,536	(775)
BRL's interest in BT Mining	**46,870**	**3,515**

The Company holds a 65% shareholding in BT Mining, which on the 31 August 2017 attained ownership of the mining permits and licenses as well as the mining assets at the following mine sites:

- Buller Plateau operating assets of the Stockton Mine in the South Island; and
- Rotowaro Mine, Maramarua Mine and certain assets at Huntly West Mine located in the North Island.

The Company's share of BT Mining's profit recognised at 31 December 2017 reflects 4 months of operations. The economic lock box arrangement that covered 1 July 2017 to 31 August 2017 was reflected in the final purchase price that BT Mining paid for the assets.

8. Interest in Joint Venture continued

The shareholder loans to BT Mining are not secured, do not attract interest, and can be settled either by cash or converted at the request of the Company to an equity investment in BT Mining.

The Company considers BT Mining to be a joint venture with BT Mining's other shareholder, Talley's Energy Limited. This is because unanimous approval is required on activities that significantly affect BT Mining's operations. As such BT Mining is accounted for using the equity method.

For income statement disclosures on BT Mining, refer to note 2.

9. Borrowings

	Reviewed 31 December 2017 $'000	Restated Audited 30 June 2017 $'000
Current		
Secured		
Lease liabilities	1,474	1,582
Subordinated bonds[2]	11,091	10,733
Bank borrowings backing property, plant and equipment purchases	230	-
Unsecured		
Redeemable convertible preference shares ("RCPS")	-	11,382
Total current borrowings	**12,795**	**23,697**
Non-current		
Secured		
Lease liabilities	3,305	3,531
Bank borrowings backing property, plant and equipment purchases	410	-
Unsecured		
Convertible notes	12,092	6,809
Total non-current borrowings	**15,807**	**10,340**
Total borrowings	**28,602**	**34,037**

A summary of key details of the Company's debt instruments (excluding lease liabilities) at 31 December 2017 are as follows:

Instrument	Denomination currency	Face Value $m	Coupon rate %	Issue Date	Maturity date	Per note conversion # shares
Convertible Notes	NZD	$4.0m	8%	22/07/2016	22/07/2019	45,455
Convertible Notes	NZD	$8.6m	8%	1/02/2017	1/02/2021	26,667
Subordinated Bonds	USD	$7.9m	10%	1/02/2017	1/02/2020	n/a

[2] The Subordinated Bonds continue to be disclosed as current liabilities under the terms of the covenant. Considering the favourable performance over the past 6 months the Directors have no expectation that the Subordinated Bonds will be required to be repaid by the bond holders.

9. Borrowings continued

Convertible Notes

A modification to the terms of the convertible notes effective 31 December 2017 amended the denomination currency of the instruments from AUD to NZD (refer note 1 E). On this date, the convertible notes were re-recognised at the fair value of both the host debt liability as well as the conversion option.

The fair value of the liability portion noted above was determined by discounting future cash flows including interest payments using a market interest rate for an equivalent non-convertible bond, with the difference in value on re-recognition booked to the Income Statement as fair value movements. The fair value of the conversion option is included in Equity (refer note 12).

All other key terms of the convertible notes are the same as those noted in the 30 June 2017 annual financial statements.

RCPS

The RCPS were fully converted to shares at the election of the Company on 18 September 2017. The amortised cost value of the host debt liability and fair value of the conversion option recorded as a derivative liability were transferred to Equity on this date. For further information refer to note 12.

Bonds

The USD Bonds are shown at amortised cost. Their fair value has been measured at a fair value hierarchy of level 2 as noted below:

	31 December 2017		30 June 2017 (Restated)	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Instrument	**$'000**	**$'000**	**$'000**	**$'000**
Subordinated Bonds	11,690	11,091	10,812	10,733

10. Derivative liabilities

	Reviewed 31 December 2017 $'000	Restated Audited 30 June 2017 $'000
RCPS	-	162
Convertible notes	-	17,647
Total non-current derivative liabilities	**-**	**17,809**

Derivative liabilities measured at fair value through profit or loss at 30 June 2017 consisted of the conversion feature of the convertible instruments.

As the RCPS were fully converted, the derivative value on the date of conversion was transferred to Equity (refer note 12).

The change in denomination of the convertible notes qualified as a significant modification to the original contract terms. The instruments were de-recognised and re-recognised under the new terms, with the fair value of the conversion option transferred to Equity (refer note 12).

Fair value was independently determined using a Black Scholes Model for the convertible notes and a binomial model for the RCPS (as they are convertible at the option of the Company) that takes into account the exercise price, the term of the conversion option, the current share price and expected price volatility of the underlying share, the expected dividend yield, and the risk free interest rate for the term of the conversion option.

11. Deferred consideration

	Reviewed 31 December 2017	Audited 30 June 2017
Current	**$'000**	**$'000**
Acquisition of subsidiary deferred consideration	931	953
Non-current		
Acquisition of subsidiary deferred consideration	7,093	6,975
Total deferred consideration	**8,024**	**7,928**
Opening balance	7,928	9,670
Unwinding of discount	337	786
Fair value adjustment	208	(1,749)
Consideration paid during the year	(449)	(779)
Closing balance	**8,024**	**7,928**

Deferred consideration liabilities have been categorised as level 3 under the fair value hierarchy.

(a) Buller Coal Project

The Company acquired Buller Coal Limited (formally L&M Coal Limited) in November 2010 and the sale and purchase agreement contained an element of deferred consideration. The deferred consideration comprised cash consideration and/or royalties on coal sold and the issue of performance shares.

The deferred cash consideration is made up of two payments of USD$40,000,000 (performance payments). The first being payable upon 25,000 tonnes of coal being shipped from the Buller Coal Project, the second payable upon 1 million tonnes of coal being shipped from the Buller Coal Project.

The Company has the option to defer cash payment of the performance payments and elect to submit a higher royalty on coal sold from the respective permit areas until such time the performance payments are made. The option to pay a higher royalty rate has been assumed in the valuation and recognition of deferred consideration. This also reflects the current status of the mine on care and maintenance.

Whilst in excess of 25,000 tonnes has been mined from Escarpment during construction the Company does not believe, in the legal context, that 25,000 tonnes has been shipped from the project. This would therefore not legally trigger the payment of the first performance payment.

Bathurst has and will continue to remit royalty payments to L&M Coal Holdings (the vendor) on all Escarpment coal sold as required by the Royalty Deed and this includes ongoing sales from stockpiles. Further information is included in note 13.

(b) Canterbury Coal Limited

The acquisition of Canterbury Coal Limited in November 2013 contained a royalty agreement. The amounts that are payable in the future under this royalty agreement are required to be recognised as part of the consideration paid for Canterbury Coal Limited. The fair value of the future royalty payments is estimated using a discount rate based upon the New Zealand 10 year government bond rate and production profile at a set rate per tonne of coal produced.

(c) New Brighton Collieries Limited

The Company completed the acquisition of New Brighton Collieries Limited on 10 March 2015. The balance due on settlement is to be satisfied by an ongoing royalty based on mine gate sales revenue. The fair value of the future royalty payments is estimated using a discount rate based upon a New Zealand 10 year government bond rate, projected production profile, and estimated domestic coal prices.

12. Equity

	Reviewed 31 December 2017 # of shares 000s	Audited 30 June 2017 # of shares 000s
Contributed Equity – ordinary fully paid shares		
Opening balance	986,028	964,483
Issue of shares from conversion of RCPS	513,818	-
Issue of shares from conversion of Convertible Notes	13,318	21,545
Closing balance ordinary fully paid shares	**1,513,164**	**986,028**

The RCPS were fully converted to shares at the option of the Company on 18 September 2017. 11,304 notes were converted at 1,000 AUD per note at 2.2 cents per share.

During the 6 months ended 31 December 2017, 293 notes of the July 2016 issue of Convertible Notes were converted to shares at the option of the note holder, at 1,000 AUD per note at 2.2 cents per share (June 2017: 474 notes).

	$'000	Restated $'000
Contributed Equity – value of issued equity		
Opening balance	249,092	247,378
Issue of shares from conversion of RCPS	12,105	-
Issue of shares from conversion of Convertible Notes net of issue costs	1,982	1,714
Closing balance	**263,179**	**249,092**

The value transferred to equity on conversion of the convertible instruments was the proportional value of the amortised cost of the underlying borrowings, as well as the fair value of the conversion option.

Debt instruments – equity component		
Equity component of convertible notes	43,788	-
Closing balance	**43,788**	**-**

The option to convert the convertible notes into shares is accounted for as equity at 31 December 2017 (refer note 1 E for further information) measured at fair value.

For the fair value valuation methodology of the conversion options transferred to equity on conversion of the notes, and included in Convertible instruments – equity component, refer to note 10.

13. Contingent liabilities

On 23 December 2016, the Company announced that LMCH had filed legal proceedings in the High Court of New Zealand in relation to an alleged breach of the first USD$40m performance payment described in note 11. Evidence was presented to the court in February 2018, with closing arguments due late March 2018. The Company, with its position supported by its legal advisors, denies any default in payment and will continue to vigorously defend the claim.

14. Events after the reporting period

There are no material events that occurred subsequent to reporting date, that require recognition of, or additional disclosure in these financial statements.

Independent Review Report

To the shareholders of Bathurst Resources Limited

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 6 to 20 do not:

i. present fairly in all material respects the Group's financial position as at 31 December 2017 and its financial performance and cash flows for the 6 month period ended on that date; and

ii. comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying interim consolidated financial statements which comprise:

— the consolidated balance sheet as at 31 December 2017;

— the consolidated income statement, statements of other comprehensive income, changes in equity and cash flows for the 6 month period then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for conclusion

A review of interim consolidated financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Bathurst Resources Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Other than in our capacity as auditor we have no relationship with, or interests in, the group.

Emphasis of Matter

We draw attention to Note 1.E. in the interim consolidated financial statements which states that the Group has re-stated at 30 June 2017 (for the comparative Balance Sheet) and 31 December 2016 (for the comparative Income Statement and Statement of Changes in Equity) the conversion feature for the convertible instruments from equity to derivative liabilities to provide more relevant information about the effect of these convertible instruments. Our opinion is not modified in respect of this matter.

Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our review work, this report, or any of the opinions we have formed.

Responsibilities of the Directors for the interim consolidated financial statements

The Directors, on behalf of the group, are responsible for:

- the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of interim consolidated financial statements that are fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the interim consolidated financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these interim consolidated financial statements.

This description forms part of our Independent Review Report.

KPMG

KPMG
Wellington

26 February 2018