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30 October 2015

Market Announcements
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney
NSW 2000

Bathurst Resources Limited

Annual Report

The Board of Bathurst Resources Limited (ASX: BRL "Bathurst") is pleased to enclose the Annual Report for 2015. This is now available on the company's website.

Yours sincerely
Bathurst Resources Limited

A handwritten signature in black ink, appearing to read 'Bill Lyne', with a horizontal line underneath.

Bill Lyne
Company Secretary



BATHURST
RESOURCES LIMITED

ANNUAL REPORT 2015



Annual General Meeting of Shareholders

To be held at 9.00am on Monday 23 November 2015
at the offices of Minter Ellison Rudd Watts,
125 The Terrace, Wellington 6011.

All dollar amounts referred to in this report are expressed
in New Zealand dollars unless otherwise noted.

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**Year in
review**

Chairman's report

In my first year as chairman it has been a time of significant change for Bathurst as the company completed the period with virtually a whole new board and a new direction – to pursue a strategy of diversifying risk and to maintain a cash positive business based on our robust domestic operations in the South Island.

We have implemented a series of tough measures in the interest of cost efficiencies that have seen us finish the period with a cash positive quarter – a commendable achievement during a year that witnessed record lows in commodity prices.

I'm also very pleased to report that we have completed another year without a single significant health or environmental incident at any of our sites. Safety is paramount to everything we do at Bathurst, from planning and organisational activities through to every aspect of our operations. We foster a culture in which safety is the responsibility of every individual involved with any aspect of Bathurst's operations, from board level through to employees and contractors, and anyone else who is engaged in any element of the company's business.

As we complete the transition from explorer to producer on the Australian Securities Exchange (ASX), we are moving forward with a focus on margins, not coal price, to ensure that we continue to be financially sustainable and ready to accelerate the development of our export coking coal project at a time that complements our overall business strategy, rather than relying on global pricing.

Whilst the company has reported an annual net loss after tax for the year, it is particularly pleasing to see that our key business efficiency initiatives are having a real impact on the bottom line. This is demonstrated by the company reporting a positive cash flow from operations of \$1 million in FY15 compared with an operating cash outflow of \$16.7 million for the same period last year.

On behalf of the board I would like to thank our management team and staff for their commitment and efforts during what has been a tough but productive year. I would also like to acknowledge those directors who resigned during the period, and to welcome our new directors – Richard Tacon, who has also taken over as chief executive officer, Russell Middleton and Peter Westerhuis. They bring extensive business and leadership experience to the board, and to the company.

Finally I would like to thank our shareholders and many stakeholders for their ongoing support and look forward to a profitable year ahead.



TOKO KAPEA
Chairman

Chief executive officer's report

I'm pleased to present this report – my first as chief executive officer for Bathurst.

First, and foremost, we are proud to have recorded another year with no significant injuries or environmental incidents reported. Safe and sustainable operations are core Bathurst values and fundamental to the way we conduct our business. During the year we undertook extensive training for our people in risk management and health and safety to ensure that we are in compliance with the new *Health and Safety in Employment Act* that will come into force in early 2016.

For Bathurst, this has been a year of review, with restructures across the company from board level down, and the implementation of a strategy aimed at mitigating risk and driving cost efficiencies to strengthen our cash balance. Our strategy is to continue to reduce operating costs, to increase production and to focus on achieving sustainable margins from all our operations. This is something we can control to a large extent, as opposed to focusing on global coal pricing over which we can have little impact.

We have already seen the results of this with a cash positive final quarter, a reduction in mining overheads from FY14 of 40%, and a reduction in administration overheads from FY14 of 17%. Production for the year

exceeded forecast at 384,000 tonnes, and we are projecting a further 17% increase in production in the coming year.

During the past 18 months we have reduced employee numbers, but these were mainly corporate and project related roles; we were able to maintain the workforce at the face so we can continue to build our domestic operations. Late last year we took over the full mining operations at Takitimu from the existing contractor. This was a smooth transition whereby we took on the contractor's site staff and hired the necessary plant. We will continue to review this operation to determine if there are more efficiencies to be gained, particularly in plant and equipment leasing.

We recovered first coal at Escarpment in September 2014 and, while we have announced that we won't be taking that project into full commercial development in the immediate future, we have made significant inroads in terms of site development so we can quickly ramp up to steady state mining when all costs align to provide an acceptable margin.

At our Canterbury mine, we resumed operations following a review of the coal processing operations. We are

on track to produce 60,000 tonnes of coal from Canterbury in FY16.

We reviewed our permit holdings and surrendered those considered non-essential for our immediate growth based on the development requirements identified in our strategic plan. This will see significant savings in compliance costs for the company.

At a corporate level, we reduced our board numbers and delisted from the NZX to achieve further cost efficiencies.

Our focus for the coming year is on lowering costs, implementing further operational efficiencies and increasing margins.

I take this opportunity to thank the Bathurst team for their hard work and support throughout a challenging time and look forward to a safe and profitable year ahead.



RICHARD TACON
Chief Executive Officer

Review of operations

Bathurst is a New Zealand 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 Australian Securities Exchange, Bathurst is a New Zealand registered company, employing more than 100 staff across its operations. The company's head office is in Wellington. Bathurst has no operations outside New Zealand.

Buller Coal Project

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.

Bathurst is developing an export coking coal operation from its permits in the Buller coalfield. The key first stage of this project is the Escarpment mine, which is now in operation mining

small quantities of coal as part of the initial site construction works. The main objective at this time is to plan the mine with low operating costs and explore routes to markets that are low cost in terms of capital and operation. The intent is to design the operations to ensure a margin in the prevailing market conditions. Once this has been achieved, exporting will commence.

Escarpment will be targeting an initial output of 500,000 tonnes of coking coal per annum for international steel markets. Over the life of the block, total annual production is expected to increase to around 750,000 tonnes.

The next phase of development of the Buller Coal Project will be Whareatea West, then the North Buller permits are planned to come on line as the second stage.

South Buller

Cascade

The operating Cascade mine forms part of the South Buller operation. The Cascade coal is a semi-soft coking coal that is being sold into the domestic market, largely for the manufacture of cement. The local cement producer has announced its intention to close its Westport operation in 2016. That timing will coincide with the depletion of the economically recoverable resource at Cascade, and it is planned for full mining operations to wind down and rehabilitation to continue until full closure obligations have been met.

Escarpment

Final consents were granted for Escarpment in October 2013 and the Authority to Enter and Operate was issued in June 2014. Preliminary site

works commenced on 1 July 2014 and first coal was recovered in September of that year.

Escarpment is being worked as a joint operation with the Cascade mine. Initial roads, waste dumps and stockpile areas have been formed with a particular focus on setting up for the long term operational needs. The first stages of water management systems have been completed, including a construction water sump, pump out pipeline and temporary water treatment plant. Portable office buildings are also on site. Coal mined as part of the initial construction phase is being blended with Cascade coal for sale into local markets. The coming year will see the mine developed to a stage where it can quickly move into steady state production to meet potential export demand.

Whareatea West and Coalbrookdale

The next focus for development in South Buller is the Whareatea West block which is located immediately adjacent to the Escarpment permit's western boundary. Whareatea West is an Exploration Permit. The main work completed over the last 12 months was to assess and model the vast amount of data collected in the previous five years. This had led to a consolidated view of the Denniston area rather than three discrete blocks. This work is presently at a pre-feasibility stage for the final integrated plan.

Coalbrookdale is fully consented for underground mining. Development is not planned however until market conditions improve.

North Buller

The North Buller permits lie north of the Stockton Plateau. Preliminary analysis indicates that the low ash,

higher sulphur coal from this area can be blended with South Buller coal to produce a premium product, so they will remain as the second stage of development of the export project.

Domestic operations

Takitimu

The Takitimu mine is located at Nightcaps, north of Invercargill. Mining operations originally commenced at Nightcaps in 1881. Sub-bituminous coal from the open cut operation is railed to a number of major industrial customers in the Southland, Otago and Canterbury areas. The mine produces around 230,000 tonnes of sub-bituminous coal per annum.

During the year, the coal resource in the Takitimu pit was depleted and the adjoining Coaldale block became the focus of operations. The Takitimu pit is now being progressively backfilled and rehabilitated to pasture land.

Work was undertaken in 2014 to upgrade the processing facilities on site. These improvements have allowed for increased production and reduced fines' generation.

Mining operations at Takitimu were previously conducted by a contractor however, in September 2014, Bathurst took over full mining operations on site and employed all the existing site staff. The transition was seamless and enabled the company to implement better cost control over the mining operations at its largest site.

New Brighton

In March 2015, the company completed the acquisition of the shares in New Brighton Collieries Limited, holder of the New Brighton coal exploration permit. This permit is in close proximity to the Takitimu mine and is connected by the same rail line. It is prospective for high grade

sub-bituminous coal and has potential to add substantially to the life of the company's Southland operations.

The acquisition was finalised under amended terms which saw an ongoing deferred consideration replacing the final payment of \$13.25 million, preserving the company's cash reserves. The coal from New Brighton will be sold into new and existing domestic contracts and may be considered for export at a later date.

Black Diamond

Subsequent to period, an offer was made to purchase the land immediately northwest of the Coaldale block – an area known as Black Diamond. The area is prospective for high quality sub-bituminous coal and is the natural extension of Takitimu's Coaldale operations.

Mine planning is targeting first coal recovery from Black Diamond in the final quarter of 2017, to coincide with the depletion of the Coaldale block.

Initial environmental consents have been lodged and an application will be submitted to extend the Takitimu mining permit to include Black Diamond. This acquisition will further underpin the development of Bathurst's domestic coal strategy in Southland.

Canterbury

The Canterbury mine is an open cast mine near Coalgate which is 70 kilometres west of Christchurch. The mine produces thermal coal which is low in sulphur and ash and in high demand by the local dairy and food processing industries. It has a similar specification to the Takitimu coal. Bathurst has a contract to supply coal from the Canterbury mine to a nearby dairy processing plant.



Coal demand in the Canterbury area is set to grow to over 150,000 tonnes per annum in the short term with the expansion of the local food and dairy processing industries. The proximity of the mine to these markets offers a distinct freight advantage to target this growth potential.

Full mining operations at Canterbury were suspended in 2014 to allow the processing operations to be reviewed and upgraded. New plant was installed and mining operations resumed in the March FY15 quarter.

Production from the mine is expected to grow from around 35,000 tonnes per annum to 60,000 tonnes in the coming year and more than 75,000 tonnes by FY17.

Albury

The Albury project, located 40 kilometres west of Timaru, was an historic underground and open cut mine worked from the early 1900s through to the mid-1960's. The mine

produced low rank sub-bituminous coal for local sales. An initial programme of low impact exploration delivered encouraging results and a bulk sample was taken for trials to assess the suitability of the coal for energy production for local industry. The trials were positive but further exploration and development have been deferred for the current time.

Exploration

Exploration was again scaled back during the financial year. A total of 1,003 metres was drilled and excavated with the focus on South Buller and Nightcaps.

Two rigs were operating in the Buller Coal Project areas. At Cascade, 15 holes were drilled in the pit to assist with operational short term mine planning and to obtain samples for coal quality analysis. A further 54 holes were drilled across the South Buller permits for resource definition and waste rock characterisation and to provide marketing samples. A

trenching programme was undertaken at the Canterbury mine to assess near surface resources for the next mining stage and nine channel samples were excavated at Takitimu for coal quality analysis.

Throughout the year, data was analysed and re-evaluated as part of a programme to upgrade Resource and Reserve reporting to comply with the new Joint Ore Reserves Committee (JORC) 2012 reporting standards.

Permit surrenders

During the year a review was undertaken of the company's permit holdings in relation to its immediate development strategy. As a result of this it was considered that the compliance costs to maintain certain tenements were not warranted under the company's business plan. This resulted in the surrender of certain exploration permits, which occurred subsequent to period end.

Production

Production figures for Bathurst's operating mines for the year ended 30 June 2015 are set out below.

OPERATION	PRODUCTION (T)	OVERBURDEN (BCM)
Takitimu	302,871	1,706,069
Cascade	77,765	491,813
Escarpment	11,851	60,244
Canterbury Coal	2,656	106,799
TOTAL	393,941	2,364,925

Financial

The group made a net loss after tax of \$16.4 million in the period to 30 June 2015 compared with a net loss after tax of \$188.9 million for the period ended 30 June 2014.

Key business efficiency initiatives and tight fiscal management saw the group generate an adjusted EBITDA of \$4.9 million in 2015 compared with an adjusted EBITDA of (\$0.5m) for the same period last year. This result was despite a short term drop in supply to two major customers that experienced a period of reduced productivity during the year.

	GROUP 2015 \$'000	GROUP 2014 \$'000
STATUTORY LOSS AFTER TAX	(16,406)	(188,903)
Add back		
Depreciation and amortisation	14,668	14,012
Net finance costs	1,261	(11,365)
Tax credit	–	(95,331)
EBITDA	(477)	(281,587)
Add back		
Fair value loss/(gain) on deferred consideration	615	(169,396)
Impairment charges	1,171	449,984
Loss on disposal of fixed assets	1,160	10
Restructuring costs	2,405	502
Adjusted EBITDA	4,874	(487)

The Buller Coal Project is subject to movements in the international coking coal market, which have seen prices further reduce since 2014. As the coal price affects the potential value of the project, all assets were impaired in 2014, and this remained the case in 2015.

The Cascade mine was partially impaired in the current year due to a major commercial sales contract expiring in 2016. Production is planned to reduce in line with the drop in demand and rehabilitation activities will then increase. Current coal volumes and pricing are contracted.

In January 2015 the company announced a restructuring of the executive management team as part of the company's efficiency review. This followed a number of positions being made redundant early in 2014 and will ensure the business remains a sustainable and right sized operation in the current economic environment.

The group produced a positive operating cash flow of \$1 million for the year ended 30 June 2015 compared with an operating cash outflow of \$16.7 million in the same period last year. This represents a significant turnaround in Bathurst's operational performance and creates a solid platform to deliver on the group's operational efficiency targets in the coming year.

The group had \$5.2 million of cash and short term deposits on hand as at 30 June 2015.

Capital raising

Further to the AUD\$7.4 million placement in April 2014, a non-renounceable rights issue was announced to provide all shareholders with the opportunity to purchase shares at the placement price. The rights issue closed early in July 2015 with the allotment of 2,146,913 ordinary shares, raising \$0.1 million before expenses.

Sustainability

Responsible resource use is the principle that drives all of Bathurst's activities.

This principle applies to the company's approach to sustainable development and the management of social, environmental and economic performance.

This means that everything the company does is guided by a commitment to shareholders, employees, stakeholders, local communities and, importantly, the environment.

Bathurst's commitment is backed by a significant investment in resources to ensure social and environmental impacts are managed from design and planning through to production and, eventually, rehabilitation. The company is constantly looking to improve productivity in ways that are better for the environment and safer for our people.

During 2015, the company made significant progress in the review and upgrade of information technology practices to eliminate a reliance on legacy systems and to support sustainable management reporting and effective decision making.

Every year, the public focus on environmental issues deepens, and the decisions people make as custodians of the world's scarce resources grow increasingly important. At the same time the issues of local employment and regional economic development gain importance. The ultimate aim is to ensure Bathurst's operations enable society to meet its present needs without compromising the ability of future generations to meet their needs. The company engages with stakeholders on climate change issues through relevant industry associations such as Straterra, the industry body for the New Zealand minerals sector, and New Zealand's Sustainable Business Council. As members of these organisations Bathurst is able to interact with other companies, various stakeholders and government to develop simple and effective climate change policy and regulation.

Health, safety, environment and community

Bathurst has a Health, Safety, Environment and Community (HSEC) management framework to guide the company's decisions on responsible resource use and to consider the impact of its activities.

The framework was developed generally in accordance with local and international standards to enable the continual improvement of Bathurst policies, standards and procedures to minimise risk to mine workers and the environment.

Health and safety

People are Bathurst's greatest asset. The company's focus is on zero harm and it takes responsibility for the care and consideration of its employees with the goal of ensuring every employee and contractor goes home healthy and safe at the end of each day.

Bathurst has an HSEC committee that meets regularly to assist the board in enabling the company to operate its businesses safely, responsibly and sustainably. Key performance indicators have been chosen to measure performance and effectiveness against specific objectives and targets.

The company has embraced the new health and safety regulations for the New Zealand mining industry that came into force in December 2013. The regulations were developed in consultation with industry to bring New Zealand's approach to mining health and safety into line with international leading practice. Richard Tacon, Bathurst's chief executive officer, was involved in developing the regulations and Escarpment was the first new coal mine in New Zealand to operate under them. Under the transitional provisions, Bathurst's remaining operations adopted the new regulations from January 2015.

Bathurst has been reviewing and updating health and safety systems

at all sites appropriate to the scale and context of the company's operations, generally in accordance with AS/NZS 4804 occupational health and safety management systems. The system development has included:

- 28 new corporate standards eg. a communication and participation standard, worker health control plan, training standard and revised risk management standard
- The completion of broad brush risk assessments and site specific principal hazard risk assessments at all sites
- The development of principal hazard management plans and principal control plans for all sites
- The development (currently underway) of health and safety management systems for coal exploration activities that are defined as mining operations under the new legislation. This has included a collaborative approach with two other New Zealand coal companies to complete joint exploration risk assessments
- The development of training implementation plans for the new system elements

The outcomes being sought are the delivery of a robust reporting system, a strong safety culture and dynamic integration with other operational systems.

An integral part of the new mining legislation is risk management. Bathurst recognises that risk management is not about eliminating all risks; it is about identifying and responding to risks in a way that creates value for the company and its shareholders. Bathurst's risk strategy and risk tolerance level are continually reassessed as the company implements its development strategies.

Around 30% of Bathurst's workforce has completed risk management training. Training for the remainder of employees is planned for 2016. Additional health and safety training has included:

- Health and safety leadership

- Personal accountability
- Emergency management
- Incident investigation
- Human factors
- Control of energy
- First aid.

The new *Health and Safety at Work Act* will come into force for all New Zealand workplaces in April 2016. Preparation for this new act has already begun with analysis of existing systems across Bathurst's sites to determine what modifications are required.

Environment

Respect for the environment is a core part of Bathurst's business strategy – The company is committed to minimising its environmental footprint and its use of natural resources. It's not just about mining, it's also what is left behind. The company's operations are conducted with deference to the impacts mining has and the need to not only rehabilitate the land that has been disturbed but also to deliver an overall net gain back to the environment.

Bathurst's environmental management approach is based on the principles of plan, do, check and act and aligns with the principles of ISO14001. This approach involves the identification, assessment and control of environmental risks across all phases of the business, from exploration through to development, operation and then closure. The company works in partnership with stakeholders to understand the challenges and opportunities of its activities, and how best to manage them.

Long term planning for the management of the residual environmental impacts of mining is a fundamental issue for the industry and a stakeholder concern. In line with good industry practice, at the Escarpment mine Bathurst incorporates mine closure planning as early as possible within life of mine plans. The progressive rehabilitation of disturbed land will be an integral component of each stage

of the operation's development and will be undertaken as soon as practicable to minimise closure liabilities.

In the past 12 months, rehabilitation of tracts of land was completed at the Cascade and Takitimu mines based on final land use requirements. Reviews have commenced of the final landform areas for post-closure stability.

Bathurst has committed to a large programme of pest control on the Denniston Plateau, where mining at the Escarpment project is underway. Under an agreement with the Department of Conservation, Bathurst will fund a \$3 million biodiversity enhancement project, including weed, pest and predator control, over 4,500 hectares on and around the Denniston Plateau. Mining heritage on the plateau will also be enhanced with almost \$600,000 allocated to mining preservation works.

Another \$18 million will be spent by Bathurst in participation with the Department of Conservation, funding a 35 year pest and predator control programme over 25,000 hectares of the Heaphy River Valley in the Kahurangi National Park, to protect great spotted kiwi, kaka, blue duck and *Powelliphanta* snails.

Community

Bathurst cannot operate in a way that is efficient and sustainable without the support of its host communities.

Wherever it operates, Bathurst works with a range of local stakeholders and businesses to deliver benefits from its operations back into those communities whilst striving to minimise any negative impacts from its activities. Bathurst has a policy of recruiting locally and encourages its workers to live locally. The company also understands the importance of keeping its neighbours informed with regular information sessions and updates.

During the year Bathurst helped local groups achieve their goals by supporting a range of activities including:

- Buller High School scholarship to help fund university studies
- Sponsorship of the Denniston Chain Grinder mountain bike event
- Sponsorship of the Mount Linton Muster mountain bike race in Southland
- Sponsorship of Ohai Nightcaps Junior Rugby Club
- Support for the Foundation for Youth Development.



Our people

Craig Pilcher

General Manager – Domestic Operations

Craig has extensive engineering experience with both coal and oil fired steam boiler installations and maintenance, as well as refrigeration, marine, plant maintenance and general engineering.

Born in South Canterbury, Craig's first career was as an A-grade fitter and welder, undertaking regular coal and oil steam boiler installations. After working as plant engineer and construction diver at the Port of Timaru, Craig became owner and director of a South Island coal supply business in 1997, distributing coal for Solid Energy in the area.

The business was bought by Eastern Corporation in 2006, and Craig joined the company as marketing manager and then operations manager, playing a key role in the establishment and growth of the Takitimu and Cascade coal mines.

Craig joined Bathurst in March 2011. He is based in Timaru at Bathurst's coal handling and distribution centre.

Jason Hungerford

Group Financial Controller

Jason joined the Bathurst team in 2013 following the relocation of its head office to Wellington. He began his career as a chartered accountant with KPMG in Wellington prior to spending a number of years in the United Kingdom. Jason has broad sector experience across the resources, FMCG and financial services sectors, having worked in senior finance roles at Anglo American, Cadbury and Kiwibank. Jason brings a commercial outlook to the business underpinned by a strong focus on risk, governance and financial control. He holds a Bachelor of Commerce and Administration with a post graduate Diploma in Professional Accounting. Jason is a member of Chartered Accountants Australia & New Zealand.

Fiona Bartier

General Manager – Health, Safety Environment and Community

Fiona is an environmental and resource scientist who has worked in management roles for government, in research and education, for industry groups, and for a range of mining companies.

Fiona spent seven years working in mining environmental research at The University of Queensland and the University of New England, where she visited and worked at more than 40 mine sites across a range of commodities. She then spent a period of time working for the Minerals Council of Australia.

Before joining Bathurst, Fiona lived for ten years in mining communities in the Hunter Valley and western coalfields of New South Wales, working first as a consultant, and then within industry. She has management experience in open cut and underground operations, and brownfield and greenfield projects.

Fiona holds a Bachelor of Applied Science (Resource Science). She joined Bathurst in 2012 and is based in the Wellington office.

Sam Aarons

General Manager – Corporate Relations

Sam's background is advertising, marketing and commercial management. She worked with several major advertising agencies in Melbourne before spending 14 years as a divisional general manager for Henry Walker Eltin, a large civil and mining contracting company (now Leighton Contractors) based initially in Darwin and then in Brisbane. During this period she also served with the Royal Australian Navy Reserves as public relations officer for the Darwin Port Division.

Sam joined Eastern Resources Group in Brisbane as manager of corporate relations and business development, a position she held for eight years. Her role with Eastern focused on growing the company's mining operations in New Zealand, developing existing tenements and sourcing new projects.

Sam joined the Bathurst team following its acquisition of the Eastern assets and relocated to Wellington in 2011.

Hamish McLauchlan

General Manager – Exploration

Hamish is a geologist with more than 20 years' experience and a diverse knowledge of exploration, open cast mining, geological modelling and geotechnical engineering. Hamish was previously senior geologist at Solid Energy's Stockton mine and has also worked extensively as an exploration and production geologist in the resources sector in New Zealand and offshore. Hamish holds a Master of Science with Honours in Engineering Geology and a Bachelor of Science majoring in Geology. He is also a member of the AusIMM. Hamish joined Bathurst when the Eastern assets were acquired on March 2011 and is based in the company's Westport office.

Alison Brown

General Counsel

Alison has over 30 years' legal experience in private law practices and as in-house counsel for commercial enterprises. She has specialised in mining, environmental and climate change law after a solid grounding in commercial law. She has worked variously for Simpson Grierson, Minter Ellison Rudd Watts Lawyers and the Ministry of Foreign Affairs and Trade, taught law professionals, as well as being general counsel for Solid Energy from 2000 to 2011. Alison holds a Master of Laws with Honours.

Directors' report



From left to right: Toko Kapea, Peter Westerhuis, Richard Tacon, Russell Middleton.

Your directors present their report on the consolidated entity (the group) consisting of Bathurst Resources Limited (Bathurst) and the entities it controlled at the end of, or during, the year ended 30 June 2015.

Directors

The following persons were directors of Bathurst Resources Limited as at 30 June 2015.

Toko Kapea Non-executive Chairman

Richard Tacon Executive Director

Russell Middleton Non-executive Director

Peter Westerhuis Non-executive Director

The following board members resigned during the period: Malcolm Macpherson resigned on 29 May 2015 as non-executive chairman, Hamish Bohannan resigned on

24 March 2015 as managing director, Dave Frow resigned on 13 November 2014 as non-executive chairman and Rob Lord resigned on 13 November 2014 as non-executive director. Marshall Maine resigned as joint company secretary on 13 November 2014 and Graham Anderson resigned as joint company secretary on 25 May 2015.

Principal activities

During the year the principal continuing activities of the group consisted of:

- The production of coal in New Zealand, and
- The exploration and development of coal mining assets in New Zealand.

Dividends

No dividend was paid or declared during the current or prior financial year and the directors do not recommend the payment of a dividend.

Environmental regulation

The Bathurst group's exploration and mining activities are subject to a range of environmental regulations which govern how the group carries out its business. These regulations are set out below.

Mine development/mining activities

The mining activities of the group are regulated by the following:

- The resource consents granted by the relevant district and regional territorial authorities, after following the processes set out in the *Resource Management Act 1991*.
- Mining permits issued under the *Crown Minerals Act 1991* by the Minister of Energy and Resources, required to mine Crown coal.
- Access arrangements, granted under the *Crown Minerals Act 1991* with the relevant landowners and occupiers. For Crown-owned land managed by the Department of Conservation, these access arrangements are granted by the Minister of Conservation. For significant projects, there will be a concurrent granting with the Minister of Conservation and the Minister of Energy and Resources.
- Concession agreements under the *Conservation Act 1987* for land outside a permit area but owned by the Crown and managed by the Department of Conservation.
- Wildlife authorities, issued under the *Wildlife Act 1953* granted by the Minister of Conservation.

Controls around water and air discharges that result from mining operations are governed by the conditions of the resource consents under which the particular mining activity is operating. The mining operations of Bathurst are inspected

on a regular basis and no significant instances of non-compliance have been noted.

To the best of the directors' knowledge, all approved activities have been undertaken in compliance with the requirements of the *Resource Management Act 1991*, *Crown Minerals Act 1991*, *Conservation Act 1987* and *Wildlife Act 1953*.

Exploration activities

To carry out exploration, the company needs to hold a relevant exploration permit (where the coal is Crown owned), relevant resource consents to permit exploration and an access arrangement with the relevant landowner. Bathurst holds, to the best of the directors' knowledge, all relevant resource consents and has entered into all of the appropriate agreements, and has acted in accordance with those resource consents and agreements in regards to engaging in exploration activities.

Hazardous substances

Mining activities involve the storage and use of hazardous substances, including fuel. Bathurst must comply with the *Hazardous Substances and New Organisms Act 1996* when handling hazardous materials. To the best of the directors' knowledge, no instances of non-compliance have been noted.

Emissions trading scheme

The New Zealand Emissions Trading Scheme came into effect on 1 July 2010, which essentially makes Bathurst liable for greenhouse gas emissions associated with the coal it mines and sells in New Zealand and for the fugitive emissions of methane associated with that mined coal. Bathurst's liability is based on the type and quantity of coal tonnes sold, with the cost of such being passed on to Bathurst's customers. Bathurst's Emissions Trading Policy can be found on the company's website.



Corporate governance

Bathurst's Corporate Governance Statement is available on the company's website: www.bathurstresources.co.nz/who-we-are/corporate-governance.

Information on directors

Mr Toko Kapea BA, LLB

Non-executive Chairman

Experience and expertise

Mr Kapea is a Wellington based commercial lawyer, consultant and director.

He is a director of Tuia Group Limited and a partner in Tuia Legal. He has worked at Chapman Tripp and in legal roles in-house at Meridian Energy, Bank of New Zealand, St. George Bank NZ and ANZ Bank.

Mr Kapea also sits on the board of Ngāti Apa Developments Limited (Wanganui-Rangitikei region). Ngāti Apa has investments in commercial property, forestry land and farms.

He is an independent committee member of the Banjima Direct Benefits Trust in Perth, Western Australia. The role involves developing funding and distribution policies for royalty payments from mining companies for the Banjima people in the Pilbara region.

Mr Kapea has been a director of Parinihi ki Waitotara Incorporation (in Taranaki) and Port Nicholson Fisheries Limited. He was on the Government Review Panel relating to the *Te Ture Whenua Māori Act 1993 (Māori Land Act)* and was also the lead negotiator for Ngāti Apa ki Rangitikei (North Island) for its direct negotiation Treaty of Waitangi claims with the Crown.

Mr Kapea was appointed to the board of Bathurst as non-executive director in May 2013 and became chairman in May 2015.

Other current directorships of listed companies

Nil

Former directorships in last three years of listed companies

Nil

Special responsibilities

Chairman of the Remuneration and Nomination committee
Member of the Audit and Risk committee

Interests in shares and options

115,000 fully paid ordinary shares in Bathurst Resources Limited

Mr Richard Tacon

Executive Director

Experience and expertise

Mr Tacon has worked in a large number of roles across the coal mining industry. His first job was at Greymouth's Liverpool State Mine, owned by the New Zealand Government. He moved to Australia to further his mining career and went on to hold several management roles in coal mines around Australia, working his way from undermanager to general manager. Mr Tacon has held senior leadership roles in the coal sector for the past decade.

Mr Tacon holds first, second and third class coal mining qualifications and studied at the Otago School of Mines. He has spent 15 years as a mines rescue brigadesman, making him familiar with the principles and practice of mine safety. Mr Tacon has also completed the New Zealand Mine Incident Controller training.

Mr Tacon is an ex-secretary for the Mine Managers Association of Australia and sits on the board of the New Zealand Mines Rescue Trust and Minerals West Coast.

After living and working in Australia for 32 years, he returned to New Zealand to take up the position of chief operating

officer with Bathurst in 2012. He was appointed to the role of chief executive officer in March 2015 and was appointed to the board as executive director in April 2015.

Other current directorships of listed companies

Nil

Former directorships in last three years of listed companies

Nil

Special responsibilities

Chief Executive Officer

Member of the Health, Safety, Environment and Community committee

Interests in shares and options

476,596 fully paid ordinary shares in Bathurst Resources Limited

Mr Russell Middleton MBA, BBus

Non-executive Director

Experience and expertise

Mr Middleton has more than 25 years experience in the mining and construction sectors with significant experience in mine project evaluations and the construction of new mines.

Based in Sydney, he was most recently chief financial officer with Hillgrove Resources Limited, an ASX listed resources company focused on developing base and precious metals projects. He was also director and company secretary for the Hillgrove Group's subsidiary companies.

Starting his career as a public accountant, Mr Middleton has held senior management positions in accounting, commercial and planning roles. He undertook various roles with BHP before joining Shell where he was commercial manager for the construction, development and production of a major underground mine.

Mr Middleton was appointed to the board in April 2015.

Other current directorships of listed companies

Nil

Former directorships in last three years of listed companies

Nil

Special responsibilities

Chairman of the Audit and Risk committee

Interests in shares and options

750,000 fully paid ordinary shares in Bathurst Resources Limited

Peter Westerhuis MBA, BEng

Non-executive Director

Experience and expertise

Mr Westerhuis is a professional engineer with post graduate business qualifications and more than 30 years of Australian and international experience in the iron ore, gold and coal industries, the past seven years at CEO and MD level. He has successfully developed and managed large mining and processing operations including overseeing the transition from explorer to producer.

Mr Westerhuis has undertaken many complex commercial negotiations for joint ventures, capital funding, contracts, litigation, product marketing and off-take agreements.

He is particularly passionate about health and safety, teamwork, operational effectiveness, business improvement and project delivery.

Mr Westerhuis is currently consulting to resources companies in Africa and South America. More recently he was the group managing director of Guildford Coal, developer of a coking coal business in Mongolia, and the chief executive of the Ensham Joint Venture developing and operating large open cut and underground coal reserves in Queensland.

He has been a director of the Queensland Resources Council and a director of the Australian Coal Association.

Mr Westerhuis was appointed to the board as non-executive director in April 2015.

Other current directorships of listed companies

Nil

Former directorships in last three years of listed companies

Managing Director – Guildford Coal Limited
February 2013–October 2013

Special responsibilities

Chairman of the Health, Safety, Environment and Community committee

Member of the Remuneration and Nomination committee

Interests in shares and options

Nil

Other current directorships of listed companies

Nil

Former directorships in last three years of listed companies

Nil

Company secretary

Bill Lyne

Mr Lyne has a wealth of experience in the role of company secretary of public companies ranging from stock exchange listed to small private companies and 'not-for-profit' entities.

He has operated his own business, Australian Company Secretary Service, since 1998, providing professional specialist company secretarial, corporate compliance, governance and administrative services to various clients in diverse businesses across a wide range of industries.

He is currently company secretary of ASX-listed Orion Metals Limited and Jumbo Interactive Limited, of which he is also a director.

Mr Lyne holds a Bachelor of Commerce degree in Economics from the University of New South Wales, is a chartered accountant, and a Fellow of the Institute of Chartered Secretaries and Administrators (UK) and Governance Institute of Australia.

Mr Lyne was appointed company secretary in May 2015.

Remuneration report

Role of the Remuneration and Nomination committee

The Remuneration and Nomination committee ('R&N committee') is a subcommittee of the Bathurst board. The R&N committee is responsible for making recommendations to the board on remuneration matters such as non-executive director fees, executive remuneration for directors and other executives, and the over arching executive remuneration policy and incentive schemes.

The objective of the R&N committee is to ensure that the company's remuneration policies and structures are fair and competitive, and aligned with the long term interests of the company. The R&N committee draws on its own experience in remuneration matters and seeks advice from independent remuneration consultants.

The Corporate Governance Statement provides further information on the role of the R&N committee.

Principles used to determine the nature and amount of remuneration

Non-executive directors

The fees and payments the company makes to its non-executive directors reflect the level of responsibility attributed to board members and the demands that are made on the directors' time. Non-executive directors' fees and payments are reviewed annually by the board. The board has also considered the advice of independent remuneration consultants to ensure that non-executive directors' fees and payments are appropriate and in line with industry standards. The fees paid to the chairman are determined independently of the fees of non-executive directors. The chairman is not present at any discussions relating to the determination of his own remuneration.

Directors' fees

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$1,000,000 per annum.

The total remuneration and other benefits to directors for services in all capacities during the year ended 30 June 2015 was:

DIRECTOR	SHORT TERM BENEFITS	NET LOAN FORGIVENESS	TERMINATION BENEFITS	SHARE-BASED PAYMENTS	TOTAL
Mr T Kapea	\$74,167	-	-	-	\$74,167
Mr R Middleton	\$10,450	-	-	-	\$10,450
Mr P Westerhuis	\$10,450	-	-	-	\$10,450
Mr R Tacon	\$532,854	-	-	\$81,596	\$614,450
Mr D Frow	\$50,000	-	-	-	\$50,000
Mr R Lord	\$25,613	-	-	-	\$25,613
Mr M Macpherson	\$88,274	-	-	-	\$88,274
Mr H Bohannan	\$564,453	\$730,818*	\$359,037*	\$123,176	\$1,777,484

*No payment was made to Mr Bohannan for net loan forgiveness or termination benefits. The termination agreement included the forgiveness of amounts due to the company, offset by severance entitlements due and accrued at the time of resignation.

The following board members resigned during the period: Malcolm Macpherson resigned on 29 May 2015, Hamish Bohannan resigned on 24 March 2015, Dave Frow resigned on 13 November 2014 and Rob Lord resigned on 13 November 2014.

Russell Middleton and Peter Westerhuis were appointed non-executive directors on 29 April 2015.

Richard Tacon was appointed executive director on 1 April 2015.

Directors' securities interests

The interests of directors in securities of the company as at 30 June 2015 were:

DIRECTOR	ORDINARY SHARES	PERFORMANCE RIGHTS VESTED
Mr T Kapea	115,000	–
Mr R Middleton	750,000	–
Mr P Westerhuis	–	–
Mr R Tacon	381,064	95,532

Executive remuneration

The objective of the group's executive reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to industry practice.

The R&N committee ensures that executive pay is competitive and reasonable, as well as acceptable to shareholders. The company ensures that an executive's remuneration is linked to that executive's performance to ensure that the interests of the company and its executives are aligned. The R&N committee determines executive remuneration to ensure transparency and to manage capital effectively.

In consultation with external remuneration consultants, the company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

The company believes that the policy for determining executives' remuneration is aligned with shareholders' interests because it focuses on sustained growth in shareholder wealth by pushing growth in share price and delivering constant returns on assets, as well as focusing

the executive on key non-financial drivers of value. Most importantly, the company ensures that its remuneration policy attracts and retains high calibre executives, who in turn add value to the company and to the shareholders.

The company also believes that its remuneration policy for executives is aligned to the interests of its executives. The executive remuneration policy rewards capability and experience and reflects competitive reward for contribution to growth in shareholder wealth. The policy is transparent so it provides a clear structure for earning rewards and provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

The executive remuneration and reward framework has two components:

- Base pay and benefits, including superannuation, and
- Long term incentives

The combination of these comprises an executive's total remuneration.

Base pay and benefits

Executives are offered a competitive base pay that comprises the fixed component and rewards. External remuneration consultants provide analysis and advice to ensure that base pay is set to reflect the market for comparable roles. Base pay for executives is reviewed annually to ensure that the executives' remuneration is competitive with the market. An executive's remuneration is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

Long term incentives

The Bathurst Long Term Incentive Plan (LTIP) was approved by shareholders at the 2012 Annual General Meeting and was adopted by the company on reorganisation. The purpose of the plan is to reinforce a performance focused culture by providing a long term performance based element in the total remuneration packages of certain employees (in the form of performance rights) by aligning and linking the interests of Bathurst's leadership team and shareholders, and to attract and retain executives and key management.

The plan forms part of the company's remuneration policy and provides the company with a mechanism for driving long term performance for shareholders and the retention of executives.

Performance rights granted under the plan carry no dividend or voting rights. When exercised, each performance right converts into one fully paid ordinary share.

Service agreements

On appointment to the board, each non-executive director enters into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the managing director and other key management personnel are also formalised in service agreements.

Employees' remuneration

During the year ended 30 June 2015, 20 employees (excluding the chief executive officer) received individual remuneration over \$100,000.

RANGE	# OF EMPLOYEES
\$100,001 – \$110,000	3
\$110,001 – \$120,000	2
\$120,001 – \$130,000	3
\$130,001 – \$140,000	2
\$140,001 – \$150,000	1
\$160,001 – \$170,000	3
\$170,000 – \$180,000	2
\$230,001 – \$240,000	1
\$310,001 – \$320,000	2
\$470,001 – \$480,000	1

Officers' securities interests

The interests of the current company officers (excluding the chief executive officer) in securities of the company at 30 June 2015 were:

OFFICER	ORDINARY SHARES	PERFORMANCE RIGHTS VESTED
Ms S Aarons	341,578	58,789

Donations

The company made donations totalling \$14,000 to:

- Fostering Kids
- Foundation for Youth Development
- Ohai Nightcaps Lions Club
- Ohai Nightcaps Rugby Club
- Buller Cycling Club
- Autism New Zealand Inc.

Directors' and officers' liability insurance

The company and its subsidiaries have arranged policies of directors' and officers' liability insurance, which, together with a deed of indemnity, seek to ensure to the extent permitted by law that directors and officers will incur no monetary loss as a result of actions legitimately taken by them as directors and officers.

This report is made in accordance with a resolution of directors.



Section

02

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

TOKO KAPEA
Chairman
25 September 2015



RUSSELL MIDDLETON
Director
25 September 2015



Financial statements

Consolidated income statement

For the year ended 30 June 2015

	NOTES	GROUP 2015 \$'000	GROUP 2014 \$'000
Revenue	4	51,289	55,525
Less: cost of sales	5	(43,908)	(56,795)
GROSS PROFIT/(LOSS)		7,381	(1,270)
Other Income	4	244	172
Depreciation	15	(7,543)	(2,546)
Administrative and other expenses	6	(12,318)	(11,103)
Fair value (loss)/gain on deferred consideration	21	(615)	169,396
Loss on disposal of fixed assets		(1,160)	(10)
Impairment losses	10	(1,171)	(449,984)
Share of joint venture profit/(loss)		36	(254)
Finance (cost)/income – net	8	(1,260)	11,365
LOSS BEFORE INCOME TAX		(16,406)	(284,234)
Income tax benefit	9	–	95,331
LOSS		(16,406)	(188,903)
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:		CENTS	CENTS
Basic earnings per share	25	(1.73)	(23.07)
Diluted earnings per share	25	(1.73)	(23.07)

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

Consolidated statement of comprehensive income

For the year ended 30 June 2015

	GROUP 2015 \$'000	GROUP 2014 \$'000
Loss	(16,406)	(188,903)
OTHER COMPREHENSIVE EXPENSE, NET OF TAX		
Items that may be reclassified to profit or loss		
Exchange differences on translation	58	(198)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(16,348)	(189,101)
Total comprehensive loss attributable to the Owners of Bathurst Resources Limited	(16,348)	(189,101)

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

Consolidated balance sheet

As at 30 June 2015

	NOTES	GROUP 2015 \$'000	GROUP 2014 \$'000
ASSETS			
Current assets			
Cash and short term deposits	11	5,235	8,855
Trade and other receivables	12	4,114	4,343
Inventories	13	1,279	1,283
Income tax receivable		-	97
Other financial assets current	14	20	132
TOTAL CURRENT ASSETS		10,648	14,710
Non-current assets			
Property, plant and equipment	15	17,152	23,386
Mining licences, properties, exploration and evaluation assets	16	22,498	16,166
Other financial assets	14	147	7,562
TOTAL NON-CURRENT ASSETS		39,797	47,114
TOTAL ASSETS		50,445	61,824
LIABILITIES			
Current liabilities			
Trade and other payables	19	5,572	7,964
Borrowings – current	20	8,549	7,340
Deferred consideration current	21	1,730	917
Provisions – current	22	627	259
TOTAL CURRENT LIABILITIES		16,478	16,480
Non-current liabilities			
Trade and other payables	19	430	-
Borrowings	20	461	6,241
Deferred consideration	21	10,883	1,974
Provisions	22	3,274	2,870
TOTAL NON-CURRENT LIABILITIES		15,048	11,085
TOTAL LIABILITIES		31,526	27,565
NET ASSETS		18,919	34,259
EQUITY			
Contributed equity	23	247,378	247,338
Reserves	24	(30,872)	(31,725)
Accumulated losses		(197,587)	(181,354)
TOTAL EQUITY		18,919	34,259

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

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



TOKO KAPEA
Chairman

25 September 2015



RUSSELL MIDDLETON
Director

25 September 2015

Consolidated statement of changes in equity

For the year ended 30 June 2015

	NOTES	CONTRIBUTED EQUITY \$'000	SHARE BASED PAYMENT RESERVE \$'000	FOREIGN EXCHANGE TRANSLATION RESERVE \$'000	RETAINED EARNINGS \$'000	RE- ORGANISATION RESERVE \$'000	TOTAL EQUITY \$'000
GROUP							
BALANCE AT 1 JULY 2013		219,623	13,942	–	(301)	(32,760)	200,504
Total comprehensive income		–	–	(198)	(188,903)	–	(189,101)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	23	23,327	–	–	–	–	23,327
Share based payments expense		–	881	–	–	–	881
Gain from reversal of share based payments expense		–	(3,672)	–	–	–	(3,672)
Transfer of share based payments reserve with exercise of options		2,068	(2,068)	–	–	–	–
Exercise of options		2,320	–	–	–	–	2,320
Lapsing of options		–	(7,850)	–	7,850	–	–
		27,715	(12,709)	–	7,850	–	22,856
BALANCE AT 30 JUNE 2014		247,338	1,233	(198)	(181,354)	(32,760)	34,259
BALANCE AT 1 JULY 2014		247,338	1,233	(198)	(181,354)	(32,760)	34,259
Total comprehensive income		–	–	58	(16,406)	–	(16,348)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	23	40	–	–	–	–	40
Share based payments expense		–	968	–	–	–	968
Conversion of performance rights		–	(173)	–	173	–	–
		40	795	–	173	–	1,008
BALANCE AT 30 JUNE 2015		247,378	2,028	(140)	(197,587)	(32,760)	18,919

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

Consolidated statement of cash flows

For the year ended 30 June 2015

	NOTES	GROUP 2015 \$'000	GROUP 2014 \$'000
Cash flows from operating activities			
Receipts from customers		50,284	52,565
Payments to suppliers and employees		(48,721)	(68,927)
Interest received		161	479
Interest and other finance costs paid		(748)	(834)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	27	976	(16,717)
Cash flows from investing activities			
Payments for exploration & consenting expenditure		(344)	(4,966)
Payments for mining assets (including elevated stripping)		(3,366)	(3,052)
Payments for property, plant and equipment		(1,135)	(4,014)
Proceeds from disposal of property, plant and equipment		3,361	-
Deposits received from/(paid to) financial institutions		520	(2,062)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(964)	(14,094)
Cash flows from financing activities			
Proceeds from the issue of shares		140	28,505
Repayment of borrowings		(3,139)	(1,244)
Payments for share issue costs		(99)	(3,527)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		(3,098)	23,734
Net decrease in cash and cash equivalents		(3,086)	(7,077)
Cash and cash equivalents at the beginning of the year		5,565	12,526
Effects of exchange rate changes on cash and cash equivalents		(14)	116
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	2,465	5,565

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

Notes to the financial statements

For the year ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL INFORMATION

Bathurst Resources Limited ('Company' or 'Parent' is a company domiciled in New Zealand, registered under the Companies Act 1993 and is listed on the Australian Securities Exchange ('ASX'). Bathurst Resources Limited is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act 2013. These financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and ASX listing rules.

In accordance with the Financial Markets Conduct Act 2013 because group financial statements are prepared and presented for Bathurst Resources Limited and its subsidiaries, separate financial statements for Bathurst Resources Limited are no longer required to be presented.

These financial statements have been approved for issue by the Board of Directors on 25 September 2015.

The financial statements presented herewith as at and for the year ended 30 June 2015 comprise the Company, its subsidiaries and jointly controlled entities (together referred to as the 'Group').

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

B. BASIS OF PREPARATION

Statement of compliance

These financial statements of the group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The group is a for-profit entity for the purposes of complying with NZGAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

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.

C. MEASUREMENT BASIS

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

D. USE OF ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Impairment

The future recoverability of the assets recorded by the Group is dependent upon a number of factors, including whether the Group decides to exploit its mine property itself or, if not, whether it successfully recovers the related asset through sale.

Factors that could impact future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes, and changes to commodity prices and foreign exchange rates.

ii. Valuation of deferred consideration

In valuing the deferred consideration payable under business acquisitions management uses estimates and assumptions. This includes future coal prices, discount rates, coal production, and the timing of payments. The amounts of deferred consideration are reviewed at each balance date and updated based on best available estimates and assumptions at that time.

The carrying amount of deferred consideration is set out in Note 21.

iii. Reserves & Resources

Reserves and resources are based on information compiled by a Competent Person as defined in accordance with the Australasian Code of Mineral Resources and Ore Reserves of December 2004 (the JORC code). There are numerous uncertainties inherent in estimating reserves and assumptions that are valid at the time of estimation but that may change significantly when new information becomes available. Changes in forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status and

Notes to the financial statements continued

For the year ended 30 June 2015

may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for rehabilitation.

iv. Provision for rehabilitation

In calculating the estimated future costs of rehabilitating and restoring areas disturbed in the mining process certain estimates and assumptions have been made. (Refer to Note 1(p)). The amount the Group is expected to incur to settle these future obligations includes estimates in relation to the appropriate discount rate to apply to the cash flow profile, expected mine life, application of the relevant requirements for rehabilitation, and the future expected costs of rehabilitation.

Changes in the estimates and assumptions used could have a material impact on the carrying value of the rehabilitation provision and related asset. The provision is reviewed at each reporting date and updated based on the best available estimates and assumptions at that time.

The carrying amount of the rehabilitation provision is set out in Note 22.

v. Waste in advance

Waste moved in advance is calculated with reference to the stripping ratio (waste moved over coal extracted) of the area of interest and the excess of this ratio over the estimated stripping ratio for the area of interest expected to incur over its life. Management estimates this life of mine ratio based on geological and survey models as well as reserve information for the areas of interest.

The carrying amount of the waste moved in advance is set out in Note 16.

vi. Taxation

The Group's accounting policy for taxation requires management judgement in relation to the application of income tax legislation. There are many transactions and calculations undertaken during the ordinary course of business where the ultimate tax determination is uncertain. The Group recognises liabilities for tax, and if appropriate taxation investigation or audit issues, based on whether taxation will be due and payable. Where the taxation outcome of such matters is different from the amount initially recorded, such difference will impact the current and deferred tax position in the period in which the assessment is made.

Certain deferred tax assets for deductible temporary differences and carried forward taxation losses have not been recognised. In not recognising these deferred tax assets assumptions have been made regarding the Group's ability to generate future taxable profits. Utilisation of the tax losses also depends on

the ability of the tax entities to satisfy certain tests at the time the losses are recouped. There is an inherent uncertainty in applying these judgements and a possibility that changes in legislation will impact upon the carrying amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet.

E. PRINCIPLES OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Contingent consideration (deferred consideration) to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be a financial asset or financial liability is recognised in accordance with NZ IAS 39 in profit or loss as 'fair value (loss)/gain on deferred consideration'.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Joint arrangements

The group applies NZ IFRS 11 to all joint arrangements. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Bathurst Resources Limited has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long term interests that, in substance, form part of the group's net investment in the joint venture), the group does not recognise further losses, except to the extent that the group has an obligation or has made payments on behalf of the investee.

F. FOREIGN CURRENCY TRANSLATION

i. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in New Zealand dollars, which is Bathurst Resources Limited's functional and presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

iii. Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement and statement of comprehensive income are translated at monthly average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

G. REVENUE RECOGNITION

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i. Sale of goods

Revenue from the sale of goods is recognised when there is an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and when title has passed.

ii. Freight income

Revenue from freight services is recognised in the accounting period in which the services are provided. Revenue is not recognised until the service has been completed.

iii. Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

H. INCOME TAX

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax

Notes to the financial statements continued

For the year ended 30 June 2015

regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

I. INVENTORIES

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to inventory on the basis

of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

J. FINANCIAL INSTRUMENTS

i. Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the income statement, transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group become party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or are cancelled.

Financial assets carried at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

Management determines the classification of its investments at initial recognition.

Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and on hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade receivables

Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement

within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

They are recognised initially at their fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

Deferred Consideration

The fair value of deferred consideration payments is determined at acquisition date. Subsequent changes to the fair value of the deferred consideration are recognised through the income statement. The portion of the fair value adjustment due to the time value of money (unwinding of discount) is recognised as a finance cost. For further information on deferred consideration refer to Note 21.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

ii. Derivative financial instruments

From time to time the Group may use derivative financial instruments to hedge its exposure to commodity risks and foreign exchange risks arising from operational and financing activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

K. IMPAIRMENT

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment of Financial assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when either the period of the exploration right has expired or will expire in the near future, substantive expenditure on further exploration for and evaluation in the specific area is neither budgeted or planned, exploration for and evaluation in the specific area have not led to the discovery of commercially viable quantities and the Group has decided to discontinue such activities in the area or there is sufficient data to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

Notes to the financial statements continued

For the year ended 30 June 2015

Goodwill and intangible assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

L. PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are measured at cost less depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each item of plant, property and equipment. Leasehold improvements and certain leased plant and equipment are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for significant items of property, plant and equipment are as follows:

- | | |
|-------------------------------------|--------------|
| • Buildings | 25 years |
| • Mine infrastructure | 3 – 8 years |
| • Plant & machinery | 2 – 25 years |
| • Plant & machinery leased | Units of use |
| • Furniture, fittings and equipment | 3 – 8 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(k)).

Any gain or loss on disposals of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the profit or loss.

M. EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation expenditure incurred is capitalised to the extent that the expenditure is expected to be recovered through the successful development and exploitation of the area of interest, or the exploration and evaluation activities in the area of interest have not yet reached a point where such an assessment can be made. All other exploration and evaluation expenditure is expensed as incurred.

Capitalised costs are accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that tenure is current and they are expected to be recouped through the successful development of the area (or, alternatively by its sale) or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and operations in relation to the area are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

N. MINING AND DEVELOPMENT PROPERTIES

Mining and development properties include the cost of acquiring and developing mining properties, licenses, mineral rights and exploration, evaluation and development expenditure carried forward relating to areas where production has commenced.

These assets are amortised using the unit of production basis over the proven and probable reserves. Amortisation starts from the date when commercial production commences.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably.

O. WASTE IN ADVANCE

Waste removed in advance costs incurred in the development of a mine are capitalised as parts of the costs of constructing the mine and subsequently amortised over life of the relevant area of interest or life of mine if appropriate (herein referred to as 'life of mine').

Waste removal normally continues through the life of the mine. The company defers waste removal costs incurred during the production stage of its operations and discloses it within the cost of constructing the mine.

The amount of waste removal costs deferred is based on the ratio obtained by dividing the volume of waste removed by the tonnage of coal mined. Waste removal costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of mine ratio. Costs above the life of ore component strip ratio are deferred to waste removed in advance. The stripping activity asset is amortised on a units of production basis. The life of mine ratio is based on proven and probable reserves of the operation.

Waste moved in advance costs form part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Changes to the life of mine stripping ratio are accounted for prospectively.

P. PROVISIONS

Provision for rehabilitation

Provisions are made for site rehabilitation costs relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. The provision is based on management's best estimate of future costs of rehabilitation. When the provision is recognised, the corresponding rehabilitation costs are recognised as part of mining property and development assets. At each reporting date, the rehabilitation liability is re-measured in line with changes in the timing or amount of the costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset.

If the change in the liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written down to nil and the excess is recognised immediately in the income statement. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying value is considered. Where there is an indication that

the new carrying amount is not fully recoverable, an impairment test is performed with the write down recognised in the income statement in the period in which it occurs.

The net present value of the provision is calculated using an appropriate discount rate, the unwinding of the discount applied in calculating the net present value of the provision is charged to the income statement in each reporting period and is classified as a finance cost.

Q. SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the Bathurst Resources Limited Long Term Incentive Plan and Employee Share Option Plan.

The fair value of performance rights and options granted under the Bathurst Resources Limited Long Term Incentive Plan and Employee Share Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

R. LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, those under which a significant portion of the risks and rewards of ownership are transferred to the company, are capitalised at the lease's inception at the fair value of the leased property, or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables.

Notes to the financial statements continued

For the year ended 30 June 2015

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

S. GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authorities, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable. Receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

T. CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

U. EARNINGS PER SHARE

i. Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii. Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

V. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

W. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

Certain new standards, amendments and interpretations to existing standards have been issued that are not yet mandatory for accounting periods beginning on or after 1 July 2014. The company has not early adopted:

- NZ IFRS 9, Financial Instruments, revised NZ IFRS 9 (2014): Financial Instruments and revised NZ IFRS 9 (2013): Financial Instruments.**

Effective for periods beginning on or after 1 January 2018. The standard adds requirements related to the classification, measurement and derecognition of financial assets and liabilities.

- NZ IFRS 15, Revenue from contracts with customers**

Effective for periods beginning on or after 1 January 2017. The standard introduces principles for reporting cohesive and useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The Group has not analysed the new standards, amendments or interpretations but does not expect there to be a significant impact on its consolidated financial statements.

X. STANDARDS AND INTERPRETATIONS ADOPTED DURING THE YEAR

The financial information presented for the year ended 30 June 2015 has been prepared on the basis of accounting policies and methods of computation consistent with those applied in the 30 June 2014 financial statements contained within the Annual Report of Bathurst Resources Limited except for the adoption of NZ IFRIC 21 'Levies' which confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. The adoption of IFRIC 21 did not have a material impact on the Group.

2. GOING CONCERN

In the current financial year the Group has produced a loss of \$16.4 million however it achieved a net cash inflow from operating activities of \$1 million. The Directors have continued to adopt the going concern assumption in the preparation of the financial statements. This is based on the existing cash on hand, funding facilities available and budgeted trading activity for the 2016 financial year.

The budget for the 2016 financial year is based on a number of key assumptions as follows:

- sales into the domestic market only;
- assumes no improvement in the global export coal price;
- no significant operations at the Escarpment mine until such time as the export margin achieved makes the project economically viable;
- current working capital facilities remain available (but undrawn) under normal commercial arrangements;
- all contracted obligations are adhered to;
- overheads and administration costs are incurred in line with budget;
- all existing lines of financing remain.

The budget does not incorporate a range of austerity measures that could be implemented to reduce the cash spend if necessary. This includes further reduction in head office staffing, complete halt to exploration activity and a deferral of future consenting costs.

The Directors have considered potential uncertainties and risk mitigations in respect of the 2016 budget and these are summarised below:

- geo-technical issues at one of the mining operations – mitigated through continued geo-technical reviews and best practice mine planning; further mitigation achieved by operating the Escarpment mine simultaneously with the Cascade mine.
- sales into the domestic market are less than budget – this is mitigated by including only contracted customers with no modelled growth assumption.
- events outside management's control, such as the associated cost of Health and Safety regulations – allowance has been provided for in the 2016 budget with significant work already underway.

The Directors believe that based on the information available at the date of these financial statements, including the above assumptions and risks, there is a reasonable basis for continuing to adopt the going concern assumption. However, should specific assumptions not be realised there may be a material uncertainty relating to Group's ability to continue as a going concern. In this event the entity may be unable to realise

its assets and discharge its liabilities in the normal course of business.

It should be noted that a major commercial domestic sales contract expires in 2016. The company has advanced its planning for when this contract expires.

3. 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 Board reviews the business from both a mine and geographic perspective and has identified two reportable segments. The Buller Coal segment relates to the mining, development and ultimate exploitation of permits under the Buller Coal management team in the Buller region of New Zealand. The Eastern Coal segment refers to the Takitimu mine and Timaru coal handling and distribution centre under the Eastern management team. The financial performance of these segments is monitored and operated separately from each other.

All other operations of the Group are classified within 'Corporate' section of the segment note which encompasses the administration and treasury management of the Group. Assets and Liabilities have been presented net of intercompany balances.

During the period, the company undertook a rationalisation of the corporate structure and a number of group entities were amalgamated into a single legal entity to achieve operational efficiencies. Whilst this has not impacted the determination of operating segments within the business, there has been a change in the nature of information provided to the chief operating decision makers.

Revenue is no longer presented on a segmented basis, instead it is presented as a sales function across the Group. Total revenue for the year ended 30 June 2015 totalled \$51.3m (2014: \$55.5m).

Total assets and total liabilities are reported on a group basis and are not provided internally on a segmented basis. Total assets and liabilities as at 30 June 2015 total \$50.4m (30 June 2014: \$61.8m) and \$31.5m (30 June 2014: \$27.6m) respectively.

Two Bathurst customers met the reporting threshold of 10 percent of Bathurst's operating revenue in the year to 30 June 2015.

Notes to the financial statements continued

For the year ended 30 June 2015

SEGMENT INFORMATION PROVIDED TO THE BOARD

The segment information provided to the Board for the reportable segments is as follows:

	BULLER COAL \$'000	EASTERN COAL \$'000	CORPORATE \$'000	TOTAL \$'000
GROUP – 30 JUNE 2015				
LOSS BEFORE TAX	(2,327)	(3,625)	(10,454)	(16,406)
Loss before tax includes:				
Impairment losses	(1,246)	218	(143)	(1,171)
Depreciation and amortisation	(3,059)	(11,528)	(81)	(14,668)
	BULLER COAL \$'000	EASTERN COAL \$'000	CORPORATE \$'000	TOTAL \$'000
GROUP – 30 JUNE 2014				
Sales revenue	22,649	35,491	–	58,140
Interest revenue	437	(74)	127	490
Other income	(25)	197	–	172
TOTAL SEGMENT REVENUE	23,061	35,614	127	58,802
Inter segment revenue	(2,615)	–	–	–
REVENUE FROM EXTERNAL CUSTOMERS	20,446	35,614	127	56,187
Total revenue per the income statement				56,187
LOSS BEFORE TAX	(276,994)	(6,197)	(1,043)	(284,234)
Loss before tax includes:				
Impairment losses	(449,984)	–	–	(449,984)
Depreciation and amortisation	(6,983)	(6,963)	(67)	(14,013)
TOTAL SEGMENT ASSETS AS AT 30 JUNE 2014	18,828	36,194	6,802	61,824
TOTAL SEGMENT LIABILITIES AS AT 30 JUNE 2014	15,059	9,115	3,390	27,565

4. REVENUE

	GROUP 2015 \$'000	GROUP 2014 \$'000
Coal sales	36,652	42,191
Freight	14,637	13,334
SALES REVENUE	51,289	55,525
Other income	244	172
TOTAL REVENUE	51,533	55,697

5. COST OF SALES

	GROUP 2015 \$'000	GROUP 2014 \$'000
Raw materials, mining costs, and consumables used	15,635	28,259
Freight costs	13,047	11,230
Mine labour costs	7,842	5,044
Amortisation expenses	7,125	11,466
Changes in inventories of finished goods and work in progress	259	796
TOTAL COST OF SALES	43,908	56,795

6. OTHER EXPENSES

CLASSIFICATION OF OTHER EXPENSES BY NATURE:

	GROUP 2015 \$'000	GROUP 2014 \$'000
Audit fees	172	334
Director fees	254	501
Legal fees	483	128
Consultants	1,128	1,477
Employee benefit expense	5,440	6,693
Rent	439	389
Business development costs	59	137
Share based payments expense	968	881
Gain from reversal of share based payments expense	-	(3,672)
Other	3,375	4,235
TOTAL OTHER EXPENSES	12,318	11,103

Notes to the financial statements continued

For the year ended 30 June 2015

7. REMUNERATION OF AUDITORS

During the period, the following fees were paid or payable for services provided by the auditor of the parent entity:

	GROUP 2015 \$'000	GROUP 2014 \$'000
Audit and review of financial statements	170	334
Tax and compliance services by auditors	2	147
TOTAL REMUNERATION FOR AUDITORS	172	481

8. FINANCE (COSTS)/INCOME

	NOTES	GROUP 2015 \$'000	GROUP 2014 \$'000
Interest income		196	490
Deferred consideration: foreign exchange gain	21	–	21,258
TOTAL FINANCE INCOME		196	21,748
Interest expense		(950)	(815)
Foreign exchange loss		(50)	(278)
Provisions: unwinding of discount	22	(262)	(167)
Deferred consideration: unwinding of discount	21	(194)	(9,123)
TOTAL FINANCE COSTS		(1,456)	(10,383)
FINANCE (COST)/INCOME – NET		(1,260)	11,365

9. INCOME TAX BENEFIT

	GROUP 2015 \$'000	GROUP 2014 \$'000
(a) Income tax benefit		
Current tax	-	-
Deferred tax	-	(95,331)
INCOME TAX BENEFIT	-	(95,331)
(b) Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss before income tax	(16,406)	(284,234)
Tax at the standard New Zealand rate of 28%	(4,594)	(79,586)
Tax effect of amounts that are not deductible/(assessable) in calculating taxable income:		
Share based payment expense	271	(781)
Fair value gain on deferred consideration	244	(47,415)
Deferred consideration: foreign exchange gain	-	2,539
Deferred consideration: unwinding of discount	(17)	(5,952)
Tax losses not recognised	1,728	7,090
Deferred tax not recognised*	2,596	22,536
Previous recognised losses unrecognised	-	8,316
Impairment losses recognised	(304)	14,640
Prior period adjustments	-	(2,214)
Sundry items	76	(14,504)
INCOME TAX BENEFIT	-	(95,331)

* Further information relating to deferred tax is set out in Note 18.

IMPUTATION CREDITS

	GROUP 2015 \$'000	GROUP 2014 \$'000
New Zealand imputation credit account		
CLOSING BALANCE	1,061	1,072

Notes to the financial statements continued

For the year ended 30 June 2015

10. IMPAIRMENT LOSSES

	NOTES	GROUP 2015 \$'000	GROUP 2014 \$'000
Impairment of exploration and evaluation assets	16	287	8,825
Impairment of mining assets	16	2,622	414,427
Impairment of plant, property and equipment		853	26,867
Reversal of impairment		(6,015)	(135)
Impairment of other financial assets		3,424	–
TOTAL IMPAIRMENT LOSSES		1,171	449,984

Management has assessed the cash generating units for the Group as follows:

- Eastern Coal, as the coal yard cannot generate its own cash flows independent of the mine. Eastern Coal includes Canterbury Coal, Takitimu mine and the Timaru coal yard.
- Buller Coal Project, as there is a large amount of shared infrastructure between the proposed mines, necessary blending of the pit products at the same site, and the similar geographical location of the pits.
- Cascade mine, as the mine has established domestic markets which allow a profitable operation without relying on the infrastructure to be built for the Buller Coal Project.

Management have prepared detailed impairment models for each of the above cash generating units to determine the recoverable amount which is the higher of the value in use or fair value less cost to sell. The model is a discounted cash flow based on the Board approved operating plans for each CGU.

EASTERN COAL

The recoverable amount of the Eastern Coal CGU future cash flows has been assessed as higher than the carrying value therefore no impairment has been recorded as at 30 June 2015.

BULLER COAL PROJECT

The Buller Coal Project is subject to movements in the international coking coal market. Coking coal prices have experienced a reduction in recent years which has impacted on the potential value of the Buller Coal Project. The Buller Coal Project was fully impaired in the year ended 30 June 2014 and remains fully impaired with the exception of one block of land (see below) at 30 June 2015 with further deterioration in the global price of coking coal.

\$6m impairment previously recognised was reversed during the year. This primarily relates to land, buildings and other minor plant and equipment which has been disposed of. The disposal of land occurred subsequent to the year end and is discussed further in Note 31.

CASCADE MINE

Cascade mine has recorded a partial impairment in the year ended 30 June 2015, due to a major commercial sales contract expiring in 2016 which impacts upon production forecasts. The partial impairment results in the mine assets being held at fair value (fair value hierarchy level 3).

ASSUMPTIONS

The sales price per tonne used in the valuation models has been based on current contractual arrangements. Production levels have been based on the Board approved operating plan which, for Cascade, sees production wind down in the last quarter of 2016. As the majority of all production is matched to contracted sales, the sensitivity of pricing movements for non-contracted volumes is immaterial.

The discount rate is required to reflect the time value of money as well as the asset risk profile. The model assumes a post-tax rate of 11.19% (2014: 11.07%). The recoverable value has been determined using discounted cash flows under the fair value less costs to sell methodology.

11. CASH AND SHORT TERM DEPOSITS

	GROUP 2015 \$'000	GROUP 2014 \$'000
Cash at bank and on hand	2,465	5,565
Cash and cash equivalents	2,465	5,565
Short term deposits*	2,770	3,290
TOTAL CASH AND SHORT TERM DEPOSITS	5,235	8,855

* Short term deposits include restricted term deposits held with ANZ and Westpac in relation to security held against performance bonds.

12. TRADE AND OTHER RECEIVABLES

	GROUP 2015 \$'000	GROUP 2014 \$'000
Trade receivables	4,667	2,816
Less: provision for impairment of receivables	(785)	–
	3,882	2,816
Loans to key management personnel*	–	510
Interest receivable	27	356
Prepayments	93	78
Other receivables**	112	583
TOTAL TRADE AND OTHER RECEIVABLES	4,114	4,343

* Further information relating to loans to key management personnel is set out in Note 29.

** Other receivables in 2014 included a receivable from Mr Bohannon relating to the exercise of 5,000,000 options in October 2013.

Notes to the financial statements continued

For the year ended 30 June 2015

13. INVENTORIES

	GROUP 2015 \$'000	GROUP 2014 \$'000
Raw materials and stores	332	425
Finished goods*	824	773
Other	123	85
TOTAL INVENTORIES	1,279	1,283

* Finished goods are recorded at the lower of cost and net realisable value as per Note 1(i).

14. OTHER FINANCIAL ASSETS

	GROUP 2015 \$'000	GROUP 2014 \$'000
Current		
Advances to third parties	20	82
Other	-	50
	20	132
Non-current		
Security bonds and deposits	147	2,182
Advances to third parties	-	3,826
Other	-	1,554
TOTAL FINANCIAL ASSETS	167	7,694

Security bonds and deposits have been provided to third parties in relation to rental properties and mine/permit access arrangements.

15. PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND \$'000	BUILDINGS \$'000	MINE INFRA- STRUCTURE \$'000	PLANT & MACHINERY \$'000	FURNITURE, FITTINGS AND EQUIPMENT \$'000	OTHER \$'000	WORK IN PROGRESS \$'000	TOTAL \$'000
GROUP – 30 JUNE 2015								
Opening cost	22,528	6,478	3,561	14,330	2,060	508	11,435	60,900
Additions	327	165	–	310	105	50	288	1,245
Disposals	(4,447)	–	–	(6)	–	–	(178)	(4,631)
CLOSING COST	18,408	6,643	3,561	14,634	2,165	558	11,545	57,514
Opening accumulated depreciation	(10,553)	(5,660)	(931)	(7,377)	(1,424)	(231)	(11,338)	(37,514)
Depreciation	(4,800)	(73)	(44)	(2,423)	(163)	(40)	–	(7,543)
Impairment	5,048	(18)	(75)	(361)	(10)	(62)	178	4,700
Disposals	–	–	–	(5)	–	–	–	(5)
CLOSING ACCUMULATED DEPRECIATION	(10,305)	(5,751)	(1,050)	(10,166)	(1,597)	(333)	(11,160)	(40,362)
CLOSING NET BOOK VALUE	8,103	892	2,511	4,468	568	225	385	17,152
GROUP – 30 JUNE 2014								
Opening cost	16,745	6,477	3,423	13,670	1,969	575	10,188	53,046
Additions	5,783	2	138	716	105	65	3,915	10,723
Disposals	–	–	–	(55)	(14)	(131)	(2,668)	(2,869)
CLOSING COST	22,528	6,478	3,561	14,330	2,060	508	11,435	60,900
Opening accumulated depreciation	(759)	(257)	(647)	(5,345)	(830)	(293)	–	(8,131)
Depreciation	(80)	(69)	(284)	(1,551)	(624)	62	–	(2,546)
Impairment	(9,714)	(5,334)	–	(481)	–	–	(11,338)	(26,867)
Disposals	–	–	–	–	30	–	–	30
CLOSING ACCUMULATED DEPRECIATION	(10,553)	(5,660)	(931)	(7,377)	(1,424)	(231)	(11,338)	(37,514)
CLOSING NET BOOK VALUE	11,975	818	2,630	6,953	636	277	97	23,386

Notes to the financial statements continued

For the year ended 30 June 2015

16. MINING LICENCES, PROPERTIES, EXPLORATION, AND EVALUATION ASSETS

	GROUP 2015 \$'000	GROUP 2014 \$'000
EXPLORATION AND EVALUATION ASSETS		
Opening balance	589	31,377
Expenditure capitalised	348	3,521
Written off exploration and evaluation assets	-	(21)
Impairment recognised	(287)	(8,825)
Transfer to mining licences and property assets	-	(25,463)
TOTAL EXPLORATION AND EVALUATION ASSETS	650	589
MINING LICENCES AND PROPERTY ASSETS		
Opening balance	15,577	393,636
Expenditure capitalised	13,941	6,091
Amortisation	(7,125)	(9,064)
Abandonment provision movement	594	194
Waste moved in advance capitalised	1,483	13,684
Impairment recognised	(2,622)	(414,427)
Transfer from exploration and evaluation assets	-	25,463
TOTAL MINING LICENCES AND PROPERTY ASSETS	21,848	15,577
TOTAL MINING LICENCES, PROPERTY, EXPLORATION AND EVALUATION ASSETS	22,498	16,166

17. INVESTMENT IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries.

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING 2015 %	EQUITY HOLDING 2014 %
BR Coal Pty Limited	Australia	Ordinary	100	100
Bathurst New Zealand Limited	New Zealand	Ordinary	100	100
Bathurst Coal Holdings Limited ¹	New Zealand	Ordinary	100	100
Buller Coal Limited	New Zealand	Ordinary	100	100
Bathurst Coal Limited ²	New Zealand	Ordinary	100	100
Cascade Coal Limited	New Zealand	Ordinary	–	100
Sommervilles Land Holdings Limited	New Zealand	Ordinary	–	100
Canterbury Coal Limited	New Zealand	Ordinary	–	100
Cascade East Limited	New Zealand	Ordinary	–	100
Takitimu Coal Limited	New Zealand	Ordinary	–	100
Rochfort Coal Limited	New Zealand	Ordinary	–	100
Eastern Coal Supplies Limited	New Zealand	Ordinary	–	100
New Brighton Collieries Limited	New Zealand	Ordinary	100	–

1 During the period, Bathurst Coal Limited changed its name to Bathurst Coal Holdings Limited

2 During the period Eastern Coal Limited changed its name to Bathurst Coal Limited and amalgamated with Cascade Coal limited, Sommervilles Land Holdings Limited, Canterbury Coal Limited, Cascade East Limited, Takitimu Coal Limited, Rochfort Coal Limited and Eastern Coal Supplies Limited.

All subsidiary companies have a balance date of 30 June, are predominantly involved in the coal industry and have a functional currency of New Zealand dollars with the exception of BR Coal Pty Ltd. BR Coal Pty Ltd has a functional currency of Australian dollars.

During the period, the company acquired 100% of the ordinary shares in New Brighton Collieries Limited.

Notes to the financial statements continued

For the year ended 30 June 2015

18. DEFERRED TAX ASSET/(LIABILITIES)

	GROUP 2015 \$'000	GROUP 2014 \$'000
The balance comprises temporary differences attributable to:		
Tax losses	15,791	15,406
Employee benefits	244	200
Provisions	1,311	1,156
Mining licences	16,195	15,545
Exploration and evaluation expenditure	1,614	1,630
Property, plant and equipment	7,442	7,288
TOTAL DEFERRED TAX ASSETS	42,597	41,225
Waste moved in advance	(1,654)	(3,283)
TOTAL DEFERRED TAX LIABILITIES	(1,654)	(3,283)
Net deferred tax asset not recognised	(40,943)	(37,942)
NET DEFERRED TAX ASSET/(LIABILITY)	-	-
	GROUP 2015 \$'000	GROUP 2014 \$'000
Movement		
Opening balance	-	(95,331)
Deferred tax benefit	-	95,331
NET DEFERRED TAX ASSET/(LIABILITY)	-	-

The Group has not recognised a net deferred tax asset of \$40.9m (2014: \$37.9m) on the basis that it is not probable these losses will be utilised in the foreseeable future.

19. TRADE AND OTHER PAYABLES

	GROUP 2015 \$'000	GROUP 2014 \$'000
CURRENT		
Trade payables	2,597	3,827
Accruals	1,580	2,987
Employee benefit payable	1,070	857
Other payables	325	293
	5,572	7,964
NON-CURRENT		
Other payables	430	–
TOTAL TRADE AND OTHER PAYABLES	6,002	7,964

20. BORROWINGS

	GROUP 2015 \$'000	GROUP 2014 \$'000
CURRENT		
Secured		
Bank loans	2,471	5,771
Property loans	5,865	1,290
Lease liabilities	213	279
	8,549	7,340
NON-CURRENT		
Secured		
Bank loans	363	484
Property loans	–	5,625
Lease liabilities	98	132
	461	6,241
TOTAL BORROWINGS	9,010	13,581

Included above is a finance facility with Westpac New Zealand Limited for the acquisition of a new mining fleet. The total amount available and drawn on that facility as at 30 June 2015 was \$2 million (2014:\$3 million). The current term of the facility is five years which is reviewed annually by Westpac New Zealand Limited and may be terminated at any time.

The facility is a fixed rate, New Zealand dollar denominated loan which is carried at amortised cost. The facility does not impact on the entity's exposure to foreign exchange and interest rate risk.

The Group also has with Westpac New Zealand Limited a term loan of \$0.7 million (2014:\$1.1 million), finance lease facilities \$0.3 million (2014:\$0.2 million), and bank overdraft facilities which were unused at 30 June 2015 and 2014. These facilities have various covenants in place. A portion of finance leases and bank loans with Westpac New Zealand Limited have been classified as non-current.

Notes to the financial statements continued

For the year ended 30 June 2015

A. SECURITY

The bank loans are secured by an all obligations General Security Agreement given by Bathurst Coal Limited under which the company grants to the bank a first ranking security interest over all its present and future acquired property (including proceeds) and a first ranking security interest over any of the company's assets. In addition to this, the bank has a registered first and exclusive mortgage over the property and coal handling facility at Timaru.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

	GROUP 2015 \$'000	GROUP 2014 \$'000
CURRENT		
General Security Agreement		
Cash and cash equivalents	54	3,674
Receivables	72	3,348
Inventories	1,215	1,283
TOTAL CURRENT ASSETS PLEDGED AS SECURITY	1,341	8,305
NON-CURRENT		
First and exclusive mortgage		
Freehold land and buildings	1,133	1,097
Finance lease		
Plant and equipment	426	132
General Security Agreement		
Plant and equipment	9,941	21,352
TOTAL NON-CURRENT ASSETS PLEDGED AS SECURITY	11,500	22,581
TOTAL ASSETS PLEDGED AS SECURITY	12,841	30,886

B. FAIR VALUE

The carrying value of borrowings has been assessed as the fair value.

C. FINANCE LEASES LIABILITIES

Finance lease liabilities are payable as follows.

	FUTURE MINIMUM LEASE PAYMENTS 2015 \$'000	INTEREST 2015 \$'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 2015 \$'000	FUTURE MINIMUM LEASE PAYMENTS 2014 \$'000	INTEREST 2014 \$'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 2014 \$'000
GROUP						
Less than one year	231	18	213	310	31	279
Between one and five years	112	14	98	141	9	132
More than five years	-	-	-	-	-	-
	343	32	311	451	40	411

21. DEFERRED CONSIDERATION

	GROUP 2015 \$'000	GROUP 2014 \$'000
Current		
Acquisition of subsidiary deferred consideration	1,730	917
Non-current		
Acquisition of subsidiary deferred consideration	10,883	1,974
TOTAL DEFERRED CONSIDERATION	12,613	2,891
Movement		
Opening balance	2,891	183,856
Unwinding of discount	194	9,123
Foreign exchange (gain)/loss	–	(21,258)
Fair value adjustment to deferred consideration	615	(169,396)
Addition upon acquisition of Canterbury Coal Limited	–	566
Addition upon acquisition of New Brighton Collieries Limited	9,103	–
Consideration paid during the period	(190)	–
CLOSING BALANCE	12,613	2,891

A. DETAILS ON DEFERRED CONSIDERATION – BULLER COAL PROJECT

Model inputs

The fair value of the future royalty payments is estimated using a discount rate, as deferred consideration is payable in US\$ for export sales, the discount rate is comprised of the 10 year US Government Bond rate plus a risk premium – 1% for performance payments and 4.5% for royalties. The Board approved production profile is applied and consensus coal prices used. Any royalties payable in USD for export sales are then converted to NZD using the latest spot rate. Royalties for sales made in NZD are payable in NZD.

Unwinding of discount

The unwinding of discount adjustment relates to the fair value impact on the deferred consideration calculation of the time value of money.

Deferred consideration

The acquisition of Buller Coal Limited (formerly L&M Coal Limited) in November 2010 contained two components of deferred consideration, cash and royalties.

Deferred cash consideration

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

The potential undiscounted amount of all future cash payments that the Group could be required to make under these arrangements is between US\$nil and US\$80,000,000. The deferred cash consideration is valued at each reporting date based on expected timing of the cash payment and an appropriate discount rate. Revaluations are recognised in the income statement.

Bathurst has the option to defer the cash payment of the performance payments. If the performance payments are deferred by Bathurst a higher royalty rate is payable by Bathurst 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.

Notes to the financial statements continued

For the year ended 30 June 2015

Royalties

As part of the consideration Bathurst was party to a royalty agreement with L&M Coal Holdings Limited. The amounts that are payable in the future under this royalty agreement are recognised as part of the consideration paid for Buller Coal Limited.

The fair value of the future royalty payments is estimated using an appropriate discount rate, production profile, and forecasted US dollar coal prices (estimated using forecasts from leading investment banks). Revaluations are recognised in the income statement.

Foreign exchange

Both elements of the deferred consideration are denominated in US dollars and as such are exposed to movements in foreign exchange rates (notably New Zealand dollar / US dollar rates) with the effect of changes in the foreign exchange rates being recognised in the income statement in the period the change occurs. Refer to note 28 for discussion on the sensitivity of the income statement to fluctuations in the New Zealand dollar / US dollar exchange rate.

The deferred consideration only becomes payable upon sales targets being achieved and as such is considered to be naturally hedged against US dollar sales receipts expected at the time the deferred consideration falls due.

Payment timing

The construction coal being mined has triggered the performance payments and royalties are now being paid, as such a component of deferred consideration is classified as current at 30 June 2015.

Security

Pursuant to a deed of guarantee and security the two performance payments of US\$40 million included in the deferred consideration above are secured by way of a first-ranking security interest in all of Buller Coal Limited's present and future assets (and present and future rights, title and interest in any assets). In addition to this, Buller Coal Limited has guaranteed the payment of all amounts under the Sale and Purchase Agreement with L&M Coal Holdings Limited.

B. DETAILS ON DEFERRED CONSIDERATION – 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 latest New Zealand 10 year government bond rate, production profile, and forecasted domestic coal prices.

C. DETAILS ON DEFERRED CONSIDERATION – NEW BRIGHTON COLLIERIES LIMITED

On 10 March 2015, the company announced that it had completed the acquisition of New Brighton Collieries Limited under amended terms. The acquisition was initially announced on 28 February 2012 with the principal asset of New Brighton Collieries Limited being coal exploration permit 40625. Under the amended terms 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 the latest New Zealand 10 year government bond rate, projected production profile, and forecast domestic coal prices.

A 1% increase or decrease in the discount rate used would decrease or increase the deferred consideration balance by \$0.5m and \$0.6m, respectively.

Security

Pursuant to a deed of guarantee and security the deferred consideration is secured by way of a first-ranking security interest in all of New Brighton Collieries Limited's present and future assets (and present and future rights, title and interest in any assets).

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

22. PROVISIONS

	GROUP 2015 \$'000	GROUP 2014 \$'000
Current		
Rehabilitation	247	259
Restructuring provision	380	–
	627	259
Non-current		
Rehabilitation	3,274	2,870
TOTAL PROVISIONS	3,901	3,129
Rehabilitation provision movement		
Opening balance	3,129	2,784
Change recognised in the mining and property asset	594	194
Change due to passage of time (unwinding of discount)	262	167
Other changes recognised in the income statement	(464)	(16)
CLOSING BALANCE	3,521	3,129

Rehabilitation provision

Provision is made for the future rehabilitation of areas disturbed in the mining process. Management estimates the provision based on expected levels of rehabilitation, areas disturbed and an appropriate discount rate.

Restructuring provision

Provision has been made for planned changes to the company's management structure. A detailed formal plan is in place and an announcement has been made to those affected.

23. CONTRIBUTED EQUITY

	GROUP 2015 NUMBER OF SHARES 000S	GROUP 2014 NUMBER OF SHARES 000S
Ordinary fully paid shares	947,828	944,932
	947,828	944,932
Movement		
Opening balance	944,932	699,248
Issue of shares*	2,146	232,397
Exercise of options and conversion of performance rights**	750	13,287
CLOSING BALANCE	947,828	944,932

* In July 2014 the Company completed a non-renounceable rights issue resulting in the issue of 2,146,913 shares. The rights issue followed a share placement to institutional, sophisticated and professional investors, in April 2014.

** Further information is set out in Note 26.

Notes to the financial statements continued

For the year ended 30 June 2015

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. Every ordinary share is entitled to one vote.

24. RESERVES

	GROUP 2015 \$'000	GROUP 2014 \$'000
Share based payment reserve	2,028	1,233
Foreign exchange translation reserve	(140)	(198)
Re-organisation reserve	(32,760)	(32,760)
TOTAL RESERVES	(30,872)	(31,725)

NATURE AND PURPOSE OF RESERVES

Share based payment reserve

The share based payment reserve is used to recognise the fair value of performance rights issued.

Foreign exchange translation reserve

Exchange differences arising on translation of companies within the Group with a different functional currency to New Zealand dollars are taken to the foreign currency translation reserve. The reserve is recognised in the income statement when the investment is disposed of.

Reorganisation reserve

Bathurst Resources Limited was incorporated on 27 March 2013. A scheme of arrangement between Bathurst Resources Limited and its shareholders resulted in Bathurst Resources (New Zealand) Limited becoming the new ultimate parent company of the Group on 28th June 2013. In accordance with the Financial Reporting Act 1993, these Group financial statements can only include subsidiary companies results from the date of reorganisation, and therefore in arriving at a closing consolidated Balance Sheet, a reorganisation reserve has been created which reflects the previous retained losses of subsidiaries.

25. EARNINGS PER SHARE

	GROUP 2015 CENTS	GROUP 2014 CENTS
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the company	(1.73)	(23.07)
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the company	(1.73)	(23.07)
	\$'000	\$'000
(c) Reconciliation of earnings used in calculating earnings per share		
Earnings used in the calculation of basic and dilutive Earnings per share:		
Earnings from continued operations	(16,406)	(188,903)
TOTAL EARNINGS	(16,406)	(188,903)
	NUMBER OF SHARES 000S	NUMBER OF SHARES 000S
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares during the period used in the calculation of basic and dilutive earnings per share	947,657	818,913
Adjustments for calculation of diluted earnings per share:		
Options and performance rights	154	12,222
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	947,812	831,135

26. SHARE-BASED PAYMENTS

A. EMPLOYEE SHARE OPTION PLAN

The Bathurst Resources Limited Employee Share Option Plan ("ESOP") was approved by shareholders at the 2010 AGM. The ESOP was designed to provide directors, senior executives, employees, and consultants with an opportunity to participate in the company's future growth and gives them an incentive to contribute to that growth.

Under the plan, participants were granted units in the ESOP Trust, some of which only vest upon the shipment of the first 25,000 tonnes from the Buller Coal Project. Participation in the ESOP was at the Board's discretion.

A number of senior executives were granted units in the Bathurst Resources Limited Employee Share Option Plan. The remaining options were forfeited in August and December 2014.

Notes to the financial statements continued

For the year ended 30 June 2015

OPTIONS (ESOP)

GRANT DATE	EXPIRY DATE	EXERCISE PRICE AUD CENTS	OUTSTANDING AT THE BEGINNING OF THE PERIOD 000S	GRANTED DURING THE PERIOD 000S	FORFEITED DURING THE PERIOD 000S	EXERCIS- ABLE AT THE END OF THE PERIOD 000S
26-Aug-12	29-Aug-14	38.0	1,000	–	(1,000)	–
1-Sep-12	29-Aug-14	38.0	1,000	–	(1,000)	–
20-Dec-12	19-Dec-14	38.0	2,000	–	(2,000)	–
			4,000	–	(4,000)	–
Weighted average exercise price (cents)			AUD38.00	–	AUD 38.00	

* share options were issued with an Australian dollar exercise price.

B. EMPLOYEE LONG TERM INCENTIVE PLAN

The Bathurst Resources Limited Long Term Incentive Plan (LTIP) was approved by Shareholders at the 2012 AGM. The purpose of the plan is to reinforce a performance focused culture by providing a long term performance based element to the total remuneration packages of certain employees, by aligning and linking the interests of Bathurst's leadership team and Shareholders, and to attract and retain executives and key management.

The plan forms part of the Company's remuneration policy and provides the Company with a mechanism for driving long term performance for Shareholders and retention of executives.

Performance rights granted under the plan carry no dividend or voting rights. When exercised each performance right converts into one fully paid ordinary share.

Share based payments are recognised based on the fair value of Performance Share Rights ('PSRs') offered to eligible participants at the grant date.

The fair value at issue date is determined using the following methodology; the price path of Bathurst shares is modelled using the Monte Carlo simulation, the total number of Bathurst PSRs that will vest to participants is calculated then the payoff to participants is calculated and discounted back to present value today.

The assessed fair value (for NZ IFRS 2 purposes) at issue date of share options issued during the year ended 30 June 2013 is summarised in the table below. No performance rights were granted in 2014 or 2015.

Performance Rights (LTIP)

GRANT DATE	VESTING DATE	OUTSTANDING AT THE BE- GINNING OF THE PERIOD 000S	FORFEITED DURING THE PERIOD 000S	EXERCISED DURING THE PERIOD 000S	OUTSTANDING AT THE END OF THE PERIOD 000S	EXERCIS- ABLE AT THE END OF THE PERIOD 000S
8-Feb-13	30-Jun-15	294	(235)	(59)	-	-
27-Mar-13	30-Jun-15	309	-	(155)	154	154
31-Mar-13	30-Jun-15	367	(294)	(73)	-	-
13-Jun-13	30-Jun-15	1,389	(926)	(463)	-	-
22-Nov-13	30-Jun-16	692	(692)	-	-	-
29-Nov-13	30-Jun-16	1,846	(1,846)	-	-	-
3-Dec-13	30-Jun-16	1,200	(1,200)	-	-	-
5-Dec-13	30-Jun-16	1,662	(1,662)	-	-	-
		7,759	(6,855)	(750)	154	154

No options were granted during the period.

27. RECONCILIATION OF LOSS BEFORE INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	GROUP 2015 \$'000	GROUP 2014 \$'000
Loss before taxation	(16,406)	(284,234)
Depreciation and amortisation expense	14,668	13,776
Loss on disposal of property, plant and equipment	1,160	-
Share based payments expense	968	881
Gain from reversal of share based payments expense	-	(3,672)
Fair value adjustment to deferred consideration	615	(169,396)
Foreign exchange (gain) on deferred consideration	-	(21,258)
Impairment losses	1,171	449,984
Unwinding of discount	194	9,123
Waste moved in advance capitalised	(1,483)	(13,684)
Unwinding of rehabilitation asset	262	167
Other non-cash items	164	685
Change in working capital assets	(337)	911
CASH FLOW FROM OPERATING ACTIVITIES	976	(16,717)

Notes to the financial statements continued

For the year ended 30 June 2015

28. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Risk management is carried out by the management team under policies approved by the Board of directors. Management identifies and evaluates financial risks on a regular basis.

A. MARKET RISK

i. Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not New Zealand dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

Once the Group commences export sales, it becomes exposed to foreign exchange movements, this primarily relates to deferred consideration which is denominated in USD for export coal sales of coal sourced from the permits acquired from L&M Coal Holdings Limited.

The Group had no exposure to foreign currency risk at the end of the reporting period.

B. CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate as a means of minimising the risk of financial defaults.

Financial instruments which potentially subject the Group to credit risk consist primarily of cash and cash equivalents as well as credit exposures to our customers, including outstanding receivables.

The credit risk on liquid funds is limited because the counterparties are banks with credit ratings of AA-, with funds required to be invested with a range of separate counterparties.

The Group's maximum exposure to credit risk for trade and other receivables is its carrying value.

C. LIQUIDITY RISK

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of the Group's non-derivative financial liabilities were as follows:

	LESS THAN 6 MONTHS \$'000	6 – 12 MONTHS \$'000	BETWEEN 1 AND 2 YEARS \$'000	BETWEEN 2 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL CON- TRACTUAL CASH FLOWS \$'000	CARRYING VALUE \$'000
GROUP – 30 JUNE 2015							
Trade and other payables	5,429	143	143	287	–	6,002	6,002
Borrowings (excl finance leases)	6,927	713	1,375	109	–	9,124	8,699
Finance leases	182	49	105	7	–	343	311
Deferred consideration	969	761	1,518	4,722	10,461	18,431	12,613
TOTAL	13,507	1,666	3,141	5,125	10,461	33,900	27,625
GROUP – 30 JUNE 2014							
Trade and other payables	7,964	–	–	–	–	7,964	7,964
Borrowings (excl finance leases)	6,808	835	6,302	–	–	13,945	13,170
Finance leases	176	134	141	–	–	451	411
Deferred consideration	–	917	2,377	–	–	3,294	2,891
TOTAL	14,948	1,886	8,820	–	–	25,654	24,436

At 30 June 2015 the Group had no derivatives to settle (2014: nil).

D. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain the future development of the business. Given the stage of the company's development there are no formal targets set for return on capital. There were no changes to the company's approach to capital management during the year. The company is not subject to externally imposed capital requirements.

E. FAIR VALUE MEASUREMENTS

The fair value of assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

Fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Group's only financial asset or liability measured at a fair value hierarchy of level 3 is deferred consideration. This is discussed further in Note 21.

Notes to the financial statements continued

For the year ended 30 June 2015

F. FINANCIAL INSTRUMENTS BY CATEGORY

	GROUP 2015 \$'000	GROUP 2014 \$'000
FINANCIAL ASSETS		
Loans and receivables		
Cash and short term deposits	5,235	8,855
Trade and other receivables	4,021	4,343
Other financial assets	167	7,694
TOTAL	9,423	20,892
FINANCIAL LIABILITIES		
Amortised cost		
Trade and other payables	6,002	7,964
Borrowings	9,010	13,581
Fair value		
Deferred consideration	12,613	2,891
TOTAL	27,625	24,436

29. RELATED PARTY TRANSACTIONS

A. PARENT ENTITY

The parent entity within the Group is Bathurst Resources Limited.

B. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the subsidiaries listed in Note 17.

C. KEY MANAGEMENT PERSONNEL

Key personnel are all the management and directors (executive and non-executive) of the Group.

Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2015 is set out below

	SHORT TERM BENEFITS \$000'S	SHARE BASED PAYMENTS \$000'S	TERMINATION BENEFITS \$000'S	TOTAL \$000'S
GROUP – 30 JUNE 2015				
Management	1,696	303	1,485	3,484
Directors	259	–	–	259
TOTAL	1,955	303	1,485	3,743

	SHORT TERM BENEFITS \$000'S	SHARE BASED PAYMENTS \$000'S	POST- EMPLOYMENT BENEFITS \$000'S	TOTAL \$000'S
GROUP – 30 JUNE 2014				
Management	2,890	748	4	3,642
Directors	501	–	–	501
TOTAL	3,391	748	4	4,143

Other transactions or loans with key management personnel

Details of loans made to directors of Bathurst Resources Limited and other key management personnel of the Group, including their personally related parties are set out below.

	GROUP 2015 \$'000	GROUP 2014 \$'000
Aggregates of loans to key management personnel		
Opening Balance	510	451
Interest charged	20	–
Loan (settled)/advanced	(530)	59
CLOSING BALANCE	–	510
Individuals with loans above \$100,000 at the end of the period		
H Bohannan	–	510
TOTAL	–	510

Mr Bohannan resigned from the company on 24th March 2015. Loans and other receivables due from Mr Bohannan were settled via termination arrangements.

The Group entered into a joint venture in August 2013 with Johnson Bros Transport to operate a coal yard in Rolleston. These financial statements include coal sales to the joint venture totalling \$2.1m (2014: \$2.5m).

Notes to the financial statements continued

For the year ended 30 June 2015

30. COMMITMENTS AND CONTINGENT LIABILITIES

A. CAPITAL COMMITMENTS

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	GROUP 2015 \$'000	GROUP 2014 \$'000
Within one year	–	410
Later than one year but not later than five years	–	–
Later than five years	–	–
Property, plant and equipment	–	410
Within one year	–	4,328
Later than one year but not later than five years	–	3,059
Later than five years	–	–
Mining licences and properties	–	7,387
TOTAL CAPITAL COMMITMENTS	–	7,797

B. LEASE COMMITMENTS

i. Non-cancellable operating leases

The Group leases various offices, accommodations, and equipment under non-cancellable operating leases expiring within one to six years. The leases have varying terms, escalation clauses and renewal rights.

Lease commitments

	GROUP 2015 \$'000	GROUP 2014 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	240	316
Later than one year but not later than five years	263	333
Later than five years	–	–
TOTAL LEASE COMMITMENTS	503	649

During the year ended 30 June 2015 \$0.2m (2014: \$0.4m) was recognised as an expense in the income statement in respect of operating leases.

ii. Finance leases

The Group leases various plant and equipment expiring within one to four years.

	GROUP 2015 \$'000	GROUP 2014 \$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	234	310
Later than one year but not later than five years	109	141
Later than five years	–	–
MINIMUM LEASE PAYMENTS	343	451
The present value of finance lease liabilities is as follows:		
Within one year	213	279
Later than one year but not later than five years	98	132
Later than five years	–	–
MINIMUM LEASE PAYMENTS	311	411

C. EXPLORATION EXPENDITURE COMMITMENTS

In order to maintain the various permits in which the Group is involved the Group has ongoing operational expenditure as part of its normal operations. The actual costs will be dependent on a number of factors including final scope and timing of operations.

D. CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2015 the Group had no contingent assets or liabilities (2014: nil).

31. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the period end, a parcel of land was disposed for \$5.375m. The asset was disposed with proceeds used in settlement of a loan held over the original purchase totalling \$5.375m. The loan is included within current borrowings in these financial statements.

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



Independent Auditors' Report to the shareholders of Bathurst Resources Limited

Report on the Financial Statements

We have audited the Group financial statements of Bathurst Resources Limited (“the Company”) on pages 24 to 63, which comprise the balance sheet as at 30 June 2015, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 30 June 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are independent of the Group. Other than in our capacity as auditors and providers of other related assurance services we have no relationship with, or interests in, the Group.



Independent Auditors' Report to the shareholders of Bathurst Resources Limited

Opinion

In our opinion, the financial statements on pages 24 to 63, present fairly, in all material respects, the financial position of the Group as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 in the financial statements which states that there are uncertainties in achieving the future cash flow forecasts. This indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' 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 Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
25 September 2015

Wellington



Section

03

**Shareholder
information**

Shareholder information

The shareholder information set out below was applicable as at 25 September 2015.

A Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

HOLDING	TOTAL HOLDERS	ORDINARY SHARES
1 – 1,000	335	59,900
1,001 – 5,000	671	1,790,171
5,001 – 10,000	517	3,440,082
10,001 – 100,000	1,935	61,596,002
100,001 and over	869	888,096,600
TOTAL	4,327	954,982,755

On 25 September 2015 there were 2,776 holders of less than a marketable parcel of ordinary shares as determined by the ASX (under A\$500 in value).

B Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

NAME	ORDINARY SHARES	
	NUMBER HELD	PERCENTAGE OF ISSUED SHARES
HSBC Custody Nominees (Australia) Limited	320,657,751	33.57
Bell Potter Nominees Limited <BB Nominees A/C>	34,553,255	3.61
Berne NO 132 Nominees Pty Limited <608725 A/C>	27,888,773	2.92
JP Morgan Nominees Australia Limited	20,724,818	2.17
ABN Amro Clearing Sydney Nominees Pty Limited <Custodian A/C>	17,643,762	1.84
Robert James Griffiths & Jean Darling Griffiths	15,000,000	1.57
Merrill Lynch (Australia) Nominees Pty Limited	13,785,437	1.44
Citicorp Nominees Pty Limited	11,254,548	1.17
Brispot Nominees Pty Limited <House Head Nominee No 1 A/C>	8,156,261	0.85
Peter Alfred Bradfield	7,149,320	0.74
Marshall Maine	7,117,578	0.74
Forsyth Barr Custodians Limited <Forsyth Barr Ltd-Nominee A/C>	6,719,328	0.7
Trinity Management Pty Limited	6,500,000	0.68
Avanteos Investments Limited <2477966 DNR A/C>	5,336,766	0.55
JBWere (NZ) Nominees Limited <A/C 31933>	5,235,000	0.54
Karen Aviva Schumer & Gary Leon Lewis <Lewis Super Fund A/C>	4,500,000	0.47
Big Art Investments Pty Ltd	4,000,000	0.41
Jarden Custodians Limited	3,873,526	0.4
Bruce Drummond & Judith Drummond <Drummond Super Fund A/C>	3,750,000	0.39
ASB Nominees Limited <317485 ML A/C>	3,730,000	0.39
TOTAL	527,576,123	55.15

C Substantial holders

Substantial holders in the company as of 25 September 2015 are set out below:

	NUMBER HELD	PERCENTAGE OF ISSUED SHARES
Republic Investment Management Pte Limited	165,481,753	17.32%
Asian Dragon Acquisitions Limited	57,323,965	6.00%

D Voting rights

The voting rights attached to each class of equity securities are set out below:

i. Ordinary shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

ii. Options

No voting rights.

E On-market buy-back

The company has no on-market buy-back on offer.



Section

04

**Resources
and reserves**

Tenement schedule

PERMIT ID	LOCATION (REGION)	MINERALS	PERMIT TYPE	PERMIT OPERATOR	BATHURST INTEREST
55401	West Coast	Minerals	Mining Permit	Buller Coal Limited	100%
55199	Waikato	Coal	Exploration Permit	Buller Coal Limited	100%
54935	Otago	Coal	Prospecting Permit	Bathurst Coal Limited	100%
54590	West Coast	Coal, Limestone	Exploration Permit	Buller Coal Limited	100%
54512	Tasman	Coal	Exploration Permit	Buller Coal Limited	100%
54933	Otago	Coal	Exploration Permit	Bathurst Coal Limited	100%
54846	Canterbury	Coal	Exploration Permit	Bathurst Coal Limited	100%
54389	Waikato	Coal	Exploration Permit	Buller Coal Limited	100%
54896	West Coast	Minerals	Prospecting Permit	Buller Coal Limited	100%
54505	West Coast	Coal	Exploration Permit	Buller Coal Limited	100%
54658	West Coast	Coal	Exploration Permit	Buller Coal Limited	100%
54031	West Coast	Coal	Exploration Permit	Buller Coal Limited	100%
53756	West Coast	Coal, Limestone	Exploration Permit	Buller Coal Limited	100%
53614	Southland	Coal	Mining Permit	Bathurst Coal Limited	100%
52713	West Coast	Gold	Exploration Permit	Buller Coal Limited	100%
52484	Canterbury	Coal	Prospecting Permit	Bathurst Coal Limited	100%
52147	West Coast	Coal	Exploration Permit	Buller Coal Limited	100%
51279	West Coast	Coal	Mining Permit	Buller Coal Limited	100%
51260	Southland	Coal	Exploration Permit	Bathurst Coal Limited	100%
51212	West Coast	Coal	Exploration Permit	Buller Coal Limited	100%
51078	West Coast	Coal	Exploration Permit	Buller Coal Limited	100%
40628	West Coast	Coal	Exploration Permit	Buller Coal Limited	100%
40625	Southland	Coal	Exploration Permit	New Brighton Collieries Limited	100%
40591	West Coast	Coal	Exploration Permit	Bathurst Coal Limited	100%
41455	West Coast	Coal	Mining Permit	Bathurst Coal Limited	100%
41456	West Coast	Coal	Mining Permit	Buller Coal Limited	100%
41372	Canterbury	Coal	Mining Permit	Bathurst Coal Limited	100%
41274	West Coast	Coal	Mining Permit	Buller Coal Limited	100%
41332	West Coast	Coal	Mining Permit	Buller Coal Limited	100%

Permits granted in the past twelve months

PERMIT ID	PERMIT TYPE	PERMIT OPERATOR	MINERALS	LOCATION (REGION)	GRANTED DATE	OPERATION NAME
55401	Mining Permit	Buller Coal Limited (100%)	Minerals	West Coast Region	13/01/2015	Rapid Stream
55199	Exploration Permit	Buller Coal Limited (100%)	Coal	Waikato Region	17/11/2014	Mangapehi

Change of conditions

PERMIT ID	PERMIT TYPE	OPERATOR	OPERATION NAME	LOCATION (REGION)
51212	Exploration Permit	Buller Coal Limited	Moody Creek	West Coast Region
54658	Exploration Permit	Buller Coal Limited	North Reefton	West Coast Region

Extension of duration

PERMIT ID	PERMIT TYPE	OPERATOR	OPERATION NAME	LOCATION (REGION)	PERMIT EXTENSION (YEARS)	PERMIT EXTENSION (MONTHS)	AREA REDUCTION	AREA REDUCTION (UNITS)
40625	Exploration Permit	New Brighton Collieries Limited	Ohai	Southland Region	4	0	0.000	Ha
51212	Exploration Permit	Buller Coal Limited	Moody Creek	West Coast Region	5	0	102.288	Ha
52713	Exploration Permit	Buller Coal Limited		West Coast Region	5	0	363.569	Ha

Extension of land

PERMIT ID	PERMIT TYPE	OPERATOR	OPERATION NAME	LOCATION (REGION)	AREA EXTENSION	AREA EXTENSION (UNITS)
54658	Exploration Permit	Buller Coal Limited	North Reefton	West Coast Region	139.513	Ha

Partial surrender

PERMIT ID	PERMIT TYPE	OPERATOR	OPERATION NAME	LOCATION (REGION)	AREA REDUCTION	AREA REDUCTION (UNITS)
54658	Exploration Permit	Buller Coal Limited	North Reefton	West Coast Region	5988.561	Ha

Correction of error

PERMIT ID	PERMIT TYPE	OPERATOR	OPERATION NAME	LOCATION (REGION)
52147	Exploration Permit	Buller Coal Limited		West Coast Region
54658	Exploration Permit	Buller Coal Limited	North Reefton	West Coast Region

Full surrender

PERMIT ID	PERMIT TYPE	OPERATOR	OPERATION NAME	LOCATION (REGION)
51258	Exploration Permit	Buller Coal Limited		West Coast Region
53047	Exploration Permit	Buller Coal Limited	Charleston	West Coast Region
54507	Exploration Permit	Buller Coal Limited	Rocklands	West Coast Region

Name change

PERMIT ID	PERMIT TYPE	OPERATOR	OPERATION NAME	LOCATION (REGION)
40591	Exploration Permit	Bathurst Coal Limited	Whareatea	West Coast Region
41372	Mining Permit	Bathurst Coal Limited	Malvern Hills	Canterbury Region
41455	Mining Permit	Bathurst Coal Limited	Cascade Creek	West Coast Region
51260	Exploration Permit	Bathurst Coal Limited	Ohai	Southland Region
52484	Prospecting Permit	Bathurst Coal Limited		Canterbury Region
53614	Mining Permit	Bathurst Coal Limited	Coaldale	Southland Region
54846	Exploration Permit	Bathurst Coal Limited	Albury	Canterbury Region
54933	Exploration Permit	Bathurst Coal Limited	Home Hills	Otago Region
54935	Prospecting Permit	Bathurst Coal Limited	Waitaki	Otago Region

Coal resources and reserves

RESOURCES

Table 1 – Resource tonnes¹

AREA	2015 MEASURED RESOURCE (MT)	2014 MEASURED RESOURCE (MT)	CHANGE (MT)	2015 INDICATED RESOURCE (MT)	2014 INDICATED RESOURCE (MT)	CHANGE (MT)	2015 INFERRED RESOURCE (MT)	2014 INFERRED RESOURCE (MT)	CHANGE (MT)	2015 TOTAL RESOURCE (MT)	2014 TOTAL RESOURCE (MT)	CHANGE (MT)
Escarpment ²	3.1	3.1	0.0	2.2	2.2	0.0	1.0	1.0	0.0	6.3	6.3	0.0
Cascade ³	0.6	0.7	-0.1	0.6	0.6	0.0	0.3	0.3	0.0	1.5	1.6	-0.1
Deep Creek ⁴	6.2	6.2	0.0	3.1	3.1	0.0	1.6	1.6	0.0	10.9	10.9	0.0
Coalbrookdale	0.0	0.0	0.0	3.8	3.4	0.4	5.4	5.1	0.3	9.2	8.5	0.7
Whareatea West	7.6	7.7	-0.1	10.8	10.7	0.1	4.9	4.7	0.2	23.3	23.1	0.2
South Buller Totals	17.6	17.7	-0.1	20.5	20.0	0.5	13.2	12.7	0.5	51.3	50.4	0.9
Millerton North ⁴	0.0	0.0	0.0	1.9	1.9	0.0	3.6	3.6	0.0	5.5	5.5	0.0
North Buller ⁴	2.4	2.4	0.0	7.3	7.3	0.0	10.9	10.9	0.0	20.6	20.6	0.0
Blackburn ⁴	0.0	0.0	0.0	5.8	5.8	0.0	14.1	14.1	0.0	19.9	19.9	0.0
North Buller Totals	2.4	2.4	0.0	15.0	15.0	0.0	28.6	28.6	0.0	46.0	46.0	0.0
Buller Coal Project Totals	20.0	20.1	-0.1	35.5	35.0	0.5	41.8	41.3	0.5	97.3	96.4	0.9
Takitimu ⁵	1.6	1.2	0.4	1.7	1.7	0.0	1.3	1.9	-0.6	4.6	4.8	-0.2
New Brighton ⁴	0.0	0.0	0.0	0.7	0.7	0.0	3.5	3.5	0.0	4.2	4.2	0.0
Canterbury Coal ⁶	0.3	0.0	0.3	0.5	0.9	-0.4	1.3	2.4	-1.1	2.1	3.3	-1.2
Southland/ Canterbury Totals	1.9	1.2	0.7	2.9	3.3	-0.4	6.1	7.8	-1.7	10.9	12.3	-1.4
TOTAL	21.9	21.3	0.6	38.4	38.3	0.1	47.9	49.1	-1.2	108.2	108.7	-0.5

Note

All Resources and Reserves quoted in this release are reported in terms as defined in the 2004 and 2012 Editions of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia ('JORC').

All Resources quoted are reported as 30 October 2015 ASX Release – 'Update on Resources and Reserves'.

1 The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.

Resource tonnages have been calculated using a density value calculated using approximated in-ground moisture values (Preston and Sanders method) and, as such, all tonnages quoted in this report are wet tonnes. All Coal Qualities quoted are on an Air Dried Basis.

2 Escarpment Resources were depleted by mining. Further Resources were identified due to additional drilling and an updated geological model.

3 Cascade Resources were depleted by mining.

4 No additional work was undertaken on the coal resources for Deep Creek, Millerton North, North Buller, Blackburn and New Brighton since originally reported.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

5 In 2014 the Takitimu Resources were reported in two units 'Coaldale' and 'Ohai'. These were combined into the Takitimu area in 2015 as the Ohai area reported is contiguous with the Coaldale block of the Takitimu mine, and is covered by existing mining tenements.

6 Additional drilling and a revision of the geological model resulted in a greater understanding of the coal resource and, consequently, an overall decrease in the Resource tonnage.

Table 2 – Average coal quality – Measured

AREA	MEASURED RESOURCE (MT)	ASH% (AD)	VOLATILE MATTER % (AD)	FIXED CARBON % (AD)	SULPHUR % (AD)	CSN	INHERENT MOISTURE	IN SITU MOISTURE	CALORIFIC VALUE (AD)
Escarpment	3.1	18.5	32.8	47.8	0.6	7.0	0.9	5.5	28.5
Cascade	0.6	15.5	39.3	42.6	1.7	4.5	2.6	7.6	30.8
Deep Creek	6.2	11.0	32.9	53.9	2.5	–	2.2	5.2	29.7
Coalbrookdale	0.3	14.9	39.2	43.2	1.6	4.0	2.7	7.6	29.7
Whareatea West	7.6	23.0	24.2	52.2	0.8	7.0	0.6	6.3	26.8
Millerton North	–	–	–	–	–	–	–	–	–
North Buller	2.4	8.6	43.1	45.4	4.7	4.5	2.9	11.4	29.7
Blackburn	–	–	–	–	–	–	–	–	–
Takitimu	1.0	11.0	37.1	35.9	0.6	N/A	16.1	25.5	21.6
New Brighton	–	–	–	–	–	N/A	–	–	–
Canterbury Coal	0.3	8.2	36.0	40.3	0.8	N/A	15.6	24.7	22.3

Table 3 – Average coal quality – Indicated

AREA	INDICATED RESOURCE (MT)	ASH% (AD)	VOLATILE MATTER % (AD)	FIXED CARBON % (AD)	SULPHUR % (AD)	CSN	INHERENT MOISTURE	IN SITU MOISTURE	CALORIFIC VALUE (AD)
Escarpment	2.2	18.5	35.1	45.2	0.9	7.5	1.1	5.1	30.5
Cascade	0.6	14.8	38.3	44.5	1.8	4.0	2.4	8.0	29.3
Deep Creek	3.1	9.7	34.7	53.6	2.7	–	2.0	4.8	30.3
Coalbrookdale	3.8	18.4	36.3	43.5	1.4	5.0	1.8	6.1	30.0
Whareatea West	10.8	22.1	22.7	54.5	0.9	6.5	0.6	6.3	25.6
Millerton North	1.9	9.7	36.9	52.4	4.9	10.0	1.0	6.1	31.1
North Buller	7.3	8.8	42.6	46.3	5.1	5.0	2.3	9.4	30.0
Blackburn	5.8	3.9	42.1	51.8	4.3	6.0	2.2	10.1	30.4
Takitimu	1.6	9.2	35.6	38.5	0.3	N/A	16.7	26.1	21.5
New Brighton	0.7	10.1	39.5	33.6	0.5	N/A	16.8	17.9	23.0
Canterbury Coal	0.5	8.4	35.6	40.7	0.8	N/A	15.3	24.9	22.4

Table 4 – Average coal quality – Inferred

AREA	INFERRED RESOURCE (MT)	ASH% (AD)	VOLATILE MATTER % (AD)	FIXED CARBON % (AD)	SULPHUR % (AD)	CSN	INHERENT MOISTURE	IN SITU MOISTURE	CALORIFIC VALUE (AD)
Escarpment	1.0	18.3	35.3	45.0	1.2	7.0	1.4	5.2	30.2
Cascade	0.3	16.5	36.7	44.7	2.2	4.0	2.1	6.7	27.6
Deep Creek	1.6	10.1	29.7	57.8	2.4	–	2.4	7.1	29.7
Coalbrookdale	5.4	16.4	35.2	46.7	1.5	5.0	1.7	5.5	29.1
Whareatea West	4.9	21.7	21.3	56.3	0.9	6.0	0.7	6.3	24.6
Millerton North	3.6	12.0	35.3	51.6	5.5	9.0	1.1	7.2	30.2
North Buller	10.9	9.9	45.6	42.3	5.1	5.0	2.2	9.6	29.5
Blackburn	14.1	6.4	41.8	49.5	4.8	6.0	2.3	11.2	30.1
Takitimu	1.3	9.7	35.1	38.6	0.3	N/A	16.6	25.9	21.2
New Brighton	3.5	8.9	40.0	34.9	0.4	N/A	16.2	17.8	23.2
Canterbury Coal	1.3	8.5	35.3	39.9	0.8	N/A	16.3	25.5	22.0

RESERVES⁷**Table 5 – Coal Reserves (ROM⁸) tonnes**

ROM COAL AREA	PROVED (MT)			PROBABLE (MT)			TOTAL (MT)		
	2015	2014	CHANGE	2015	2014	CHANGE	2015	2014	CHANGE
Escarpment Domestic ⁹	0.0	3.0	-0.7	0.2	1.9	-1.2	3.0	4.9	-1.9
Escarpment Export ⁹	2.3			0.5					
Cascade ¹⁰	0.0	0.2	-0.2	0.0	0.2	-0.2	0.0	0.4	-0.4
Deep Creek ¹¹	0.0	5.8	-5.8	0.0	2.7	-2.7	0.0	8.5	-8.5
Coalbrookdale	0.0	0.0	0.0	0.0	2.2	-2.2	0.0	2.2	-2.2
Whareatea West	0.0	7.9	-7.9	15.8	10.5	5.3	15.8	18.4	-2.6
Takitimu	0.5	0.0	0.5	0.8	0.0	0.8	1.3	0.0	1.3
TOTAL	2.8	16.9	-14.1	17.3	17.5	-0.2	20.1	34.4	-14.3

Table 6 – Marketable Coal Reserves¹⁴ tonnes

AREA	PROVED (MT)			PROBABLE (MT)			TOTAL (MT)		
	2015	2014	CHANGE	2015	2014	CHANGE	2015	2014	CHANGE
Escarpment Domestic ⁹	0.0	2.4	-0.5	0.2	1.5	-0.9	2.5 ⁹	3.9	-1.4
Escarpment Export ⁹	1.9			0.4					
Cascade ¹⁰	0.0	0.2	-0.2	0.0	0.2	-0.2	0.0	0.4	-0.4
Deep Creek ¹¹	0.0	5.1	-5.1	0.0	2.4	-2.4	0.0	7.5	-7.5
Coalbrookdale ¹¹	0.0	0.0	0.0	0.0	1.7	-1.7	0.0	1.7	-1.7
Whareatea West ¹²	0.0	5.4	-5.4	9.9	6.2	3.7	9.9	11.6	-1.7
Takitimu ¹³	0.5	0.0	0.5	0.7	0.0	0.7	1.2	0.0	1.2
TOTAL	2.4	13.1	-10.7	11.2	12.0	-0.8	13.6	25.1	-11.5

Table 7 – Marketable Coal Reserves – Proved and Probable Average Quality

DEPOSIT ^{8,9, 12,13,14}	PROVED MARKETABLE ¹⁴						PROBABLE MARKETABLE ¹⁴					
	(MT)	ASH (%)	SULPHUR (%)	VM (%)	CSN (#)	CV (MJ/KG)	(MT)	ASH (%)	SULPHUR (%)	VM (%)	CSN (#)	CV (MJ/KG)
Escarpment Export	1.9	8.9	0.5	35.1	8.5	31.3	0.4	7.1	0.6	36.4	8.5	32.0
Whareatea West	N/A	N/A	N/A	N/A	N/A	N/A	9.9	12.1	0.9	26.0	9.5	31.9
Escarpment Domestic	N/A	N/A	N/A	N/A	N/A	N/A	0.2	11.0	1.5	35.9	7.0	29.1
Takitimu ¹³	0.5	9.2	0.5	37.2	N/A	20.9	0.7	8.6	0.3	36.1	N/A	21.0

Table 8 – Marketable Coal Reserve – Total Average Quality

DEPOSIT ^{8,12,13,14}	COAL TYPE	MINING METHOD	TOTAL MARKETABLE ¹⁴					
			(MT)	ASH (%)	SULPHUR (%)	VM (%)	CSN (#)	CV (MJ/KG)
Escarpment Export	Met	Open Pit	2.3	8.6	0.5	35.3	8.5	31.4
Whareatea West	Met	Open Pit	9.9	12.1	0.9	26.0	9.5	31.9
Escarpment Domestic	Thermal	Open Pit	0.2	11.0	1.5	35.9	7.0	29.1
Takitimu	Thermal	Open Pit	1.2	7.9	0.5	36.7	N/A	21.0

Note

All Reserves quoted in this release are reported in terms as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia ('JORC').

All Reserves quoted are reported as 30 October 2015 ASX Release – 'Update on Resources and Reserves'.

- 7 The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves. Reserve tonnages have been calculated using a density value calculated using approximated in-ground moisture values (Preston and Sanders method) and, as such, reserve tonnages quoted in this report are wet tonnes. All Coal Qualities quoted are on an Air Dried Basis.
- 8 Coal Reserve estimates (Run of Mine (ROM) tonnes), include consideration of standard modifying factors (JORC Code 2012).
- 9 Escarpment mine is split into Domestic and Export Reserves for reporting in 2015. Note: Domestic tonnes are included in the Export recorded total change in the table above. Decrease in the Export Reserves is based on a revised mine plan and economics.
- 10 Reserves at Cascade were depleted due to mining operations and reassessment of potential mining operations.
- 11 Removal of Coal Reserves for Deep Creek and Coalbrookdale due to revised economics.
- 12 Decrease in Coal Reserves for Whareatea West due to revised mining plans and economics.
- 13 New Reserve defined 2015.
- 14 Marketable Reserves are based on geologic modelling of the anticipated yield from ROM Reserves. Total Marketable Coal Reserves are reported at a product specific moisture content (10–12% for Escarpment Export and Whareatea West, 5–8% at Escarpment Domestic and 22–23% at Takitimu) and at an air-dried quality basis, for sale after beneficiation of the Total Coal Reserves, converted using ASTM D3180 ISO 1170. Reserve tonnages have been calculated using a density value calculated using approximated in-ground moisture values (Preston and Sanders method) and, as such, all tonnages quoted in this report are wet tonnes. All coal qualities quoted are on an Air Dried Basis.

Resource quality

The company is not aware of any information to indicate that the quality of the identified Resources will fall outside the range of specifications for Reserves as indicated in the above table.

Further Resource and Reserve information can be found on the company's website at www.bathurstresources.co.nz

Mineral Resource and Ore Reserves governance and estimation process

Resources and Reserves are estimated by internal and external personnel, suitably qualified as Competent Persons under the Australasian Institute of Mining and Metallurgy, reporting in accordance with the requirements of the JORC code, industry standards and internal guidelines.

All Resource estimates and supporting documentation are reviewed by a Competent Person either employed directly by Bathurst or employed as an external consultant. If there is a material change in an estimate of a Resource, or if the estimate is an inaugural resource, the estimate and all relevant supporting documentation is further reviewed by an external suitably qualified Competent Person.

All Reserve estimates are prepared in conjunction with pre-feasibility, feasibility and life of mine studies which consider all material factors.

All Resource and Reserve estimates are then further reviewed by suitably qualified internal management.

The Resources and Reserves statements included in Bathurst's 2015 Annual Report have been reviewed by qualified internal and external Competent Persons and internal management prior to their inclusion.

Competent Person statements

The information on this report that relates to Mineral Resources for Deep Creek and the Mineral Reserves for Escarpment Export and Whareatea West is based on information compiled by Sue Bonham-Carter who is a full time employee of Golder Associates (NZ) Ltd and is a Member of the Australasian Institute of Mining and Metallurgy. Sue Bonham-Carter has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Sue Bonham-Carter consents to the inclusion in this report of the matters based on her information in the form and context in which it appears above.

The information in this report that relates to Exploration Results and Mineral Resources for Escarpment, Cascade,

Coalbrookdale, Whareatea West, Millerton North, North Buller, Blackburn, Takitimu, Canterbury Coal and New Brighton is based on information compiled by Hamish McLauchlan as a Competent Person who is a full time employee of Bathurst Resources Limited and is a Member of the Australasian Institute of Mining and Metallurgy. Mr. McLauchlan has a B.Sc and M.Sc (Hons) majoring in geology from the University of Canterbury, and has had 19 years of experience in the mineral resource industry in New Zealand and offshore. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McLauchlan consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears above. This presentation accurately reflects the information compiled by the Competent Person.

The information on this report that relates to Mineral Resources and Reserves for Takitimu is based on information compiled by Damian Spring who is a full time employee of Premier Mining Consultants Ltd and is a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy. Mr. Spring has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

The information on this report that relates to Mineral Resources and Reserves for Escarpment Domestic is based on information compiled by Terry Moynihan who is a full time employee of Core Mining Consultants Ltd and is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Moynihan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Corporate directory

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Russell Middleton, Non-executive Director
Peter Westerhuis, Non-executive Director

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