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BATHURST
RESOURCES LIMITED

ANNUAL REPORT 2012



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ANNUAL GENERAL MEETING OF SHAREHOLDERS
To be held at 10am on Tuesday 20 November 2012:
Exchange Centre, 20 Bridge Street, Sydney

All \$ amounts referred to in this report are expressed in \$AUD unless otherwise noted



www.bathurstresources.co.nz

“OVER THE NEXT DECADES, WE’LL BE SHARING THE BENEFITS OF OUR BUSINESS WITH HUNDREDS OF NEW ZEALAND FAMILIES AND BUSINESSES AND CONTRIBUTING TO THE LONG-TERM PROTECTION OF THE CONSERVATION ESTATE IN THE SOUTH ISLAND”.

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ABOUT BATHURST RESOURCES

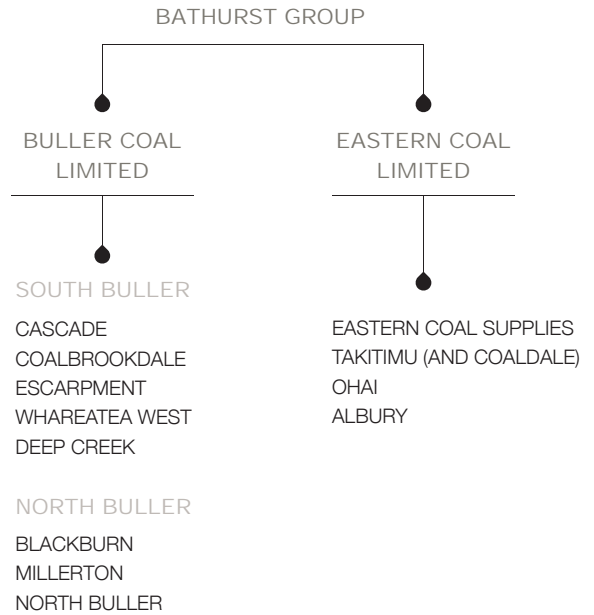
Bathurst Resources Limited was floated on the Australian Securities Exchange in December 2007 and listed on the New Zealand Exchange in November 2010.

The company is now well positioned as a modern New Zealand mining company with producing assets in the South Island and an operations office in Wellington. The company is already a producer of coal for the domestic thermal markets and is firmly focussed on becoming a leading exporter of high quality coking coal from its Buller Coal Project, near Westport, on the West Coast.

HIGHLIGHTS 2011/2012

- Settlement of Coalbrookdale acquisition
- Opening of new operations office in Wellington
- First shipment of Cascade coal leaves Westport
- Successful mediation of Residents' appeal against resource consents
- Execution of a Deed of Ground Lease for Port Taranaki
- Heads of Agreement signed with Westport Harbour Limited
- Increase in Reserves and Resources for the Buller Coal Project

ORGANISATIONAL STRUCTURE



Below: The Cascade mine, on the edge of the Denniston Plateau



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SECTION ONE

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WE ARE PLEASED TO PRESENT OUR ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE 2011/12 YEAR - A PERIOD OF SIGNIFICANT PLANNING, GROWTH AND PRODUCTION FOR BATHURST RESOURCES AS WE MOVE TOWARDS OUR GOAL OF BECOMING A LEADING NEW ZEALAND COAL PRODUCER.

L: Craig Munro, Non-Executive Chair, R: Hamish Bohannan, Managing Director. Below L to R: Craig Munro, Rt Hon John Key, Hon Phil Heatley, Hamish Bohannan



In March 2012, the New Zealand Prime Minister, the Rt Hon John Key, opened our new operations office in Wellington. Joined by a number of his parliamentary colleagues, and our business partners and supporters, the Prime Minister reinforced his support for organisations such as Bathurst that are providing jobs and economic benefits to the country while carefully managing environmental impacts.

Our new office reinforces our commitment to being a long-term member of the New Zealand community. We are a New Zealand-focussed company, listed on both the NZX and the ASX. All our operating assets are in New Zealand, with our primary asset, the Buller Coal Project, based at the epicentre of the country's proud mining heritage on the West Coast of the South Island.

During the year the company continued to focus on gaining full approvals for the development of its flagship Escarpment project, on the Denniston Plateau near Westport.



At the beginning of the reporting period, Escarpment was granted its resource consents. However, shortly after, the consents were subject to three appeals: one on the location of the proposed mine's infrastructure, one on the basis that climate change effects should be considered and one on environmental grounds. The first appeal was resolved through mediation and withdrawn. The Environment Court ruled that climate change effects were irrelevant in relation to the second appeal and the High Court has subsequently upheld that ruling. At the time of writing, leave for a further appeal to the Court of Appeal has just been granted and we are working with the other parties to have that appeal heard as quickly as possible.

The remaining appeal on environmental grounds is due to be heard in New Zealand's Environment Court during November with a ruling expected early next year.

Although we are confident of a positive ruling our preference is to reach a settlement with the remaining appellants prior to a court hearing and we are working hard to achieve that outcome.

We remain committed to the Buller Coal Project, which is expected to provide 225 new direct jobs on the West Coast and inject about NZ\$1 billion into the New Zealand economy over six years. We are optimistic we will be in production by mid-2013.

Key to this development is Escarpment which has the potential to produce 1 million tonnes per annum of high-quality coking coal for export to overseas customers. In the coming year we will be focussing on developing adjoining projects in South Buller and, later, bringing our North Buller tenements into operation. As the full Buller Coal Project comes on line we are targeting an increase in production to approximately 4 million tonnes per annum by 2018.

Meanwhile the Buller Coal Project continues to produce modest amounts of export coal and coal for domestic cement production from the Cascade mine, which is now ramping up to an annualised rate of 150,000 tonnes.

In anticipation of increased production from Buller when Escarpment comes into production, the company established coal facilities at the deep-water Port of Taranaki on the North Island and is close to completing its Stage 1 port upgrade of the Westport coal handling facilities.

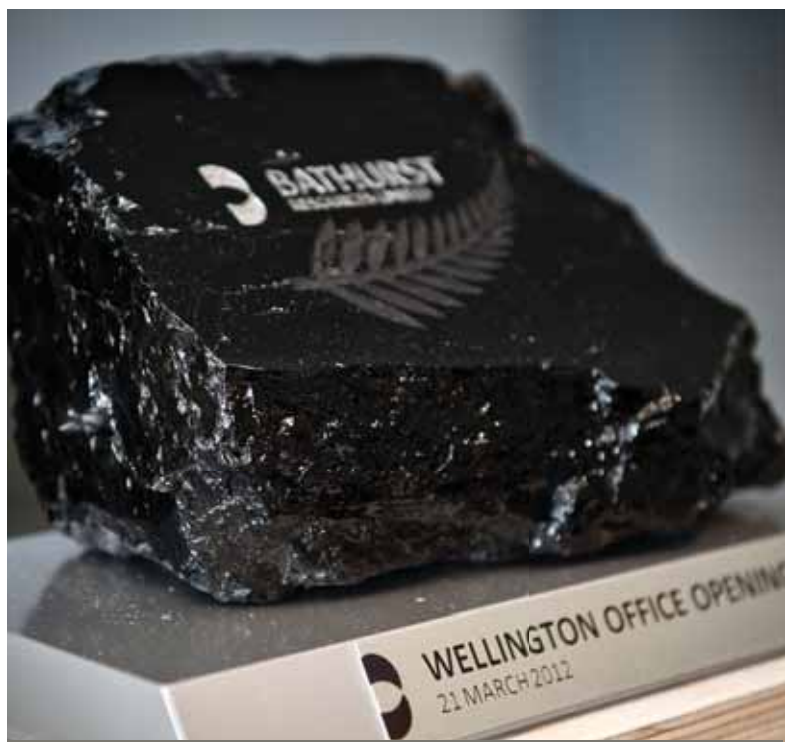
During the reporting period, we also commenced production at our new Coaldale block at the Takitimu mine near Nightcaps. Production from the Cascade mine at Buller and the Takitimu mine at Nightcaps continues to provide positive operational cash flow for the business.

As a company, our focus is not just on growth, but also on responsible development. During the year we established the independent Kaitiaki Environmental Reference Group to monitor our environmental performance and ensure that our programmes and systems comply with best practice.

More recently we were pleased to be invited to join New Zealand's Sustainable Business Council, an organisation established to promote business leadership in sustainability and focused, through its membership, on the balanced pursuit of economic growth, ecological integrity and social progress.

In March 2012, Bathurst was pleased to welcome on board our new Chief Operating Officer, Richard Tacon. Richard has over 30 years' experience in both the New Zealand and Australian coal industries. Richard joined Bathurst from Centennial Coal where he was General Manager Western Operations. Originally from New Zealand, Richard has now returned to be based in our Wellington office.

With our focus clearly on New Zealand, we are currently in the process of building up a strong Wellington based management team.



FINANCIAL RESULTS

With A\$53.8 million of cash in the bank and some earnings from small, existing coal operations, Bathurst is well-funded for the near term.

Total coal sales revenue reported for the year was \$16.5 million, derived from both the Buller Coal and Eastern Coal operations.

Our earnings showed a net loss for the group of \$21.5 million for the year to 30 June 2012 (2011: \$13.5 million). This was due to the impairment of the Eastern assets, unrealised foreign exchange losses on the deferred consideration for the L&M acquisition, and expensing of normal project development costs.

With our first full year of operations behind us we look forward to continued growth with a strong balance sheet to support our development and expansion activities.

In closing, we would like to acknowledge the efforts of our fellow directors, management and staff.

We would also like to extend our thanks to our shareholders. We appreciate your continued support in a year that has seen some setbacks, but has also seen the company firmly cement its position in New Zealand. We remain committed to returning value to all our stakeholders as we move towards becoming a pre-eminent coal producer.

CRAIG MUNRO | Non-Executive Chair

HAMISH BOHANNAN | Managing Director

THE 2012 FINANCIAL YEAR WAS A SIGNIFICANT ONE FOR BATHURST WITH THE COMPANY CEMENTING ITS PRESENCE IN NEW ZEALAND, BEING WELL PLACED TO ACHIEVE ITS GOAL OF BECOMING A MAJOR COAL PRODUCER.

The company's operations are focussed on New Zealand's South Island with the Buller Coal Project near Westport on the West Coast, the Takitimu mine at Nightcaps in Southland and a coal handling and distribution centre in Timaru.

In March 2012, Bathurst underpinned its commitment to New Zealand when the Prime Minister, the Right Hon. John Key, officiated at the opening of the company's office in Wellington.

OPERATIONAL

Bathurst's flagship development is the Buller Coal Project, a high quality export coking coal operation, targeting a 4 million tonne per annum production profile by 2018.

The first substantive stage of the Buller Coal Project is Escarpment, located on the historic Denniston Plateau adjacent to the Cascade mine. The plateau has long been recognised as one of New Zealand's most significant coal areas with a proud history of mining dating back to the 1800's. It produces valuable hard coking coal, sought by steel makers all over the world.



Below: The Buller Coal Project
1, Seddonville, 2, North Buller,
3, Millerton, 4, Blackburn, 5, Deep Creek,
6, Coalbrookdale, 7 Whareatea West,
8, Cascade, 9, Escarpment



REVIEW OF OPERATIONS

Resource consents were granted for the Escarpment permit in August 2011. Whilst the consents were appealed, the company was successful in resolving the first of these through mediation and is now in the process of working through the remaining two appeals.

The Buller Coal Project currently produces modest amounts of coal from the Cascade mine on the edge of the Denniston Plateau, part of the Eastern Resources Group acquisition which was finalised in March 2011. The Cascade mine was previously a small volume mine producing coal for the local cement market. Production is now ramping up to 150,000 tonnes per annum of semi soft coking coal targeting the export market. The coal from the Cascade mine is also in demand by the ferro silicon metals market and trial shipments have already commenced to an end user in Australia.

Drilling in the areas surrounding the Cascade mine has identified further coal adjacent to the current Mining Permit (MP), which will extend the life of mine by up to eight years.

During 2012 the company completed the acquisition of the Coalbrookdale assets, a strategic tenement package at South Buller also adjacent to the company's Escarpment permit and operating Cascade mine. An access arrangement and wildlife permit authority have been issued by the Department of Conservation for ongoing exploration at Coalbrookdale. During the year, and subsequent to year end, a total of 79 holes were drilled across the Coalbrookdale permits. Coalbrookdale is currently fully consented for underground mining. The company however the company is reviewing its development plans with a view to making an application for open cast mining.

Drilling produced encouraging results at Bathurst's Whareatea West Exploration Permit ("EP"), concentrating on the western area, and the adjacent West Plateau EP. An appraisal extension for a further two years was granted for the Whareatea West EP.

Bathurst has continued exploration on the North Buller Project during the year, with two rigs committed to an extensive programme to delineate the extent of the resource across several permits in the area.

This programme is ongoing to prove up reserves with an aim of bringing the first permits into production in late 2016. The results of an independent scoping study on North Buller are currently being reviewed.

Bathurst has now commenced infrastructure upgrades at the Ports of Taranaki and Westport, securing a route to the export markets of South East Asia and India. Coal facilities were installed at the deep water port of Taranaki during the year. Similar facilities are currently being constructed at Westport for completion in December 2012.

In Southland, mining operations at the Takitimu mine extended into the adjoining Coaldale block to access a further six years of resource. A new mining permit was granted as part of that extension.

At Albury, near Timaru, Bathurst holds Prospecting Permit 52484 over an area of 838 square kilometres which is prospective for thermal coal. During the year, desktop studies and trenching were undertaken to define areas of interest prior to making application for an EP.



L to R: Craig Pilcher, Eastern GM, , Pat McManus, Buller District Mayor, Richard Tacon, Bathurst COO,



L to R: John Low, Takitimu Coal operator, Mike Borthwick, consultant, Sam Aarons, Bathurst GM Corporate Relations

PRODUCTION

Bathurst operates two coal mines in New Zealand, the Takitimu Mine (Eastern Coal) and the Cascade Mine (Buller Coal). Production figures of Takitimu and Cascade for the year ended 30 June 2012 are set out below.

OPERATION	PRODUCTION (Tonnes)	OVERBURDEN (BCM)
Eastern Coal	148,071	1,322,033
Buller Coal	59,285	1,583,963
TOTAL	207,356	2,905,996

Eastern Coal

Takitimu Coal Limited (ML 37079)

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 operations is railed to a number of major industrial customers in the Southland, Otago and South Canterbury areas.

The resource in the main Takitimu pit will deplete by the end of the 2012 calendar year and operations have now expanded into the adjacent Coaldale block. The original pit is progressively being backfilled and rehabilitated as final coal winning takes place.

A tender for mining services for the Coaldale block was awarded to NZ mining contractor, Stevenson Mining Limited.

The resource consent for the Coaldale extension was granted in July 2011, with approvals for a 24 hour/7 day a week operation if required.

MP 53614 was issued in June 2012 to cover a small tonnage of Crown coal within the area. Stripping commenced in the block in April 2012 in conjunction with the construction of haul roads, and water treatment and sediment control ponds. Coal winning from the Coaldale block commenced in May 2012.

Access to the area was initially by way of a royalty agreement with the landowner. In February 2012 an offer was made to acquire the property on which Coaldale is located. For Bathurst, this was a strategic acquisition that would substantially improve the project economics at Takitimu.

Having access to the complete area of the property will also enable the company to realise the full potential of the coal resource that exists there. Further, it will result in a significant reduction in the operating costs of handling overburden and eventual rehabilitation. Under the landowner agreement, overburden had to be transported to segregated stockpiles at an area some distance away, incurring onerous haul costs. The ability to locate overburden stockpiles in the immediate vicinity of the pit will greatly reduce those costs. Additionally Bathurst will no longer be required to make ongoing royalty payments to the land owner.

Full ownership of the land will also allow for access into other adjacent areas prospective for quality sub bituminous coal. It also gives the company an asset that can be sold when operations are completed.

In July 2012, subsequent to year end, Overseas Investment Office ("OIO") approval was received to acquire the property and the transaction will complete in December 2012.



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In April 2012, Deputy Prime Minister and Southland MP, the Hon Bill English, visited the Takitimu mine site to gain an insight into the expansion plans which will see the production of over two million tonnes of sub bituminous coal, creating jobs in the local community and meeting the energy needs of the region.

Buller Coal

Cascade Coal Limited (MP 41455)

The Cascade mine is the first production block in the South Buller operation and is adjacent to the Escarpment and Coalbrookdale blocks.

The Cascade mine has historically produced approximately 45,000 tonnes per annum of high value, low contaminant coal for the local industrial market.

During the year drilling identified a significant tonnage of coal in the EP adjacent to the Cascade mine. Subsequent to period end, an application was granted for an Extension of Land ("EOL") to include the area of additional resource under the existing MP. Production is now planned to be ramped up to 150,000tpa by increasing the workforce, introducing a 24 hour/ 7 day a week roster, and commissioning new plant and equipment. This will open up the opportunity for export sales in addition to fulfilling contracted commitments in New Zealand.

Initial shipments of coal from the Cascade mine took place out of Westport in November through to Port Taranaki, New Plymouth. Coal was also sent via the Port of Lyttelton to a ferro silicon producer in Australia. Shipments through Westport have since halted whilst the company constructs covered storage and improved coal handling facilities there as the first stage of its planned port upgrades.

BULLER COAL PROJECT

Escarpment Resource Consents

Buller Coal Limited, Bathurst's wholly owned subsidiary, was granted resource consents for Escarpment by an independent panel of commissioners representing the West Coast Regional Council and the Buller District Council in August 2011.

The resource consents were appealed by three parties; the West Coast Environmental Network Incorporated ("WCENT"), the Fairdown-Whareatea Residents' Association Incorporated ("Residents") and the Royal Forest & Bird Protection Society of New Zealand Incorporated ("Forest & Bird").

In December 2011, Bathurst entered into mediation with the Residents. Concurrently with the mediation, Bathurst undertook a comprehensive review of the Escarpment project which resulted in a revised plan, resolving the Residents' issues and incorporating improvements to the infrastructure layout, further reducing the environmental impact of the project on the plateau. The resultant changes have the support of the Residents who withdrew their appeal on 27 April 2012 and published a letter confirming their full support of the project. The other parties who "co-joined" in the Residents' appeal agreed with the Residents' application being withdrawn.

Bathurst regards engagement on a local basis as fundamental to its on-going operations, and was pleased to see a successful mediation which turned community opposition into community support.



L: Denniston Plateau



On 27 March 2012, Bathurst attended a hearing in relation to the appeals before the New Zealand Environment Court. The purpose of the hearing was to determine the validity of considering climate change as a factor in granting resource consents. On 30 April 2012, Bathurst received a positive decision from Judge L J Newhook, the Acting Principal Environment Judge.

The Court granted the declaration sought by the company that, in considering applications for consent for the Escarpment project, the Court cannot have any regard to the effects on climate change of discharges into the air of greenhouse gases. The climate change declaration was appealed by Forest & Bird and WCENT. The appeal was heard by the High Court subsequent to the year end on 30 July 2012, and on 24 August 2012 a decision was handed down upholding the original decision made by Judge Newhook.

A further appeal was lodged by WCENT on 11 September 2012. At the time of writing this report, an application for Leave to Appeal has been made to the High Court. A decision is yet to be handed down on this. Should the appeal be accepted, the parties should also receive an indication of a hearing date at the same time.

The Environment Court has delivered a timetable for the hearing of the remaining appeal. In accordance with the timetable, Buller Coal Limited lodged its evidence with the Court on 18 June 2012. The hearing will commence in Christchurch on Monday, 29 October 2012. The Court has set aside four weeks for the hearing, as well as a two week break. The final week of the hearing will commence on Monday, 3 December 2012.

Revised plan for Buller Coal Project

During the mediation process with the Residents, Bathurst was able to review the existing infrastructure plan for Escarpment, the first stage of the Buller Coal Project. The company has now put in place an improved plan which both addresses the Residents' concerns and provides greater long term benefits for the company. These include an optimised mining schedule, more efficient use of resources and infrastructure, lower operating costs and a significant reduction in environmental effects.

In creating the revised plan for the project, Bathurst tested the assumptions on which Bathurst's predecessor, L&M Coal Holdings Limited's ("L&M") planning and permitting applications were made whilst acknowledging the previous constraints upon L&M.

The original proposal was based on mining the Escarpment block, constructing a coal washing plant on the plateau and transporting the coal via a pipeline to a stockpile facility on the lowland at Fairdown. Since the original proposal, Bathurst has acquired the Cascade, Coalbrookdale and Whareatea West blocks, adjacent to Escarpment, and is looking to acquire additional land on the coastal plain, which has given the company more options for the location of infrastructure.

REVIEW OF OPERATIONS

The revised plan eliminates the technical risk associated with the pipeline, commits to an aerial system of coal transportation, delivers a better capital profile and significantly reduces the environmental effects of the Buller Coal Project.

It also incorporates an improved mine schedule for the Escarpment block based on the data from the recent drilling programme. The schedule now provides for mining low ash virgin coal from the western side of the mining area in the first stages rather than the original plan which was to first recover coal from the old underground workings where contamination with rocks and overburden is likely to have occurred. Mining in this sequence will defer the immediate need for a washplant as the virgin coal is saleable in its raw state.

Initial production rates from Escarpment are expected to be approximately 500,000 tpa as the coal will be trucked from the plateau until the new aerial transport infrastructure has been constructed and permitted. Additionally some 150,000 tpa will continue to be trucked from Cascade.

North Buller

North Buller is the next development target at the Buller Coal Project. The North Buller prospects comprise Seddonville, Ngakawau, Millerton, Fly Creek and Blackburn. Part of Seddonville is held under the Coal Creek EP and the remaining deposits fall under the Buller EP.

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. The revised location of the washplant for South Buller at the new stockpile site on the coastal plain negates the requirement for duplicated infrastructure for coal handling from the North Buller region.

Coal will be trucked from the North Buller sites to the stockpile area for beneficiation and loading onto rail for export through the ports of Westport or Lyttelton.

In conjunction with the review of a scoping study of the area, two drill rigs have been dedicated to drilling in North Buller during the year. These have been concentrated in the Seddonville area, mainly on land held by the Ngai Tahu Forest Estates Limited. Bathurst is also making application for an Access Arrangement to drill the areas of Crown land held by the Department of Conservation within its North Buller permits.

Bathurst has employed a leading environmental consulting group to commence a study of the environmental values of the Buller region. The study will assess the known ecological, historical, recreational, cultural and social values of the area. This information will be mapped and the outcomes will feed into a planning process to assist Bathurst to develop a long term strategic plan for the region.

The Buller Coal Project is expected to be fully funded, after allowing for existing cash reserves and an anticipated US\$90 million in borrowing facilities available under agreements that Bathurst aims to conclude with its offtake partners in the coming months.

Below L: Tammy Livermore, Cascade Coal truck driver
Below R: Jasmine Hoetjes, Buller Coal exploration geologist



REVIEW OF OPERATIONS

Development of Buller Coal Project

In the last year Bathurst has significantly developed the logistics plan for the Buller Coal Project. In January 2012, the company announced the execution of a Deed of Ground Lease with Port Taranaki. This agreement marks a significant milestone for the Buller Coal Project, forming a key step in the logistics chain and further securing the route to market. The lease allowed Bathurst to construct storage sheds adjacent to a deep water berth to accept the incoming coal from the port of Westport. The overall facility is large enough to allow for future expansion as the company continues to develop and enter new projects.

Another key step in the logistics chain was secured in the previous financial year by signing a Heads of Agreement with Westport Harbour Limited to give Bathurst exclusive use of a coal handling facility to ship the coal from the Buller project. Bathurst will also enter into a joint venture arrangement with Westport Harbour Limited to facilitate a NZ\$30 million (A\$23.5 million) redevelopment of the existing port into an efficient bulk coal handling facility. Bathurst is currently finalising the documentation for this transaction.

Construction has recently commenced on stage one of this redevelopment, with the building of a NZ\$5 million (A\$3.9 million) 9,000 tonne capacity storage facility which is expected to be completed by December 2012. This facility will have the capability to receive coal by truck and later, by rail via an overhead conveyor. The new upgraded facility will eventually have the ability to load vessels at either the river wharf or the inner wharf. Nelson based firm, Brightwater Engineering, has been engaged to design and construct the facility.

CORPORATE

Bathurst's Wellington office was officially opened by New Zealand Prime Minister, Rt Hon John Key on 21 March 2012. The Wellington office underpins the company's long term commitment to New Zealand and will be the main office for the New Zealand operations. The Prime Minister acknowledged Bathurst's activities as important in economic terms for New Zealand. Bathurst also has project offices at Westport and Nightcaps in the South Island and a coal handling and distribution centre in Timaru.

In March 2012, Richard Tacon commenced as the company's Chief Operating Officer. Mr Tacon is based in the Wellington office and is responsible for Bathurst's existing coal mines and the development of the high quality coking coal projects on the Denniston Plateau. Mr Tacon was born in New Zealand and has significant experience in the local and international coal industry in both underground and open cast operations.

During the year Bathurst announced the formation of an Environmental Reference Group, chaired by eminent New Zealand conservationist, Mr Guy Salmon. The group is called the "Kaitiaki Group". Kaitiaki is a Maori name which embodies the concept of guardianship of the natural environment. It has been established to actively monitor and guide Bathurst's environmental performance and reports to the Bathurst board.

The group comprises independent representatives with experience in the particular environmental needs and challenges posed by operations in New Zealand. It also includes Mr Rob Lord, an independent and non-executive director of Bathurst.

The US operations of the company have now been wound up with the State of Delaware cancelling the incorporation of Bathurst Resources USA LLC on 1 June 2012.

FINANCIAL

The group made a net loss before tax for the year of \$25.9 million (2011: \$15.1 million). The net loss before tax comprised of the following key items:

	\$'000
Operating mines	(895)
Impairment loss	(6,365)
Deferred consideration fair value, foreign exchange, and unwinding adjustments (see table below)	(8,893)
Project development costs expensed, administration & support costs	(13,193)
Share based payments	95
Net interest revenue	3,378
Net loss before tax	(25,873)
Income tax benefit	4,353
Loss for the year after income tax	(21,520)

Included in the \$8.9 million loss relating to deferred consideration adjustments (shown in the table below) is \$7.0 million of unrealised foreign exchange losses due to a weakening NZ dollar relative to the US dollar (the deferred consideration is payable in US dollars). The deferred consideration only becomes payable upon sales targets as set out in note 17 to the financial statements and as such is considered to be naturally hedged against US dollar sales receipts expected at the time the deferred consideration falls due.

	\$'000
ADJUSTMENT TO DEFERRED CONSIDERATION	
Fair value gain (through income statement)	1,905
Foreign Exchange loss on deferred consideration	(6,987)
Unwinding of discount rate	(3,811)
Total income statement impact of deferred consideration	(8,893)

In addition, the deferred consideration adjustment includes a \$1.9 million fair value gain and \$3.8 million of finance charges. The accounting standards require deferred consideration to be deflated to reflect the time value of money, as the repayment date for the deferred consideration draws nearer the effect of this deflation is unwound to the income statement.

REVIEW OF OPERATIONS



During the year a review and analysis of the Eastern Coal business was undertaken which noted a coal supply contract with negative margins. As a result of this review an impairment loss of \$6.4 million was recorded against the assets of the Eastern Coal business.

The review of the Eastern Coal business continues and business improvement initiatives are to be implemented.

The cash outflow for the group for the year was \$33.9 million (2011: \$79.0m inflow) which included operating cash outflows of \$7.1 million (2011: \$6.0 million). The operational cash out flow comprised:

	\$'000
Operating mines	504
Net interest received	3,711
Project development, administration & support costs paid	(10,224)
Income taxes paid	(1,081)
Cash out flow from operations	(7,090)

Operating mine cash flows were adversely impacted during the year as the operations extinguished current mining blocks and moved into new areas at both the Cascade and Takitimu operations. When steady state export sales from Buller are established, the cash flows from mining operations are expected to improve. Income taxes paid related to profits generated in the 2011 financial year.

Other significant cash flows for the year include the settlement of the Coalbrookdale asset acquisition for \$7.4 million, payments for property, plant and equipment of \$8.5 million and exploration, evaluation, and consenting costs of \$8.2 million.

During the year, \$3.0 million was raised on the issue of shares on the exercise of options, including \$0.1 million received for shares issued in July 2012.

The consolidated entity had \$53.8 million cash on hand at 30 June 2012 (30 June 2011: \$87.4 million).

Top: Ainsley Ferrier, Buller Coal mine planning manager
Bottom: Tony Fox, Cascade Coal mine manager

BATHURST RESOURCES PLACES A STRONG EMPHASIS ON ENGAGEMENT – WITH OUR STAFF, CONTRACTORS AND STAKEHOLDERS, WITH OUR SHAREHOLDERS, AND WITH THE COMMUNITIES IN WHICH WE WORK.



The company is committed to regular communications through newsletters, website updates, and presentations to investors, and business and community interest groups. Click on www.youtube.com/bathurstresources to view our YouTube site for video clips on the Escarpment project, our people, and local community stakeholders. Visit our website on www.bathurstresources.co.nz

Email the company direct on info@bathurstresources.co.nz

THE COMPANY'S APPROACH TO SUSTAINABILITY IS BASED ON A MODERN DEFINITION OF SUSTAINABLE DEVELOPMENT, WHICH IS "ENSURING A BETTER QUALITY OF LIFE FOR EVERYONE, NOW AND FOR GENERATIONS TO COME."

The South Island iwi of Ngai Tahu eloquently capture this principle in their vision:

Mō tātou, ā, mō kā uri ā muri ake nei:
For us and our children after us.

Bathurst supports this vision and is committed to delivering positive outcomes for present and future generations through careful stewardship of its assets, resources and activities.



PEOPLE, COMMUNITIES, ENVIRONMENT

At the heart of the Bathurst family of businesses is the safety and wellbeing of its people as well as the health and welfare of those in the communities in which it works. Sound environmental management is also paramount to Bathurst's values.

As a miner, Bathurst is immersed in understanding environmental impacts through geological surveys, environmental planning, management of infrastructure, and extraction of natural resources, regeneration of natural landforms and habitats, and reinvestment in the conservation estate.

OUR PEOPLE

The wellbeing of Bathurst's people, both employees and contractors, and those who live near its operations, is the company's first priority.

Every person who joins the company is provided with comprehensive training in health and safety practices, resulting in a workforce that emphasises trust, respect and safety awareness.

Bathurst constantly monitors its health and safety performance to ensure safe working practices are understood and followed, and looks for ways to achieve continuous improvement.

"Bathurst is committed to the responsible care of its employees, contractors and local communities"

COMMUNITIES

Bathurst is focused on being a good neighbour and sharing the benefits of its projects with the communities in which it operates through business partnerships and community-based initiatives.

Supporting local businesses

Through its Buller Coal subsidiary in Westport, Bathurst has formed alliances with West Coast businesses that provide services to the company's mine sites.

"Bathurst works with neighbours, employees, community groups and other stakeholders to add value to the communities in the company's operational areas"

Community liaison

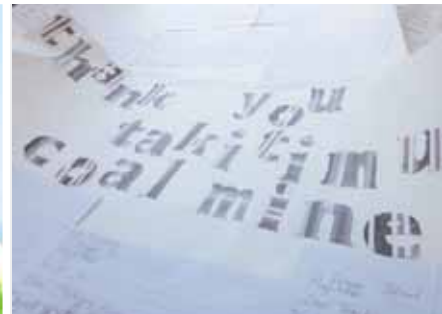
At its Takitimu mine at Nightcaps in Southland, Bathurst Resources subsidiary, Eastern Coal has established a successful relationship with the local Community Development Association and has regular interaction with neighbours, local residents and businesses of the region to anticipate and assist in resolving issues relating to the company's mining activities. Buller Coal is in the process of establishing a similar group in Westport as an integral component of the Buller Coal Project.

Community sponsorship

Throughout 2011-12, Bathurst continued to develop its community involvement in a number of areas, including:

- Inaugural Buller Coal scholarship for Buller High School graduate Renee Straker to study science at the University of Canterbury
- Sponsorship of the Denniston Chaingrinder mountain bike event in Westport
- Support for the Denniston Hill Climb motorcar rally in Westport
- Sponsorship of Buller Rugby Union
- Eastern Coal's sponsorship of NZ Safety's 1,300km Tour of New Zealand cycle race
- Support for Timaru's Caroline Bay Aquatic Centre
- Support for Nightcap's primary schools
- Sponsorship of the Gowan Mountain Bike race

Below: Buller Coal mountain bike team L to R: Jasmine Hoetjes, Michael Kingsbury, Marianne Rogers, GM Buller Coal, Howie Wilson
Below R: Renee Straker, scholarship winner



"WE ARE WORKING TO ACHIEVE BEST PRACTICE IN MANAGING THE ENVIRONMENTAL AND SOCIAL IMPACTS OF OUR MINING AND PROCESSING OPERATIONS."

ENVIRONMENT

Bathurst understands the importance New Zealanders place on the natural environment.

The company shares this view, and has laid the foundations for best practice in environmental management of its mining activities.

This includes the establishment of the Kaitiaki Environmental Reference Group to monitor the company's environmental performance, ensuring that rehabilitation is a central part of operations. Bathurst is also proposing a range of biodiversity offsets and compensation to protect plants and animals in and around the Denniston Plateau to ensure an overall and ongoing net benefit to the conservation estate.

Kaitiaki Environmental Reference Group

In September 2011, Bathurst established the Kaitiaki Environmental Reference Group - an independent body charged with actively monitoring and guiding Bathurst's environmental performance.

Kaitiaki is a Maori term which embodies the concept of guardianship of the natural environment.

The Kaitiaki Group is an initiative by Bathurst to ensure that the company applies best practice in its environmental management by providing a forum for discussion between the company and its relevant stakeholders on environmental issues.

The group reports to the Bathurst board of directors and is tasked with delivering commentary and advice on the company's performance to achieve the following outcomes:

- environmental best practice by management and staff
- best practice environmental decision-making processes and policies
- responsiveness to the changing needs and expectations of stakeholders
- assurance of Bathurst's record of responsible, environmental stewardship

The Kaitiaki Group is chaired by Guy Salmon – a renowned New Zealand conservationist and Executive Director of the Ecologic Foundation, an independent sustainability think tank, based in Nelson, New Zealand.

Other members include Dr Colin Meurk, an ecologist and restoration specialist at Lincoln University's Landcare Research; Peter Hansen, a Brisbane-based specialist in the environmental management of coal mines; Toko Kapea, a lawyer and iwi liaison specialist; and Rob Lord, a graduate in chemistry and zoology from the University of Waikato, and a non-executive director of Bathurst.

At Buller, the Kaitiaki Group aims to work with other interested parties to define areas of the Denniston Plateau that should be protected for their biodiversity value, as a large conservation reserve.

This underpins Bathurst's belief that mining activity and a conservation reserve can successfully co-exist.

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Environmental rehabilitation

As part of its commitment to best practice environmental management, Bathurst has devised a carefully-phased rehabilitation programme that enables ecosystems to thrive during operations, and after mining activities have ended.

The overall goal is to create environmental conditions that are compatible with the natural landscape, and from which an indigenous ecosystem can thrive post mining.

Bathurst's approach involves the staged application of rehabilitation activities during exploration and development phases as well as during the actual mining activities, as opposed to undertaking large-scale rehabilitation works at the conclusion of mining. The aim is to disturb as little area as possible for the shortest period of time.

One of the rehabilitation techniques employed on the Denniston Plateau will be Vegetation Direct Transfer (VDT), where vegetation and soil is moved directly from one site to another. This process has already been used by Bathurst to rehabilitate parts of its Coalbrookdale stockpile site.

A digger lifts the vegetation and immediate subsoil in one intact layer and transfers it to another site, resulting in immediate cover. Supplementary seeding and planting is undertaken to boost the overall recovery of the transferred shrubs and plants. This technique, as practised by Bathurst and other companies, has been used extensively with excellent results in the rehabilitation of indigenous bush in high altitude plateau environments similar to that of the Denniston Plateau.

Bathurst is also committed to undertaking appropriate biodiversity offset and compensation programmes to ensure a net environmental gain.

"Bathurst is dedicated to the responsible extraction and use of the mineral resource in a manner that respects the historical, cultural and environmental associations in the local area of operation and that has a positive impact on both the regional and national economies."

Image, below: 'Cut and Cover' mining operations and mine rehabilitation.

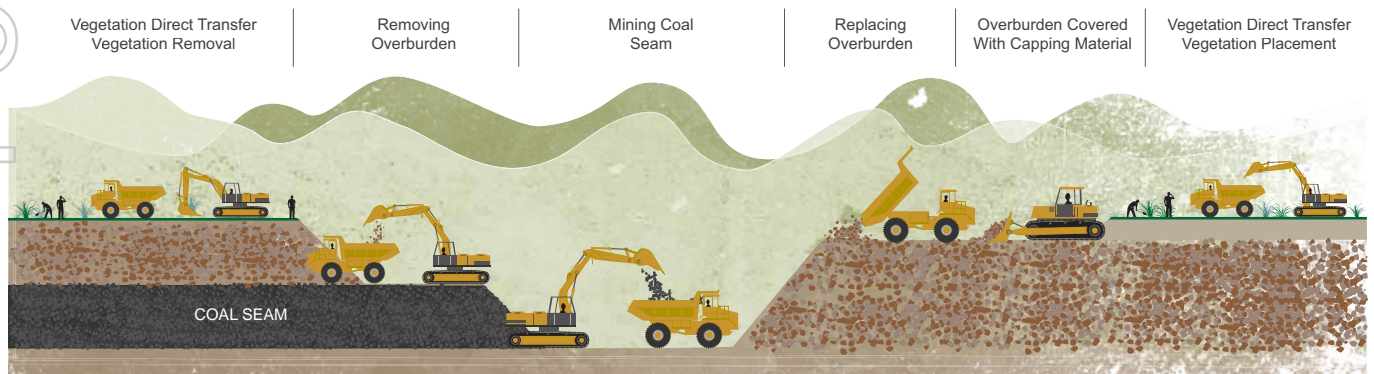


At Escarpment, the company has proposed a programme of predator management over 5,620 hectares of the Heaphy region with the Department of Conservation for at least 35 years to help protect and monitor populations of the Great Spotted Kiwi.

At Takitimu, whilst mining and associated land disturbance is all on agricultural land, rehabilitation is still of high importance and an integral part of the mining process. Overburden material is stored in segregated stockpiles which are revegetated whilst in storage for erosion and dust mitigation.

The soil is reinstated in its original layers and reformed to follow the pre-mining contours as close as practicable.

After site stabilisation, topsoils are reinstated and sown in pasture, at which point the land use can revert back to farming.





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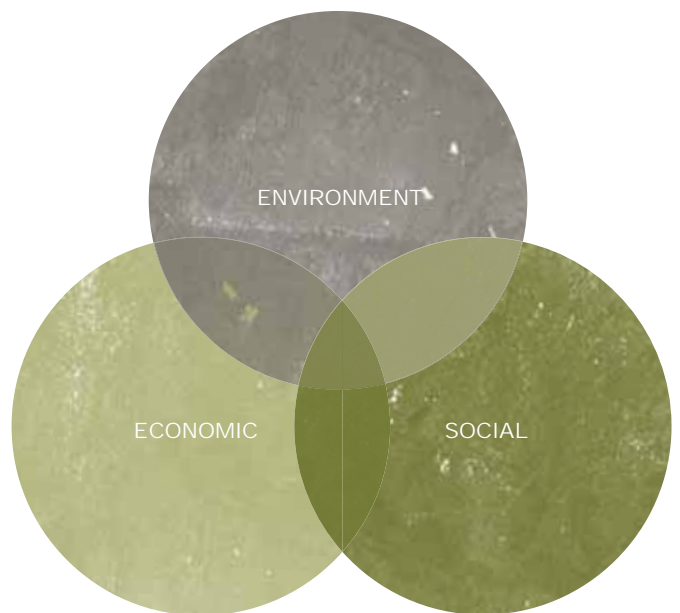
THE FUTURE

In mid-2012, Bathurst was invited to join the Sustainable Business Council – a partnership between Business New Zealand’s Sustainable Business Forum and the Business Council for Sustainable Development. The SBC is New Zealand’s peak business sustainability body.

In future, Bathurst Resources will report on its sustainable development progress, using the SBC’s framework for Sustainable Development Reporting (SDR), which takes into account economic, environmental and social impacts.

“Bathurst looks forward to continuing to make significant positive contributions to the economy and community, while mitigating its environmental impacts and ensuring the company delivers a net environmental gain to New Zealand’s conservation estate for generations to come.”

Above: Plant nursery at Westport - As part of Buller Coal’s rehabilitation programme, local plants are propagated from seed, cuttings and wildings. Once the plants reach a certain size, they are then planted in areas for restoration.



BULLER COAL WORKS CLOSELY WITH THE DEPARTMENT OF CONSERVATION TO ENSURE THE PROTECTION OF NEW ZEALAND'S UNIQUE SPECIES.



PROTECTING THE KIWI

The Great Spotted Kiwi is endemic to the South Island of New Zealand. Once numerous, there are now less than 16,000 in total, almost all of which are found in the higher altitude areas of northwest Nelson, the Paparoa Range, and near Arthur's Pass. Their population is estimated to be declining at about 2% per annum and their main threat is predation from stoats.

The Great Spotted Kiwi is the tallest kiwi, at about 45 centimetres tall. The birds have only one mate at a time and generally mate for life. One pair's territory can be 25 hectares in size. The breeding season begins in June and ends in March, so any mining related activities that are undertaken during this period in areas known to be kiwi habitats are preceded by a search to identify any evidence of breeding. If any eggs or chicks are discovered in areas that may be impacted by activity, they are removed to a safe rearing facility. Once the chicks attain a predator proof size of around 1kg they are released back into the wild.

In September, a search for Great Spotted Kiwi nests was conducted in the area marked for the expansion of the Cascade mine. Buller Coal staff worked alongside contractors, James Fraser and Natasha Coad from consultancy 'With a Nose for Conservation'. This company specialises in locating threatened bird species using a specially trained and certified dog team.

They found no evidence of nests or dependent chicks. A male kiwi call was heard and an adult female bird was located. She showed no signs of breeding and was released. The proposed area for disturbance was only a small part of the pair's overall territory and the birds identified will easily relocate to the undisturbed areas without any impact on their breeding cycle.

Top L: James Fraser, consultant, Top R: 'Percy'
 Middle from L: Nathasha Coad and James Fraser, consultants, with dogs, 'Percy' and 'Breeze'
 Bottom R: Cascade mine site
 Opp Page: Trish Costelloe, Buller Coal environmental planner



OUR PEOPLE

EXECUTIVE MANAGEMENT TEAM

RICHARD TACON

Chief Operating Officer

Since starting his career in the 1970s, Richard has worked in almost every role in the coal mining industry.

His first job in the industry was at Greymouth's Liverpool State Mine, owned by the New Zealand Government. He moved to Australia to further his mining career. Following his work at the coalface, he went on to hold several management roles in mines around Australia, working his way from undermanager to general manager. Richard has held senior leadership roles for the past decade.

Richard holds first, second and third class coal mining qualifications and studied at the Otago School of Mining. He has also spent 15 years on a rescue crew, making him familiar with the principles and practice of mine safety.

After living and working in Australia for 32 years, Richard returned to New Zealand to take up his current post with Bathurst.

CRAIG PILCHER

General Manager, Eastern Coal Limited

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 a period 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.

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 as General Manager of Eastern Coal when the Eastern assets were acquired in March 2011. He is based in Timaru at Bathurst's coal handling and distribution centre.

MARIANNE ROGERS

General Manager, Buller Operations

Marianne was a recipient of the State Coal Mines scholarship in New Zealand and since then has spent over 20 years in the mining sector. She was the first female to graduate with a Bachelor of Engineering in Mining from the University of Auckland.

After graduating in 1991, Marianne began her career as an underground miner for Mount Isa Mines in Queensland. Since then she has worked as a Senior Leaching Engineer for Adelaide Brighton Cement Limited, a registered Underground Mine Manager for Australian Resources Limited and as a Senior Mining Engineer for International Mining Consultants Pty Limited.

In 2005, Marianne completed a Bachelor of Law with First Class Honours at Queensland University of Technology and after working at Minter Ellison, returned to mining with Peabody Energy before joining Bathurst.

Marianne returned to New Zealand to take up her position with Bathurst, based in Westport.

Top L: Sam Aarons, Middle: Craig Pilcher, Top R: Marianne Rogers, Bottom R: Tim Manners, Bottom L: Richard Tacon.



OUR PEOPLE

GERALD COOPER

Executive General Manager Engineering & Construction
Gerry has 35 years' experience in the marine, mining and electricity generation industries and is a member of the Australian Institute of Company Directors.

After graduating as a Marine Engineer in London in 1976, he travelled the world, working as a seagoing engineer before moving onto the power generation field.

Gerry has held engineering and maintenance roles for Monadelphous Engineering, Cyprus Gold, Arimco, Copper Mines of Tasmania, Pegasus Gold, Acacia Resources and WMCF Phosphate Hill. He has been Engineering Manager for AshantiGold in Guinea and Iluka Resources in the United States, Group Engineering Manager for IAMGold, and Vice President, Engineering and Maintenance with Braemore Resources in Australia.

Gerry is based in Bathurst's Wellington office.

TIM MANNERS

Chief Financial Officer/Company Secretary

Tim has 20 years' experience in finance and accounting in the mining industry and is a Fellow of the Institute of Chartered Accountants in Australia.

After graduating with a Bachelor of Business, he began his career at Ernst & Young, where he gained his professional qualifications.

He then spent seven years with Sons of Gwalia in Western Australia, moving from junior accountant to accounting general manager.

He has been Chief Financial Officer for Western Areas NL, where he played a leading role in establishing a dual listing for the company on the Toronto Stock Exchange, and CFO of Perilya the base metals miner in NSW, before joining Bathurst.

Tim is also a member of the Institute of Company Directors and the Chartered Institute of Company Secretaries in Australia. He is based in the company's Perth 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's Contracting). During this period she also served with the Royal Australian Navy Reserves as Public Relations Officer for the Darwin Port Division.

She joined Eastern Resources Group as Manager, Corporate Relations & Business Development, a position she held for 8 years. Her role with Eastern focussed 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.



Top L: Craig Munro, Top R; Hamish Bohannan, Middle: Gerry Cooper, Bottom R: Malcolm McPherson, Bottom L: Rob Lord.

BOARD OF DIRECTORS

Craig Munro – Non-Executive Chair

Hamish Bohannan – Gerald Cooper – Executive Director

Rob Lord – Non-Executive Director

Malcolm McPherson – Non-Executive Director

Profiles of the board members can be found on pages 30-32 of the Directors' Report – Information on Directors.

COAL



COAL FORMS THE FOUNDATION FOR MANY OF THE MODERN PRODUCTS AND SERVICES IN THE WORLD TODAY AND TOUCHES ALL ASPECTS OF MODERN LIVING.

COAL

A foundation stone for modern living.

Hard coking (metallurgical) coal is used in iron smelters to create hard, flexible steel, which in turn forms the basis of buildings and bridges, automobiles and aeroplanes, and even wind turbines.

In short, coal is pervasive. It can be found associated with almost everything that can be seen, heard, touched, and consumed. And it's a natural resource – the result of plant matter that's been buried and compacted for millions of years.

The resource is mined, washed, refined and blended with other materials to generate products that contribute to increased quality of life and living standards around the world.

The following list outlines the main uses of coal through modern products and services.

SHELTER

Steel and cement for construction of buildings and structures

WARMTH

Direct heat and through electricity generation

ENERGY

Heating in food processing, swimming pools, hospitals

PROCESSING

Coal is integral to wool processing and leather tanning

FOOD PRODUCTION

Fertilisers and nitric acid

TRANSPORT

Aeroplanes, bridges, buses, cars, ships, and trains

PERSONAL HYGIENE

Silicones for soap, toothpaste, shampoo and cosmetics

MEDICAL EQUIPMENT

Surgical instruments and carbon filters, e.g. For dialysis machines

COMPUTERS

Silicon chips for computers

RENEWABLE ENERGY

Steel for wind turbines and plastics for solar panels

SPORTING EQUIPMENT

Carbon fibre for bicycles, fishing rods, golf clubs, and tennis racquets

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SECTION TWO

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DIRECTORS' REPORT

30 JUNE 2012

DIRECTORS' REPORT

Your directors present their report on the consolidated entity ("the group") consisting of Bathurst Resources Limited ("Bathurst" or "the company") and the entities it controlled at the end of, or during, the year ended 30 June 2012.

DIRECTORS

The following persons were directors of Bathurst Resources Limited at any time during the whole of the financial year and up to the date of this report:

Craig Munro	Non-Executive Chair
Hamish Bohannan	Managing Director
Gerald Cooper	Executive Director
Rob Lord	Non-Executive Director
Malcolm Macpherson	Non-Executive Director

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.

REVIEW OF OPERATIONS & SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

As per Class Order 98/2395 issued by Australian Securities and Investments Commission, information on the review of operations and financial position of the group is set out in the 'Review of Operations' on pages 6 to 14 of this annual report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Bathurst's wholly owned subsidiary, Takitimu Coal Limited, completed the strategic acquisition of the adjoining property at its Takitimu operations at Nightcaps for NZ\$14.2 million (A\$11.1 million), following successful negotiations with the landowner. The purchase of the land received the required approval from the Overseas Investment Office of New Zealand on 25 July 2012.

Overall Bathurst considers the purchase of the land to be a key strategic acquisition which will substantially improve the economics of the Takitimu operations that continue to generate positive operational cash flows. It also gives the company an asset that can be sold when operations are completed.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The operations of the group are expected to expand over the next year with the construction of infrastructure to support the Buller Coal Project and the resolution of the appeals against the resource consents for the Escarpment project.

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 approvals

Bathurst is required to obtain resource consents under the Resource Management Act 1991 ("RMA"). A resource consent is required for mining activities and the construction / development of infrastructure within the permit area. In addition to this, under the Crown Minerals Act 1991 and the Conservation Act 1987, Bathurst must enter into concession agreements and access arrangements with New Zealand's Department of Conservation to enter and operate on Crown land. The relevant authorities are consulted throughout the approvals process, and to the best of the directors' knowledge, all approval activities have been undertaken in compliance with the requirements of the RMA, Crown Minerals Act and Conservation Act.

Exploration activities

In order to enter Crown land and engage in exploration activities, Bathurst must enter into an Access Arrangement Concession Agreement with New Zealand's Department of Conservation, as required under the Crown Minerals Act 1991 and the Conservation Act 1987. Bathurst has, to the best of the directors' knowledge, entered into all of the appropriate agreements and acted in accordance with those agreements in regards to engaging in exploration activities on Crown land.

Mining activities

The mining activities of the group are regulated by the resource consents that grant Bathurst the right to engage in the mining activity. The resource consents involve both the District and Regional Councils. In addition to this, a mining permit or licence is required to engage in mining activities on Crown land. These permits/licences are issued by the Ministry of Economic Development under the Crown Minerals Act 1991. Conditions around water and air discharges that result from the mining operations are governed by the resource consent that the operation is operating under. The mining operations of Bathurst are inspected on a regular basis and no instances of non-compliance have been noted.

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 ("NZ ETS") came into effect from 1 July 2010 which essentially makes Bathurst liable for greenhouse gas emissions associated with coal sold in New Zealand and for the fugitive emissions from coal seams exposed in New Zealand. Bathurst's liability is based on the type and quantity of coal tonnes sold, with the cost of such being passed onto Bathurst's customers.

DIRECTORS' REPORT

30 JUNE 2012

INFORMATION ON DIRECTORS

Mr Craig Munro

FCPA, FAusIMM, FAICD

Non-Executive Chair

Experience and expertise

Craig Munro is a Certified Practising Accountant with over 40 years' experience in the mining industry. He was previously Senior Vice President Corporate & Finance and Chief Financial Officer of Anvil Mining Limited. He has been both an executive director and non-executive director of a number of listed companies since 1990. He is currently a director of Energy and Minerals Australia Limited and was previously a director of Humanis Group Limited and Pegasus Metals Limited.

Other current directorships of listed companies

Energy and Minerals Australia Limited – Non-Executive Director

Former directorships in last 3 years of listed companies

Humanis Group Limited – Non-Executive Director

Pegasus Metals Limited

Special responsibilities

Chair of the board

Member of remuneration & nomination committee

Member of audit committee

Interests in shares and options

462,526 fully paid ordinary shares in Bathurst Resources Limited

4,500,000 unlisted options over ordinary shares in Bathurst Resources Limited

Mr Hamish Bohannan

BEngSc Hons Mining, MEngSc Rock Mechanics, MBA, FAusIMM, CEng, MIMM, MAICD

Managing Director

Experience and expertise

Hamish Bohannan is a Mining Engineer with over 35 years' experience in the resources industry, starting as a miner with Gold Fields Limited in South Africa before completing a degree at the Royal School of Mines. Whilst much of his experience has been in underground mining, he has been actively involved in many areas of the industry including dredging and open cut mining, processing and smelting having worked around the globe in various metals from copper and gold to nickel and mineral sands. Previously Chief Executive Officer of Braemore Resources, Mr Bohannan has also held executive positions with Cyprus Minerals, WMC Limited, Iluka Resources and IAMGold. Mr Bohannan is a director of Straterra, the New Zealand resource sector industry association and of the Coal Association of New Zealand.

Other current directorships of listed companies

Nil

Former directorships in last 3 years of listed companies

Phillips River Mining Limited (previously Tectonic Resources NL) – Non-Executive Chair

Special responsibilities

Managing Director

Interests in shares and options

10,605,000 fully paid ordinary shares in Bathurst Resources Limited

10,000,000 unlisted options over ordinary shares in Bathurst Resources Limited

Mr Gerald Cooper

MAICD

Executive Director

Experience and expertise

Gerald Cooper is a qualified Marine Engineer who served for a number of years as a seagoing engineer before moving onto the power generation field. Following emigration to Australia, he worked within the mining industry in engineering & maintenance related roles for Monadelphous Engineering, Cyprus Gold, Arimco, Copper Mines of Tasmania, Pegasus Gold, Acacia Resources and WMCF Phosphate Hill.

Mr Cooper subsequently moved overseas to work for AshantiGold in Guinea and Iluka Resources in the United States. Mr Cooper was group engineering manager for IAMGold before returning to Australia in 2007 and taking up a position as VP Engineering & Maintenance with Braemore Resources.

Other current directorships of listed companies

None

Former directorships in last 3 years of listed companies

None

Special responsibilities

General Manager – Engineering & Construction

Interests in shares and options

560,000 fully paid ordinary shares in Bathurst Resources Limited

7,500,000 unlisted options over ordinary shares in Bathurst Resources Limited

Mr Rob Lord

BSc, MBA

Non-Executive Director

Experience and expertise

Rob Lord is currently Regional Director Oceania for Wallenius Wilhelmsen Logistics AS, a global shipping and logistics company specialising in the movement of vehicles and heavy and specialised cargo such as – mining and construction equipment, rail cars and power generators.

Prior to this he was the Managing Director and Chief Executive Officer of Gloucester Coal Ltd a successful ASX 200 publically listed company specialising in coal mining and marketing.

Before his appointment at Gloucester Coal, Mr Lord worked in the pulp and paper industry for many years, most recently as executive vice president responsible for the Australasian operations of Norwegian-based Norske Skog. Mr Lord has also worked in a variety of senior international marketing and sales roles including head of marketing and sales roles at Norske Skog Australasia, Fletcher Challenge Paper Australasia and Tasman Pulp and Paper in New Zealand. Mr Lord is a director of Norske Skog Industries Australia Limited which is an unlisted public company.

Other current directorships of listed companies

None

Former directorships in last 3 years of listed companies

Gloucester Coal Limited – Managing Director

Special responsibilities

Member of remuneration & nomination committee

Chair of audit committee

Interests in shares and options

530,938 fully paid ordinary shares in Bathurst Resources Limited

3,500,000 unlisted options over ordinary shares in Bathurst Resources Limited

DIRECTORS' REPORT

30 JUNE 2012

INFORMATION ON DIRECTORS (CONTINUED)

Mr Malcolm Macpherson

BSc, Cert.Acctg, FAICD, FAusIMM, FTSE

Non-Executive Director

Experience and expertise

Malcolm Macpherson is an experienced business leader in the resources sector in Australia and overseas. Mr Macpherson held a successful seven year tenure as Managing Director and Chief Executive Officer of Iluka Resources Limited.

Mr Macpherson has held board positions with other notable companies and organisations such as Portman Limited, Eltin Limited, and Western Power Corporation (as chair). Mr Macpherson has also had active roles in research and innovation, including an advisory role to the CSIRO.

Other current directorships of listed companies

Pluton Resources Limited – Non-Executive Chair

Titanium Corporation Limited – Non-Executive Director

Former directorships in last 3 years of listed companies

Minara Resources Limited – Non-Executive Chair

Range River Gold Limited – Non-Executive Director

Special responsibilities

Chair of remuneration & nomination committee

Member of audit committee

Interests in shares and options

100,000 fully paid ordinary shares in Bathurst Resources Limited

2,000,000 unlisted options over ordinary shares in Bathurst Resources Limited

COMPANY SECRETARY

Mr Tim Manners BBus, FCA, ACIS, MAICD is a Joint Company Secretary and the Chief Financial Officer. Mr Manners became the Joint Company Secretary upon the appointment of Laura McMahon Blechynden on 27 March 2012. Mr Manners has over 18 years' experience in senior financial positions within the resources sector.

Miss Laura McMahon Blechynden, BA, LLB was appointed as a Joint Company Secretary and Legal Counsel on 27 March 2012. Laura has extensive experience in a wide range of corporate and commercial matters within the resources sector including public and private equity fund raisings, due diligence, mergers, acquisitions and divestments.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2012, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
	A	B	Audit		Remuneration / Nomination	
			A	B	A	B
Craig Munro	14	14	6	6	3	3
Hamish Bohannan	14	14	**	**	**	**
Gerald Cooper	13	14	**	**	**	**
Rob Lord	14	14	6	6	3	3
Malcolm Macpherson	14	14	6	6	3	3

A = number of meetings attended

B = number of meetings held during the time the director held office or was a member of the committee during the year

** = not a member of the relevant committee

REMUNERATION REPORT

This remuneration report sets out the remuneration information for Bathurst Resources Limited's non-executive directors, executive directors, and other key management personnel.

Directors and executives disclosed in this report

Other key management personnel

Name	Position
R Tacon	Chief Operating Officer
T Manners	Chief Financial Officer / Joint Company Secretary
L McMahon Blechynden	Joint Company Secretary / Legal Counsel
M Rogers	General Manager – Buller operations
A Thom	General Manager – Corporate development*
C Pilcher	General Manager – Eastern operations
M Brunsdon	General Manager – Marketing*

* A Thom and M Brunsdon ceased employment with Bathurst on 30 April 2012 and 7 June 2012 respectively.

For information on non-executive and executive directors – refer to pages 30 to 32.

DIRECTORS' REPORT

30 JUNE 2012

REMUNERATION REPORT (CONTINUED)

Role of the remuneration & nomination committee

The remuneration & nomination committee ("R&N committee") is a sub-committee 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 which 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 non-executive directors' fees and payments are appropriate and in line with industry standards. The fees paid to the chair are determined independently to the fees of non-executive directors. The chair is not present at any discussions relating to determination of his own remuneration.

In previous years the company has granted non-executive directors unlisted options over ordinary shares in the company as a part of their remuneration packages. The issue of options was to align the interests of directors and shareholders and compensate for reduced fees during the company's start-up phase. However, in the 2011 financial year the company ceased the practice of issuing options to non-executive directors with the company's continued growth and its inclusion in the relevant ASX indices.

Directors' fees

The current base fees were last reviewed with effect from 1 January 2011 and are inclusive of committee 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 \$800,000 per annum and was approved by shareholders at the general meeting on 18 April 2011.

The following fees have applied:

Base fees	From 1 January 2011	1 July 2010 to 31 December 2010
Chair	\$160,000	\$60,000
Other non-executive directors	\$80,000	\$36,000

Superannuation contributions required under the Australian superannuation guarantee legislation are made to directors and are deducted from their overall fee entitlements.

Executive remuneration

The objective of the group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered.

The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with 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 effectively manage capital.

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 executive's remuneration is aligned to shareholders' interests because it focuses on sustained growth in shareholder wealth by pushing growth in share price and delivering constant return 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 three components:

- base pay and benefits, including superannuation
- short-term performance incentives, 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 base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive's 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.

Superannuation

Superannuation contributions required under the Australian superannuation guarantee legislation are made to executives and are in addition to the base pay and benefits.

Short-term incentives

Bathurst's short-term incentive plan is to provide cash bonuses to executives who exceed performance expectations. All payments under the short term incentive scheme are made at the discretion of the R&N committee or the board. The short term incentives are determined according to the executive's performance during the preceding year. At the end of every financial year the executives meet with their immediate manager to discuss performance and set individual goals and targets for the coming year. Following meetings, the Managing Director will make recommendations for cash bonuses for any executives who have performed exceptionally. The list of suggested short term incentives is then presented to the R&N committee and must be approved before they are paid. The Managing Director's performance is reviewed by the board. Depending on the results of the review the board may award a short term incentive.

Long-term incentives

Long-term incentives have been previously provided to certain employees via the Bathurst Resources Limited Employee Share Option Plan which was approved by shareholders at the 2010 Annual General Meeting ("AGM"). This plan is under review by the R&N committee. The participants and the quantum of the long term incentive schemes are currently determined in the same manner as the short-term incentives. However, for the 2013 financial year onwards the R&N committee has established a matrix of performance criteria that will be used to assess and award long term incentive payments to senior staff.

DIRECTORS' REPORT

30 JUNE 2012

REMUNERATION REPORT (CONTINUED)

Use of remuneration consultants

In February 2011, the Chair employed the services of PwC to review its existing Employee Share Option Plan ("ESOP") and to provide recommendations in respect the ESOP. Under the terms of the engagement, PwC provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and were paid \$9,500 for these services in the 2012 financial year.

PwC has confirmed that the above recommendations have been made free from undue influence by members of Bathurst's key management personnel.

The following arrangements were made to ensure that the remuneration recommendation was made free from undue influence:

- PwC was engaged by, and reported directly to Craig Munro, the chair of the company;
- the remuneration recommendation was provided by PwC directly to Craig Munro; and
- PwC did not provide any member of management with a copy of the remuneration recommendation.

As a consequence, the board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

Voting and comments made at the Company's 2011 Annual General Meeting

Bathurst's remuneration report for the 2011 financial year was passed by a show of hands. Over 80% of the proxy votes received by Bathurst were in favour of the remuneration report. Bathurst did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

DIRECTORS' REPORT

Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel of the group for the current and previous financial year are set out in the following tables.

2012 Name	Short-term employee benefits			Post-employment benefits	Share based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Options / Shares	
	\$	\$	\$	\$	\$	\$
NON-EXECUTIVE DIRECTORS						
Craig Munro - Chair	160,000	-	-	-	32,843	192,843
Rob Lord	73,395	-	-	6,605	32,843	112,843
Malcolm Macpherson	73,395	-	-	6,605	-	80,000
EXECUTIVE DIRECTORS						
Hamish Bohannan	545,004	-	36,209	-	65,686	646,899
Gerald Cooper	350,000	-	-	31,500	52,549	434,049
OTHER KEY MANAGEMENT PERSONNEL						
Richard Tacon	100,470	-	-	9,042	-	109,512
Timothy Manners	350,000	-	-	31,500	48,025	429,525
Laura McMahon Blechynden	43,077	-	-	3,877	-	46,954
Max Brunson	556,364	-	-	-	(294,152)	262,212
Alan Thom	250,981	-	-	18,975	-	269,956
Marianne Rogers	300,000	-	-	31,432	48,025	379,457
Craig Pilcher	193,456	-	-	3,451	-	196,907
Total key management personnel compensation	2,996,142	-	36,209	142,987	(14,181)	3,161,157

Notes:

Directors and other key management personnel had the following appointment & resignation dates:

Richard Tacon	Appointed	26 March 2012
Laura McMahon Blechynden	Appointed	27 March 2012
Max Brunson	Resigned	7 June 2012
Alan Thom	Resigned	30 April 2012

All other directors and key management personnel were in office for the full financial year.

DIRECTORS' REPORT

30 JUNE 2012

REMUNERATION REPORT (CONTINUED)

Details of remuneration (continued)

2011 Name	Short-term employee benefits			Post-employment benefits	Share based payments	
	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Options	Total
	\$	\$	\$	\$	\$	\$
NON-EXECUTIVE DIRECTORS						
Craig Munro - Chair	110,000	-	-	-	785,566	895,566
Rob Lord	50,149	-	-	4,513	996,166	1,050,828
Malcolm Macpherson	37,568	-	-	3,381	1,122,000	1,162,949
EXECUTIVE DIRECTORS						
Hamish Bohannan	628,678	-	21,809	-	1,681,833	2,332,320
Gerald Cooper	317,979	100,000	-	39,321	1,179,416	1,636,716
OTHER KEY MANAGEMENT PERSONNEL						
Timothy Manners	347,750	-	-	25,575	1,054,752	1,428,077
Graham Anderson	29,750	-	-	-	344,700	374,450
Max Brunsdon	395,455	-	-	-	939,852	1,335,307
Alan Thom	61,647	-	-	5,548	970,000	1,037,195
Marianne Rogers	192,116	-	-	17,291	923,252	1,132,659
Craig Pilcher	53,739	-	-	947	-	54,686
Total key management personnel compensation	2,224,831	100,000	21,809	96,576	9,997,537	12,440,753

Notes:

Directors and other key management personnel had the following appointment dates:

Timothy Manners	Appointed	23 August 2010
Alan Thom	Appointed	17 March 2011
Marianne Rogers	Appointed	18 October 2010
Craig Pilcher	Appointed	18 March 2011
Rob Lord	Appointed	17 August 2010
Malcolm Macpherson	Appointed	5 January 2011
Graham Anderson	Resigned	3 February 2011

All other directors and key management personnel were in office for the full financial year.

DIRECTORS' REPORT

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk – STI		At risk – LTI*	
	2012	2011	2012	2011	2012	2011
EXECUTIVE DIRECTORS OF BATHURST RESOURCES LIMITED						
Hamish Bohannan	90%	28%	-	-	10%	72%
Gerald Cooper	88%	22%	-	6%	12%	72%
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
Richard Tacon	100%	-	-	-	-	-
Timothy Manners	89%	26%	-	-	11%	74%
Laura McMahon Blechynden	100%	-	-	-	-	-
Graham Anderson	-	8%	-	-	-	92%
Max Brunsdon	100%	30%	-	-	-	70%
Alan Thom	100%	6%	-	-	-	94%
Marianne Rogers	87%	18%	-	-	13%	82%
Craig Pilcher	100%	100%	-	-	-	-

*Since long term incentives are provided exclusively by way of options, the percentages disclosed reflect the value of remuneration consisting of options, based on the value of options expensed during the year.

Service Agreements

On appointment to the board, all non-executive directors enter 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, Chief Financial Officer and the other key management personnel are also formalised in service agreements.

All contracts with executives may be terminated early by either party with one to three months' notice, subject to termination payments due when terminated by the company as detailed below.

Name	Term of agreement	Base salary including superannuation	Termination benefit
Hamish Bohannan	Ongoing	\$545,000	3 months base salary
Gerald Cooper	Ongoing	\$381,500	2 months base salary
Richard Tacon	Ongoing	\$407,173	3 months base salary
Timothy Manners	Ongoing	\$381,500	2 months base salary
Laura McMahon Blechynden	Ongoing	\$174,400	1 months base salary
Marianne Rogers	Ongoing	\$327,000	2 months base salary
Craig Pilcher	Ongoing	\$240,316	1 months base salary

DIRECTORS' REPORT

30 JUNE 2012

REMUNERATION REPORT (CONTINUED)

Share based compensation

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting date	Expiry date	Exercise price	Value per option at grant date	% Vested
29 Nov 2010	Upon first 25kt from Buller Coal Project	31 Dec 2013	\$0.40	\$0.276	0%
6 Dec 2010	Upon first 25kt from Buller Coal Project	31 Dec 2013	\$0.40	\$0.252	0%

During the year no options over ordinary shares in the company were provided as remuneration to directors or other key management personnel of Bathurst Resources Limited.

Further information on the options is set out in note 31 to the financial statements.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above.

Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Shares provided on exercise of remuneration options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each director of Bathurst Resources Limited and other key management personnel of the group are set out below.

	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	Value at exercise date
EXECUTIVE DIRECTORS OF BATHURST RESOURCES LIMITED			
H Bohannon	31 Aug 2011	2,400,000	\$1,372,800
G Cooper	14 Oct 2011	500,000	\$196,000
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP			
Timothy Manners	10 Jan 2012	300,000	\$162,600
Timothy Manners	7 Feb 2012	1,700,000	\$1,091,400
Max Brunson	28 Mar 2012	1,000,000	\$642,000
Max Brunson	11 Apr 2012	2,000,000	\$540,000

Notes:

The value at the exercise date of options that were granted as part of the remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date.

DIRECTORS' REPORT

The amount paid per ordinary share by each key management personnel on the exercise of options at the date of exercise was as follows:

Exercise date	Amount paid per share
31 August 2011	37.8c
14 October 2011	37.8c
10 January 2012	10.8c
7 February 2012	10.8c
28 March 2012	10.8c
11 April 2012	40.0c

No amounts are unpaid on any shares issued on the exercise of options.

Details of remuneration: Bonuses and share-based compensation benefits

For each cash bonus and grant of options included in the tables on pages 37-40, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years. The options issued in the 2011 financial year which have not vested immediately, vest upon the shipment of the first 25,000 tonnes from the Buller Coal Project. None of these options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Name	Bonus		Share-based compensation benefits (options)			
	Paid	Year granted	Vested	Forfeited	Financial year in which options are expected to vest	Maximum total value of grant yet to vest
	%		%	%		\$
NON-EXECUTIVE DIRECTORS						
Craig Munro - Chair	-	2011	-	-	30 June 2014	110,845
Rob Lord	-	2011	-	-	30 June 2014	110,845
Malcolm Macpherson	-	2011	-	-	-	-
EXECUTIVE DIRECTORS						
Hamish Bohannan	-	2011	-	-	30 June 2014	221,691
Gerald Cooper	-	2011	-	-	30 June 2014	177,753
OTHER KEY MANAGEMENT PERSONNEL						
Timothy Manners	-	2011	-	-	30 June 2014	162,084
Marianne Rogers	-	2011	-	-	30 June 2014	162,084

DIRECTORS' REPORT

30 JUNE 2012

Loans to directors and executives

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in Note 24 to the financial statements.

Shares under option

Unissued ordinary shares of Bathurst Resources Limited under options at the date of this report are as follows:

Date granted	Expiry date	Issue price of shares	Number under option
22 Oct 2008	31 Oct 2012	\$0.378	500,000
22 Oct 2008	31 Oct 2013	\$0.378	500,000
16 Jun 2010	16 Jun 2013	\$0.155	666,667
18 Aug 2010	30 Sept 2013	\$0.108	9,500,000
20 Aug 2010	30 Sept 2013	\$0.168	1,000,000
20 Aug 2010	30 Sept 2013	\$0.108	5,500,000
5 Nov 2010	15 Nov 2013	\$0.36	14,344,109
29 Nov 2010	30 Sept 2013	\$0.21	1,000,000
29 Nov 2010	31 Dec 2013	\$0.40	14,000,000
6 Dec 2010	31 Dec 2013	\$0.40	8,200,000
18 April 2011	31 Dec 2013	\$1.13	2,000,000
18 April 2011	31 Dec 2013	\$0.85	2,000,000
3 Sept 2012	20 Aug 2014	\$0.38	2,000,000
			61,210,776

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Shares issued on the exercise of options

During the year ended 30 June 2012 a total of 12,840,000 shares of Bathurst Resources Limited were issued on the exercise of options raising a total of \$2,895,600. Subsequent to 30 June 2012 and up to the date of this report, a further 1,000,000 shares of Bathurst Resources Limited were issued on the exercise of options raising a total of \$108,000.

Insurance of officers

During the financial year, Bathurst Resources Limited paid a premium of \$39,387 to insure the directors and secretaries of the company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Non-audit services

The company engaged the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers "PwC") for audit and non-audit services provided during the year are set out on the next page.

DIRECTORS' REPORT

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity and its related practices:

	2012 \$	2011 \$
OTHER ASSURANCE SERVICES		
PwC Australian firm:		
Due diligence services	-	52,648
PwC New Zealand firm:		
Due diligence services	-	29,621
Total remuneration for other assurance services	-	82,269
TAXATION SERVICES		
PwC Australian firm:		
Tax compliance services	26,000	23,700
Consulting advice on mergers and other structuring	182,341	9,000
PwC New Zealand firm:		
Tax compliance services	57,682	28,418
Consulting advice on mergers and structuring	118,849	49,091
Total remuneration for taxation services	384,872	110,209
OTHER SERVICES		
PwC Australian firm:		
ESOP & Remuneration structuring advice	9,500	10,000
Total remuneration for other services	9,500	10,000
Total remuneration for non-audit services	394,372	202,478

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 44.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off to the nearest thousand dollar, or in certain cases, to the nearest dollar.

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



CRAIG MUNRO | Chair

Perth

27 September 2012

AUDITOR'S INDEPENDENCE DECLARATION

30 JUNE 2012



Auditor's Independence Declaration

As lead auditor for the audit of Bathurst Resources Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Bathurst Resources Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'John O'Connor', followed by a period.

John O'Connor
Partner
PricewaterhouseCoopers

Perth
27 September 2012

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CORPORATE GOVERNANCE STATEMENT

30 JUNE 2012

CORPORATE GOVERNANCE

Bathurst Resources Limited has a strong focus on corporate governance and has worked hard during the year to administer and improve its corporate governance procedures and policies. This statement reports on Bathurst's key governance framework, principles and practices as at the date of this report. The board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review its corporate governance framework and practices to ensure they meet the interests of shareholders. Bathurst and its controlled entities together are referred to as the group in this statement.

Further information about the company's corporate governance practices may be found on the company's website at www.bathurstresources.co.nz, under the section marked "Corporate Governance".

ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

ASX Listing Rule 4.10.3 requires that ASX listed companies report on the extent to which they have followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd edition ("ASX Principles") during the reporting period. Where companies have not followed all of the recommendations contained in the ASX Principles, they must identify the recommendations they have not followed and give reasons for the departure.

Bathurst has followed each recommendation where the board has considered the recommendation to be appropriate for its corporate governance practices. Where Bathurst has adopted a recommendation this report sets out the appropriate statements regarding the adoption. In the case that, after due consideration, the company's corporate governance practices depart from a recommendation, the board has offered full disclosure and an explanation for the adoption of its own practice in order to comply with the "if not, why not" reporting regime. A checklist cross referencing the ASX Principles to the relevant section of this statement and to other sections of the directors' report is provided on pages 51 to 53 of this report.

As detailed in this Corporate Governance Statement, Bathurst considers that its governance practices comply with the ASX Principles, subject to the qualifications noted in the Compliance Statement.

1. BOARD OF DIRECTORS

Principle 1: Lay solid foundations for management and oversight

Principle 2: Structure the board to add value

(a) Board composition and expertise

The board has an extensive range of relevant industry experience, financial and other skills and expertise to meet its objectives. The current board composition comprises three independent, non-executive directors (including the chair) and two executive directors. The board considers that the non-executive directors collectively bring the range of skills, knowledge and experience necessary to direct the company.

A profile of each director setting out their skills, experience, expertise and period of office is set out in the directors' report.

Bathurst's constitution states that at each AGM one third of its directors (excluding the managing director) and any director who has held office for three or more years since their last election, must retire. Directors who retire under this rotation mechanism are eligible to offer themselves for re-election by shareholders at the AGM subject only to the point below.

A director should, subject to circumstances prevailing at the time and the company's ability to find a suitable replacement, aim to retire from the board at the conclusion of the AGM occurring after the tenth anniversary of the director's first appointment or election to the board.

(b) Board role and responsibilities

The central role of the board is to oversee and approve the company's strategic direction, to select and appoint a managing director, to oversee the company's management and business activities and report to shareholders.

The relationship between the board and senior management is critical to the group's long-term success. The directors are responsible to the shareholders for the performance of the group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the group as a whole.

CORPORATE GOVERNANCE STATEMENT

30 JUNE 2012

1. BOARD OF DIRECTORS (CONTINUED)

The roles and responsibilities of the board are formalised in the Board Charter, which defines in detail the matters that are reserved for the board and its committees, and those that the board has delegated to management.

The chair is responsible for leadership of the board, for the efficient organisation and conduct of the board's function and for the promotion of relations between board members and between board and management that are open, cordial and conducive to productive cooperation.

The managing director is responsible for implementing group strategies and policies. The board charter specifies that these are separate roles to be undertaken by separate people.

The Bathurst Board Charter states:

- the board is to be comprised of both executive and non-executive directors with a majority of non-executive directors. Non-executive directors bring a fresh perspective to the board's consideration of strategic, risk and performance matters;
- in recognition of the importance of independent views and the board's role in supervising the activities of management, the chair must be an independent non-executive director;
- the majority of the board must be independent of management and all directors are required to exercise independent judgement and review and constructively challenge the performance of management;
- the chair is elected by the full board and is required to meet regularly with the managing director; and
- the chair of the board is responsible for determining the process for evaluating board performance. Such evaluations are to be conducted at least annually and will focus on the effectiveness of the board function and whether there continues to exist an appropriate mix of skills required by the board to maximise its effectiveness and its contribution to the group.

The Board Charter is available in the corporate governance section of Bathurst's website.

In addition to matters required by law to be approved by the board, the following powers are reserved to the board for decision:

- Strategy – providing strategic oversight and approving strategic plans and initiatives;
- Board performance and composition – evaluating the performance of non-executive directors, and determining the size and composition of the board as well as recommending to shareholders the appointment and removal of directors;
- Leadership selection – evaluating the performance of, and selection of, the CEO and those key executives reporting directly to the CEO.
- Review on a regular basis appropriate succession planning for the CEO;
- Corporate responsibility – considering the social, safety, ethical and environmental impacts of the group's activities, and setting policy and monitoring compliance with safety, corporate and social policies and practices;
- Financial performance – approving Bathurst's annual operating plans and budget, monitoring management, financial and operational performance;
- Continuous Disclosure - ensuring processes are established to capture issues for the purposes of continuous disclosure to both the ASX and the NZX;
- Financial reports to shareholders – approving annual and half year reports and disclosures to the market that contain, or relate to, financial projections, statements as to future financial performance or changes to the policy or strategy of the company; and
- Establishing procedures – ensuring that the board is in a position to exercise its power and to discharge its responsibilities as set out in the Board Charter.

(c) Director Independence

The independent directors of the company during the reporting period were Craig Munro (chair), Rob Lord and Malcolm Macpherson. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

The roles of Managing Director / CEO and Chair are filled by Hamish Bohannan and Craig Munro respectively. They are not exercised by the same individual.

CORPORATE GOVERNANCE STATEMENT

The board has approved a policy on independence of directors, a copy of which is available in the corporate governance section of Bathurst's website.

On appointment, each director is required to provide information to the chair to assess and confirm their independence as part of their consent to act as a director. At the date of this report the chair considers that the three non-executive directors on the board are independent. The chair considers the independence of directors having regard to the relationships listed in Box 2.1 of the ASX Principles.

(d) Board and senior executive performance evaluation

The board, in conjunction with the R&N committee, reviews the size and composition of the board and the mix of existing and desired competencies across members from time to time. Criteria considered by the directors when evaluating prospective candidates are contained in the Board's Charter.

The chair of the board is responsible for ensuring a regular review of the performance of the board, committees and individual directors occurs at least annually. The chair is responsible for determining the process under which this evaluation takes place.

The board reviews annually the size and composition of the board and the mix of existing and desired competencies across members. The board may engage an independent recruitment firm to undertake a search for suitable candidates if and when an additional member is considered appropriate.

The board is responsible for evaluating the performance of senior executives. In 2012, the company implemented a performance review procedure. Pursuant to the procedure the board will evaluate the performance of senior executives via an ongoing process of assessment and a formal annual review in December. During the formal review the senior executive's performance is measured against their role's assessment criteria. The first formal reviews will take place in December 2012.

(e) Nominations and appointment of new directors and succession planning

Recommendations for nomination of new directors are considered by the R&N committee and approved by the board as a whole. The R&N committee review director appointments having regard to the candidate's commercial experience, skills and other qualities. External consultants may be used from time to time to access a wide base of potential directors.

The board recognises the impact of board tenure on succession planning and that board renewal is critical to performance. Each director other than the managing director, must not hold office (without re-election) past the third annual general meeting of the company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the board must not hold office (without re-election) past the next annual general meeting of the company.

At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting and the re-appointment of directors is not automatic.

(f) Professional advice

Directors may, in carrying out their company related duties, seek external professional advice. If external professional advice is sought a director is entitled to reimbursement of all reasonable costs where such a request for advice is approved in writing by the chair. In the case of a request by the chair, approval is required by at least two other directors.

(g) Conflicts of interest

The board has approved directors' Conflict of Interest Guidelines (contained in the Board code of conduct) which applies if there is, or may be, a conflict between the personal or other interests of a director.

A director with an actual or potential conflict of interest in relation to a matter before the board does not receive the board papers relating to that matter and when the matter comes before the board for discussion, the director withdraws from the meeting for the period the matter is considered and takes no part in the discussion or decision-making process.

(h) Board Meetings

The chair sets the agenda for each meeting in conjunction with the chief executive officer and the company secretary. Any director may request additional matters be added to the agenda. Board and committee papers are provided to directors, where possible, five (5) business days prior to the relevant meeting. Copies of board papers are circulated in either electronic or hard copy form. Directors are entitled to request additional information where they consider the information is necessary to support informed decision-making.

Details of the number of meetings of the board of directors of Bathurst, and each board committee, held and attended by each director during the 12 months ended 30 June 2012 are shown on page 33 of the directors' report.

CORPORATE GOVERNANCE STATEMENT

30 JUNE 2012

2. BOARD COMMITTEES

Principle 2: Structure the board to add value

Principle 4: Safeguard integrity in financial reporting

(a) Board committees and membership

The board has established two committees to assist in the discharge of its responsibilities. These are:

- remuneration & nomination committee ("R&N committee"); and
- audit committee.

The charters of all board committees detailing the roles and duties of each are available in the corporate governance section of Bathurst's website.

All board committee charters are reviewed at least annually.

At the date of this report the membership of each board committee is shown in the relevant section below. The executive directors can attend the audit committee meetings by invitation. All papers considered by the committees are available on request to directors who are not on that committee.

Following each committee meeting, generally at the next Board meeting, the board is given a verbal update by the chair of each committee.

In addition, minutes of all committee meetings are available to all directors.

(b) Remuneration and nomination committee

The R&N committee consists of the following non-executive independent directors:

- M Macpherson (Chair);
- R Lord; and
- C Munro.

Details of these directors' qualifications and attendance at R&N committee meetings are set out in the directors' report on pages 30-33.

The board has adopted an R&N committee Charter which describes the role, composition, functions and responsibilities of the R&N committee.

A copy of the R&N committee Charter is available on the company's website.

(c) Audit committee

The audit committee consists of the following non-executive directors:

- R Lord (Chair);
- M Macpherson; and
- C Munro.

The audit committee comprises three non-executive and independent directors of the company. The chair of the board is not the chair of the committee. The chair and members of the committee are appointed by the board and may be appointed for specified terms. Membership of the committee is reviewed annually by the board.

Details of these directors' qualifications and attendance at audit committee meetings are set out in the directors' report on pages 30-33.

The external auditors, the chief financial officer and the financial controller attend committee meetings by invitation.

The role of the audit committee is to assist the board to meet its oversight responsibilities in relation to the company's financial reporting, internal control structure, corporate governance policies and practices, financial risk management procedures and the external audit function. In doing so, it is the committee's responsibility to maintain free and open communication between the audit committee and the external auditors and the management of Bathurst.

The audit committee operates in accordance with a charter which is available on the company's website.

The audit committee may consult independent experts and institute special investigations if it considers it necessary in order to fulfil its responsibilities. Furthermore, the audit committee shall have the authority to seek any information it requires from any officer or employee of the company or its controlled entities and such officers or employees shall be instructed by the board of the company employing them to respond to such enquiries.

The company has established procedures for the selection, appointment and rotation of its external auditor. The board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the audit committee. Candidates for the position of external auditor must demonstrate complete independence from the company through the engagement period. The board may otherwise select an external auditor based on criteria relevant to the company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the audit committee and any recommendations are made to the board.

The company and audit committee policy is to appoint external auditors who demonstrate experience and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

PwC was appointed as the external auditor in 2010. It is PwC's policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 25 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

3. RISK MANAGEMENT

Principle 7: Recognise and Manage Risk

The board, through the audit committee and senior management, are responsible for overseeing and implementing the company's Risk Management Policy.

The company is committed to effective risk management to achieve its business objectives. The company aims to continually improve the management of risk, to make better decisions to achieve its objectives and to reduce the likelihood and consequences of adverse effects to tolerable levels.

At all levels of the business senior management is responsible for the development, implementation and maintenance of risk management systems that will effectively allow the group to:

- identify, assess and manage risks in an effective and efficient manner;
- use risk management to help make better decisions;
- reduce the risk of not meeting business objectives;
- meet relevant corporate governance requirements; and
- identify and evaluate opportunities based on their risk/reward balance.

The goals of risk management are achieved by:

- implementing a comprehensive and systematic risk assessment and reporting system across the organisation;
- training employees in the use of the system, and in suitable risk assessment methodologies for their business and work applications;
- developing a risk profile for each business unit, and then providing risk funding to reduce risk and maintain a suitable risk/reward balance;
- embedding risk management into the way we work; and
- auditing the system.

CORPORATE GOVERNANCE STATEMENT

30 JUNE 2012

3. RISK MANAGEMENT (CONTINUED)

The board receives monthly reports about the financial condition and operational results of Bathurst and its controlled entities. The CEO and CFO provide, at the end of each six monthly period, a formal statement (in accordance with section 295A of the Corporations Act) to the board confirming that the company's financial reports present a true and fair view, in all material respects, and that the group's financial condition and operational results have been prepared in accordance with the relevant accounting standards.

The statement also confirms the integrity of the company's financial statements and notes to the financial statements, is founded on a sound system of risk management and internal compliance and control which implements the policies approved by the board, and that Bathurst's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

4. CODE OF CONDUCT, SHARE TRADING POLICY AND DIVERSITY POLICY

Principle 3: Promote Ethical and Responsible Decision Making

(a) Codes of Conduct

The board has approved a code of conduct for directors and for employees, which describes the standards of ethical behaviour that directors and employees are required to maintain. The company promotes the open communication of unethical behaviour within the organisation.

Compliance with the code of conduct assists Bathurst in effectively managing its operating risks and meeting its legal and compliance obligations. As well as enhancing the company's corporate reputation.

The code of conduct describes the company's requirements on matters such as confidentiality, conflicts of interest, use of company information, sound employment practices, compliance with laws and regulations and the protection and safeguarding of company assets.

A copy of the company's code of conduct is available on Bathurst's website.

(b) Share trading policy

The company's share trading policy is binding on all directors and employees. The policy provides a brief summary of the law on insider trading and other relevant laws, sets out the restrictions on dealing in securities by people who work for, or are associated with, Bathurst and is intended to assist in maintaining market confidence in the integrity of dealings in the company's securities.

The policy stipulates that the only appropriate time for a director or employee to deal in the company's securities is when he or she is not in possession of 'price sensitive information' that is not generally available to the share market. A director wishing to deal in the company's securities may only do so after first having advised the chair of his or her intention. A senior executive wishing to deal must first notify the company secretary. Confirmation of any dealing must also be given by the director or senior executive within two business days after the dealing.

Directors and senior executives' dealings in the company's securities are also subject to specified closed periods which are set out in the company's share trading policy or as otherwise determined by the board from time to time.

A copy of the company's share trading policy is available on the corporate governance section of Bathurst's website.

(c) Diversity policy

The company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly the company has developed a diversity policy. This policy outlines the company's diversity objectives in relation to gender, age, cultural background and ethnicity.

The policy includes requirements for the board to establish measurable objectives and appropriate strategies for achieving diversity. The policy provides for the board to assess annually both the objectives, and the company's progress in achieving them. The proportion of female employees in the whole organisation is currently 28% with 38% at senior management and nil % at board level.

ASX PRINCIPLES COMPLIANCE STATEMENT

30 JUNE 2012

ASX Corporate Governance Council's Best Practice Recommendations		Reference ⁽¹⁾	Compliance
PRINCIPLE 1:	Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	1(b)	Comply
1.2	Companies should disclose the process for evaluating the performance of senior executives.	1(d), Remuneration report	Comply
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	1(a), 1(b), 1(d)	Comply
PRINCIPLE 2:	Structure the board to add value		
2.1	A majority of the board should be independent directors.	1(c)	Comply
2.2	The chair should be an independent director.	1(c)	Comply
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	1(c)	Comply
2.4	The board should establish a nomination committee.	1(e), 2(b)	Comply
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	1(b), 1(d)	Comply
2.6	Companies should provide the information indicated in the Guide to reporting Principle 2.	1(a), 1(d), 1(f), 2(b) & Directors' report	Comply
PRINCIPLE 3:	Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • The practices necessary to maintain confidence in the company's integrity; • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • Responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	4 (a)	Comply
3.2	Companies should establish a policy concerning diversity and disclose the policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and the progress in achieving them.	4(c)	Comply
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	4(c)	Comply
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	4(c)	Comply
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	4(a), 4(b), 4(c)	Comply

ASX PRINCIPLES COMPLIANCE STATEMENT

30 JUNE 2012

ASX Corporate Governance Council's Best Practice Recommendations		Reference ⁽¹⁾	Compliance
PRINCIPLE 4:	Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee.	2(c)	Comply
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> · consists only non-executive directors; · consists of a majority of independent directors; · is chaired by an independent chairperson who is not chairperson of the board; and · has at least three members. 	2(c)	Comply
4.3	The audit committee should have a formal charter.	2(c)	Comply
4.4	Companies should provide the information indicated in Guide to reporting on principle 4.	2(c), Directors' report	Comply
PRINCIPLE 5:	Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	6	Comply
5.2	Companies should provide the information indicated in Guide to reporting on Principle 5.	6	Comply
PRINCIPLE 6:	Respect the rights of shareholders		
6.1	Companies should design and disclose a communications policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose their policy or a summary of that policy.	6	Comply
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	6	Comply
PRINCIPLE 7:	Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	2(b), 3	Comply
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being management effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risk.	3	Comply
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	3	Comply
7.4	Companies should provide the information indicated in Guide to Reporting on Principle 7.	3	Comply

ASX Corporate Governance Council's Best Practice Recommendations		Reference ⁽¹⁾	Compliance
PRINCIPLE 8:	Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee.	2(b)	Comply
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> · consists of a majority of independent directors · is chaired by an independent chair · has at least three members 	2(b)	Comply
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	1(b), 2(b), 2(d), Remuneration report	Comply
8.4	Companies should provide the information indicated in Guide to Reporting on Principle 8.	2(b), Remuneration report	Comply

⁽¹⁾ The default reference refers to the relevant sections of this Corporate Governance Statement. Reference to the Directors' report and the Remuneration Report is shown where applicable.

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Bathurst Resources Limited and its subsidiaries. The financial statements are presented in Australian dollars.

Bathurst Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Bathurst Resources Limited
 Ground Floor, 1306 Hay Street
 West Perth WA 6005

A description of the nature of the consolidated entity's operations and its principal activities is included on page 28 of the directors' report and on pages 6 to 14 of this Annual Report, both of which do not form part of these financial statements.

The financial statements were authorised for issue by the directors on 27 September 2012. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information is available at our Investors' Information section of our website: www.bathurstresources.co.nz

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$'000	2011 \$'000
REVENUE FROM OPERATIONS	4	29,697	8,758
EXPENSES			
Changes in inventories of finished goods		916	78
Raw materials, mining costs, and consumables used		(14,402)	(2,643)
Freight expense		(7,476)	(1,655)
Employee benefits expense	5	(8,580)	(3,789)
Depreciation and amortisation expense	5	(2,432)	(688)
Acquisition related costs		(1,148)	(2,318)
Consultants		(1,864)	(891)
Other expenses		(5,084)	(3,174)
Finance costs	5	(4,052)	(3,185)
Foreign exchange (loss) / gain	5	(7,083)	8,216
Share based payments	31	95	(11,641)
Impairment loss	5	(6,365)	-
Fair value adjustment – deferred consideration	17	1,905	(2,176)
Loss before income tax		(25,873)	(15,108)
Income tax benefit	6	4,353	1,633
Loss for the year after income tax		(21,520)	(13,475)
		Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share	30	(3.12)	(2.76)
Diluted earnings per share	30	(3.12)	(2.76)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$'000	2011 \$'000
Loss for the year		(21,520)	(13,475)
Other comprehensive income			
Exchange differences on translation of foreign operations	21	1,028	141
Other comprehensive income for the year, net of tax		1,028	141
Total comprehensive income for the year		(20,492)	(13,334)
Total comprehensive income for the year attributable to the owners of Bathurst Resources Limited		(20,492)	(13,334)

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

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2012

	Notes	2012 \$'000	2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	53,823	87,418
Trade and other receivables	8	2,615	3,987
Inventories	9	2,014	1,058
Financial assets	10	136	-
Other assets	11	181	537
Total current assets		58,769	93,000
Non-current assets			
Property, plant and equipment	12	12,953	10,046
Mine licences, properties, exploration and evaluation assets	13	314,416	281,641
Financial assets	10	3,305	282
Other assets	11	1,759	3,897
Total non-current assets		332,433	295,866
Total assets		391,202	388,866
LIABILITIES			
Current liabilities			
Trade and other payables	15	5,561	4,682
Borrowings	16	2,013	831
Deferred consideration	17	-	41,052
Current tax liabilities	6 (e)	-	942
Provisions	18	637	509
Total current liabilities		8,211	48,016
Non-current liabilities			
Borrowings	16	-	1,988
Deferred consideration	17	138,583	89,387
Deferred tax liabilities	19	70,597	75,027
Provisions	18	1,745	668
Total non-current liabilities		210,925	167,070
Total liabilities		219,136	215,086
NET ASSETS		172,066	173,780
EQUITY			
Contributed equity	20	211,063	192,190
Reserves	21	15,963	15,030
Accumulated losses		(54,960)	(33,440)
TOTAL EQUITY		172,066	173,780

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

CONSOLIDATED	Notes	Contributed Equity \$'000	Option Reserve \$'000	Foreign Currency Translation Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2010		32,958	1,148	31	(19,965)	14,172
Loss for the year		-	-	-	(13,475)	(13,475)
Other comprehensive income		-	-	141	-	141
Total comprehensive income for the year		-	-	141	(13,475)	(13,334)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	20	154,602	2,069	-	-	156,671
Exercise of options	20	4,630	-	-	-	4,630
Share-based payments	31	-	11,641	-	-	11,641
		159,232	13,710	-	-	172,942
Balance at 30 June 2011		192,190	14,858	172	(33,440)	173,780
Balance at 1 July 2011		192,190	14,858	172	(33,440)	173,780
Loss for the year		-	-	-	(21,520)	(21,520)
Other comprehensive income		-	-	1,028	-	1,028
Total comprehensive income for the year		-	-	1,028	(21,520)	(20,492)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	20	15,978	-	-	-	15,978
Exercise of options	20	2,895	-	-	-	2,895
Share-based payments	31	-	(95)	-	-	(95)
		18,873	(95)	-	-	18,778
Balance at 30 June 2012		211,063	14,763	1,200	(54,960)	172,066

The above consolidated 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 2012

	Notes	2012 \$'000	2011 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		31,347	10,137
Payments to suppliers and employees (inclusive of GST)		(41,067)	(18,062)
Interest received		3,897	2,108
Interest and other finance costs paid		(186)	(121)
Income taxes paid		(1,081)	(28)
Net cash outflow from operating activities	29	(7,090)	(5,966)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of subsidiary, net of cash acquired		-	(61,888)
Payments for property, plant and equipment		(8,527)	(2,890)
Payments for exploration assets		(8,221)	(2,051)
Payments for acquisition of mining permits		(7,382)	(3,815)
Proceeds from the sale of property, plant & equipment		93	-
Advances to third parties	10	(3,117)	-
Other		(1,751)	(380)
Net cash outflow from investing activities		(28,905)	(71,024)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		3,004	170,532
Repayment of borrowings		(842)	(207)
Repayment of loans to external parties		-	(5,076)
Payments for share issue costs		(64)	(9,230)
Net cash inflow from financing activities		2,098	156,019
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		87,418	8,276
Effects of exchange rate changes on cash and cash equivalents		302	113
Cash and cash equivalents at the end of the year	7	53,823	87,418
Non-cash financing and investing activities	29(a)		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Bathurst Resources Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Bathurst Resources Limited is a for-profit entity for the purposes of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Bathurst Resources Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

(iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bathurst Resources Limited ("company" or "parent entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Bathurst Resources Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(c) 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.

(d) 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 Australian dollars, which is Bathurst Resources Limited's functional and presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (continued)

(i) 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.

Foreign exchange gains and losses are presented on the face of the income statement.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(ii) 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.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) 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.

(f) Income tax

The income tax expense or revenue 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 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 nor 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.

(g) 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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the risk free rate, being the long term government borrowing rate. This is then adjusted for an estimated risk premium to reflect the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as a financial liability (deferred consideration). Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised on the face of the income statement as "revaluation of deferred consideration".

(i) Impairment of 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 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. 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 an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) 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.

(k) Trade receivables

Trade receivables are recognised initially at fair value 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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(l) 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. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of 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 of completion and the estimated costs necessary to make the sale.

(m) Waste in advance

Waste removed in advance (overburden) costs incurred in the development of a mine are capitalised as parts of the costs of constructing the mine and subsequently amortised over the life of the 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 "other current assets".

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. Such deferred costs are then charged against the income statement to the extent that, in subsequent periods, the ratio falls short of the life of mine ratio. 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.

(n) Investment and other financial assets

Classification

The group classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

Loans and receivables

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. Loans and receivables are included in trade and other receivables (note 8) in the balance sheet.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Investment and other financial assets (continued)

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.

(i) 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 or held-to-maturity investment 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 1(k).

(o) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 item will flow to the group and the cost of the item can be measured reliably. 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.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term 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(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(p) 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.

(q) Mining and development properties

Mining and development properties include the cost of acquiring and developing mining properties, 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.

(r) 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 and subsequently measured at amortised cost using the effective interest method.

(s) 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 removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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.

(u) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Bathurst Resources Limited Employee Share Option Plan. Information relating to these schemes is set out in note 31.

The fair value of options granted under the Bathurst Resources Limited 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-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(v) 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.

(w) 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.

(x) Deferred Consideration

The fair value of deferred consideration payments are calculated periodically with adjustments through profit and loss. 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 17.

(y) Goods and Services Tax (GST)

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.

(z) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(aa) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)*

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships.

The group does not expect the new standard to have a significant impact on its composition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) New accounting standards and interpretations (continued)

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

As the group is not a party to any joint venture arrangements, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The group does not expect this will impact its financial reporting.

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(ii) *AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 (effective 1 January 2013)*

Interpretation 20 sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. It states that these costs can only be recognised as an asset if they can be attributed to an identifiable component of the ore body, the costs relating to the improved access to that component can be measured reliably and it is probable that future economic benefits associated with the stripping activity (improved access to the orebody) will flow to the entity. The costs will be amortised over the life of the identified component of the ore body.

This is different to the consolidated entity's current accounting policy which is to capitalise stripping costs based on a general waste-to-ore stripping ratio and amortise the costs over the life of the mine. The interpretation must be applied retrospectively and the group will have to write off existing stripping cost asset balances to retained earnings on the date of transition, unless they relate to an identifiable component of the ore body. The total carrying amount of deferred waste capitalised as at 30 June 2012 was \$nil.

The group expects to adopt the interpretation from 1 July 2013.

(iii) *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)*

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(ab) Parent entity financial information

The financial information for the parent entity, Bathurst Resources Limited, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) *Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Bathurst Resources Limited.

(ii) *Financial guarantees*

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

NOTE 2 CRITICAL ACCOUNTING 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 17.

(iii) Reserves and 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 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(t)). 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 18.

(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 11.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

In addition, certain deferred tax assets for deductible temporary differences and carried forward taxation losses have been recognised. In 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. If the entities fail to satisfy the tests, the carried forward losses that are currently recognised as deferred tax assets would have to be written off to income tax expense. 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.

NOTE 3 SEGMENT INFORMATION

(a) Description of segments

Management has determined the 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.

During the period the definitions of the operating segments have changed to align to changes in the management structure of the group.

The Cascade mine and Whareatea West permit area now fall under the Buller Coal management team and are reported under the Buller Coal segment. This mine and permit area previously fell under Eastern Resources Group. The Eastern Resources Group segment has been renamed Eastern Coal to reflect the rebranding initiatives undertaken by the group.

Comparative information has been restated to reflect the changes discussed above.

FINANCIAL STATEMENTS

(b) Segment information provided to the board

The segment information provided to the board for the reportable segments for the year ended 30 June 2012 is as follows:

2012	Buller Coal \$'000	Eastern Coal \$'000	Corporate \$'000	Total \$'000
Sales revenue	6,666	19,663	-	26,329
Interest income	-	59	3,560	3,619
Other income	7	510	12	529
Total segment revenue	6,673	20,232	3,572	30,477
Inter segment revenue	(780)	-	-	(780)
Revenue from operations	5,893	20,232	3,572	29,697
Total revenue per the income statement				29,697
Loss before tax	(14,893)	(7,789)	(3,191)	(25,873)
Loss before tax includes:				
Depreciation and amortisation	1,093	1,238	101	2,432
Impairment loss	-	6,365	-	6,365
Total segment assets	332,446	4,609	54,147	391,202
Total assets per the balance sheet				391,202
Total segment liabilities	215,034	3,279	823	219,136
Total liabilities per the balance sheet				219,136
2011	Buller Coal \$'000	Eastern Coal \$'000	Corporate \$'000	Total \$'000
Sales revenue	1,682	4,744	-	6,426
Interest income	-	28	2,621	2,649
Other income	-	153	-	153
Total segment revenue	1,682	4,925	2,621	9,228
Inter segment revenue	(470)	-	-	(470)
Revenue from operations	1,212	4,925	2,621	8,758
Total revenue per the income statement				8,758
Profit / (loss) before tax	4,833	144	(20,085)	(15,108)
Profit / (loss) before tax includes:				
Depreciation and amortisation	486	181	21	688
Total segment assets	291,061	11,924	85,881	388,866
Total assets per the balance sheet				388,866
Total segment liabilities	209,432	5,084	570	215,086
Total liabilities per the balance sheet				215,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 3 SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

(i) *Segment revenue*

Interest income between the segments is carried out at arm's length and is eliminated on consolidation. The revenue from external parties reported to the board is measured in a manner consistent with that in the income statement.

Revenues from external customers are derived from the sale of coal and freight services. Interest income from external parties is earned on cash deposits.

(ii) *Segment assets*

The amounts reported to the board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is \$340,324 (2011: \$343,915), and the total of these non-current assets located in New Zealand is \$327,028,375 (2011: \$295,522,798). Segment assets are allocated to countries based on where the assets are located.

(iii) *Segment liabilities*

The amounts reported to the board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

NOTE 4 REVENUE

	2012 \$'000	2011 \$'000
Sales revenue		
Coal sales	16,454	4,045
Freight	9,095	1,911
	25,549	5,956
Other revenue		
Interest income	3,619	2,649
Other	529	153
	4,148	2,802
Total revenue from operations	29,697	8,758

NOTE 5 EXPENSES

	2012 \$'000	2011 \$'000
LOSS BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:		
Employee benefit expenses		
Defined contribution post-employment expense	230	141
Other employee benefits expense	8,350	3,648
Total employee benefits expenses	8,580	3,789
Depreciation		
Buildings	37	8
Mine infrastructure	207	75
Plant & machinery	425	120
Furniture, fittings, and equipment	301	46
Plant & machinery under finance leases	469	125
	1,439	374
Amortisation		
Mining licences	827	143
Mining properties	166	171
	993	314
Total depreciation and amortisation	2,432	688
Impairment losses (a)		
Property, plant, and equipment	3,877	-
Mine licences, properties, and exploration & evaluation assets	2,013	-
Waste in advance	475	-
Total impairment loss	6,365	-
Finance costs		
Interest expense	187	181
Provisions: unwinding of discount rate (note 18)	54	-
Deferred consideration: unwinding of discount rate (note 17)	3,811	3,004
Total finance costs	4,052	3,185
Foreign exchange loss / (gain)		
Foreign exchange on intercompany loans	-	(1,626)
Foreign exchange on deferred consideration (note 17)	6,987	(6,613)
Realised foreign exchange	96	23
Total foreign exchange loss / (gain)	7,083	(8,216)
Net loss on disposal of property, plant and equipment	27	6
Minimum lease payments expense relating to operating leases	516	188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 5 EXPENSES (CONTINUED)

(a) Impairment loss

During the year a review and analysis of the Eastern Coal business was undertaken which indicated that the assets of the Eastern Coal business were impaired. The main driver of this impairment was a coal supply contract with negative margins.

The Eastern Coal Cash Generating Unit ("CGU") is the Takitimu mine and Timaru coal handling and distribution centre. The recoverable amount of the CGU was determined using its fair value less costs to sell. The fair value less costs to sell was determined on a discounted cash flow basis.

Forecast cash flows were based on existing mining contracts, coal sales contracts and a discount rate the company would expect a market participant to apply to future cash flows. The resulting cash flows were discounted using a post-tax real cost of capital.

The review of the business continues and business improvement initiatives are to be implemented.

NOTE 6 INCOME TAX BENEFIT

	2012 \$'000	2011 \$'000
(A) INCOME TAX EXPENSE / (BENEFIT)		
Current tax	-	(32)
Deferred tax	(4,721)	(1,601)
Adjustments for current tax of prior periods	368	-
	(4,353)	(1,633)
Deferred income tax (benefit) / expense included in the income tax benefit comprises:		
Increase in deferred tax assets (note 14)	(5,051)	(1,737)
Increase in deferred tax liabilities (note 19)	330	136
	(4,721)	(1,601)
(B) NUMERICAL RECONCILIATION OF INCOME TAX BENEFIT TO PRIMA FACIE TAX PAYABLE		
Loss from continuing operations before income tax benefit	(25,873)	(15,108)
Tax at the standard Australian rate of 30%	(7,762)	(4,532)
Tax effect of amounts that are not deductible / (assessable) in calculating taxable income:		
Non-deductible expenses	438	775
Revaluation of deferred consideration	(572)	653
Non-deductible amortisation of fair value adjustments	-	51
Unwinding of discount rates	1,160	902
Unrealised foreign exchange losses / (gains)	2,095	(2,419)
Other	392	29
Potential tax benefits not recognised	105	2,777
	(4,144)	(1,764)
Difference in overseas tax rates	278	-
Adjustments for current tax of prior periods	368	-
Adjustments to previously unrecognised tax losses	(855)	-
Effect of change in tax rate on recognised carried forward tax losses	-	131
Income tax benefit	(4,353)	(1,633)
(C) TAX LOSSES		
Unused tax losses for which no deferred tax asset has been recognised	15,885	10,641
Potential tax benefit at 30%	4,766	3,192

FINANCIAL STATEMENTS

	2012 \$'000	2011 \$'000
The potential tax benefits relate to the following tax jurisdictions:		
Australia	4,766	3,192
(D) UNRECOGNISED TEMPORARY DIFFERENCES		
Temporary difference relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:		
Foreign currency translation	1,028	141
Unrecognised deferred tax (assets) / liabilities relating to the above temporary differences	308	42

A deferred tax liability has not been recognised in respect of temporary differences of \$308,000 (2011: \$42,000) arising as a result of the translation of the financial statements of the consolidated entity's subsidiaries in New Zealand. The deferred tax asset will only arise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.

	2012 \$'000	2011 \$'000
(E) CURRENT TAX PAYABLE		
Payable assumed on acquisition of subsidiary	-	925
Current tax expense	-	(32)
Exchange differences	-	49
Total current tax payable	-	942

NOTE 7 CASH AND CASH EQUIVALENTS

	2012 \$'000	2011 \$'000
Cash at bank and on hand	9,450	9,231
Deposits at call	44,373	78,187
	53,823	87,418

(a) Risk exposure

The group's exposure to interest rate risk is discussed in note 23. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTE 8 TRADE AND OTHER RECEIVABLES

	2012 \$'000	2011 \$'000
Trade receivables	1,435	1,765
Provision for impairment of receivables	(1)	(4)
	1,434	1,761
Loans to key management personnel *	380	380
GST Receivable	331	1,250
Interest receivable	274	550
Other receivables	196	46
	2,615	3,987

* Further information relating to loans to key management personnel is set out in note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 8 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Impaired trade receivables and past due but not impaired

Ageing information on impaired trade receivables and trade receivables that are past due but not impaired has not been provided as the amounts are not material to the group. Impaired receivables at 30 June 2012 totalled \$542 and trade receivables past due but not impaired at 30 June 2012 totalled \$1,223.

(b) Foreign exchange and interest rate risk

Information about the group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 23.

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

Refer to note 23 for more information on the risk management policy of the group and the credit quality of the entity's trade receivables.

NOTE 9 INVENTORIES

	2012 \$'000	2011 \$'000
Raw materials and stores	71	53
Finished goods *	1,943	1,005
	2,014	1,058

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

(a) Inventory expense

Inventories recognised as expense during the year ended 30 June 2012 amounted to \$14,412,680 (2011 – \$2,849,910).

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2012 amounted to \$1,024,195 (2011 – nil). The expense has been included in "Changes in inventories of finished goods" in the income statement.

NOTE 10 FINANCIAL ASSETS

	2012 \$'000	2011 \$'000
CURRENT		
Advances to third parties	136	-
	136	-
NON-CURRENT		
Security bonds and deposits	309	282
Advances to third parties	2,996	-
	3,305	282

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

Advances to third parties have been made under construction contracts to provide working capital assistance to the engaged contractor.

The advance made attracts an interest rate of 5.75% and is secured by a bank guarantee in favour of Buller Coal Limited.

NOTE 11 OTHER ASSETS

	2012 \$'000	2011 \$'000
CURRENT		
Waste moved in advance	475	398
Impairment of Waste in advance (see note 5)	(475)	-
Prepayments	181	139
	181	537
NON-CURRENT		
Deposits paid	1,759	3,897
	1,759	3,897

The deposits paid in the 2011 year relate to the acquisition of the Coalbrookdale assets. This acquisition was completed on 21 July 2011.

The deposit formed part of the consideration for the asset purchase which is classified as 'Mine licences & properties' at 30 June 2012.

The deposits paid in the 2012 year relate to the acquisition of strategic land holdings for the Eastern Coal business. The acquisition was approved by the Overseas Investment Office of New Zealand on 25 July 2012 and is planned to be completed by December 2012. See note 28.

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land \$'000	Buildings \$'000	Mine Infrastructure \$'000	Plant & Machinery \$'000	Plant & Machinery under finance lease \$'000	Furniture, fittings and equipment \$'000	Total \$'000
YEAR ENDED 30 JUNE 2011							
Opening net book amount	-	-	-	-	-	36	36
Acquisition of subsidiary	550	362	707	2,435	1,649	115	5,818
Additions	599	-	2,834	171	-	606	4,210
Disposals	-	-	-	(1)	-	(16)	(17)
Exchange differences	42	19	97	122	83	10	373
Depreciation charge	-	(8)	(75)	(120)	(125)	(46)	(374)
Closing net book amount	1,191	373	3,563	2,607	1,607	705	10,046
AT 30 JUNE 2011							
Cost or fair value	1,191	488	4,340	4,173	2,371	819	13,382
Accumulated depreciation	-	(115)	(777)	(1,566)	(764)	(114)	(3,336)
Net book amount	1,191	373	3,563	2,607	1,607	705	10,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold Land \$'000	Buildings \$'000	Mine Infrastructure \$'000	Plant & Machinery \$'000	Plant & Machinery under finance lease \$'000	Furniture, fittings and equipment \$'000	Total \$'000
YEAR ENDED 30 JUNE 2012							
Opening net book amount	1,191	373	3,563	2,607	1,607	705	10,046
Additions	411	741	5,802	579	-	848	8,381
Disposals	-	(2)	(192)	(35)	-	(83)	(312)
Impairment loss (Note 5)	-	(66)	(1,924)	(1,847)	-	(40)	(3,877)
Exchange differences	19	9	69	30	20	7	154
Depreciation charge	-	(37)	(207)	(425)	(469)	(301)	(1,439)
Closing net book amount	1,621	1,018	7,111	909	1,158	1,136	12,953
AT 30 JUNE 2012							
Cost or fair value	1,621	1,145	7,779	1,773	2,404	1,448	16,170
Accumulated depreciation	-	(127)	(668)	(864)	(1,246)	(312)	(3,217)
Net book amount	1,621	1,018	7,111	909	1,158	1,136	12,953

(a) Assets in the course of construction

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction:

	2012 \$'000	2011 \$'000
Mine infrastructure	6,926	2,869

(b) Non-current assets pledged as security

Refer to note 16 for information on non-current assets pledged as security by the group.

NOTE 13 MINING LICENCES, PROPERTIES, EXPLORATION, AND EVALUATION ASSETS

	Exploration & evaluation expenditure \$'000	Mining licences & properties \$'000	Total \$'000
30 JUNE 2011			
Opening net book amount	-	-	-
Acquisition of subsidiary	5,336	272,741	278,077
Additions	2,962	-	2,962
Amortisation charge	-	(314)	(314)
Exchange differences	100	816	916
Closing net book amount	8,398	273,243	281,641
30 JUNE 2012			
Opening net book amount	8,398	273,243	281,641
Additions	8,507	27,488	35,995
Effect of prior period adjustments (see note 17 & 19)	-	(3,713)	(3,713)
Amortisation charge	-	(993)	(993)
Impairment loss (see note 5)	(1,191)	(822)	(2,013)
Exchange differences	163	3,336	3,499
Closing net book amount	15,877	298,539	314,416

NOTE 14 DEFERRED TAX ASSETS

	2012 \$'000	2011 \$'000
THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:		
Tax losses	4,092	1,747
Impairment loss	1,789	-
Accruals	29	19
Employee benefits	53	56
Property, plant and equipment	42	10
Provisions	849	249
Total deferred tax assets	6,854	2,081
Set-off of deferred tax liabilities pursuant to set-off provisions (see note 19)	(6,854)	(2,081)
Net deferred tax assets	-	-
Deferred tax assets expected to be recovered within 12 months	475	2,081
Deferred tax assets expected to be recovered after 12 months	6,379	-
	6,854	2,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 14 DEFERRED TAX ASSETS (CONTINUED)

MOVEMENTS	Tax losses \$'000	Accruals \$'000	Employee benefits \$'000	Property, plant and equipment \$'000	Provisions \$'000	Impairment Loss \$'000	Total \$'000
AT 30 JUNE 2011	1,747	19	56	10	249	-	2,081
Movement to the profit or loss	2,619	10	(4)	67	576	1,783	5,051
Tax losses utilised	(335)	-	-	-	-	-	(335)
Reclassified (see note 19)	-	-	-	(35)	18	-	(17)
Exchange differences	61	-	1	-	6	6	74
At 30 June 2012	4,092	29	53	42	849	1,789	6,854

The group has recognised a deferred tax asset in relation to the tax losses of the New Zealand entities on the basis that these losses can be utilised by future profit generating New Zealand operations.

NOTE 15 TRADE AND OTHER PAYABLES

	2012 \$'000	2011 \$'000
Trade payables	3,631	4,201
Other payables	1,930	481
	5,561	4,682

(a) Risk exposure

Information on the group's exposure to foreign exchange risk is provided in note 23.

NOTE 16 BORROWINGS

	2012 \$'000	2011 \$'000
CURRENT		
Secured		
Bank loans	1,405	273
Lease liabilities (note 26)	608	558
	2,013	831
NON-CURRENT		
Secured		
Bank loans	-	1,385
Lease liabilities (note 26)	-	603
	-	1,988

FINANCIAL STATEMENTS

(a) Breach of covenant

The group has a finance facility (encompassing a bank loan, finance lease facility, and bank overdraft facility (unused at 30 June 2012)) with Westpac New Zealand Limited. Debt covenants relating to this facility were breached during the year and as such Westpac New Zealand Limited has the option to call on these facilities at any time. Accordingly, the finance leases and bank loans with Westpac New Zealand Limited have been classified as current. Westpac New Zealand waived their rights to take action in respect of the breach on 24 September 2012.

(b) Security

The bank loans are secured by an all obligations General Security Agreement given by Eastern Coal Limited and its subsidiaries ("Eastern") under which each member of Eastern 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 Eastern assets. In addition to this, the bank has a registered first and exclusive mortgage over the property at Timaru owned by a subsidiary company, Eastern Coal Supplies Limited.

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.

The carrying amount of assets pledged as security for current and non-current borrowings are:

	2012 \$'000	2011 \$'000
CURRENT		
General Security Agreement		
Cash and cash equivalents	1,166	2,935
Receivables	1,497	1,801
Inventories	2,014	1,058
Total current assets pledged as security	4,677	5,794
NON-CURRENT		
First and exclusive mortgage		
Freehold land and buildings	874	876
Finance lease		
Plant and equipment	1,158	1,607
General Security Agreement		
Plant and equipment	886	3,250
Total non-current assets pledged as security	2,918	5,733
Total assets pledged as security	7,595	11,527

(c) Fair value

	2012		2011	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Bank loans	1,405	1,405	1,658	1,658
Lease liabilities	608	608	1,161	1,161
	2,013	2,013	2,819	2,819

(d) Risk exposures

Details of the group's exposure to risks arising from current and non-current borrowings are set out in note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 17 DEFERRED CONSIDERATION

	2012 \$'000	2011 \$'000
CURRENT		
Acquisition of subsidiary deferred consideration	-	41,052
	-	41,052
NON-CURRENT		
Acquisition of subsidiary deferred consideration	138,583	89,387
	138,583	89,387
Total deferred consideration	138,583	130,439

MOVEMENTS

	Deferred consideration \$'000
Balance as at 30 June 2011	130,439
Unwinding of discount rate	3,811
Foreign exchange loss	6,987
Fair value adjustments to deferred consideration	(1,905)
Effect of prior period adjustment	(2,673)
Exchange differences	1,924
At 30 June 2012	138,583

(a) Details on deferred consideration

Unwinding of discount rate

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

Prior period adjustment

During the year an error was noted in the calculation of the fair value of deferred consideration at the time of acquisition. As this adjustment was noted within the 12 months after the acquisition date it has been reflected in the carrying amount of assets acquired rather than through the profit or loss.

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, 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. In accordance with Australian Accounting Standards the revaluations are taken to the income statement.

FINANCIAL STATEMENTS

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 required, under the Australian Accounting Standards, to be 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). In accordance with Australian Accounting Standards the revaluations are taken to 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 23 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 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 production targets that trigger the performance payments and royalties are not expected to be met within the next 12 months, as such deferred consideration is classified as non-current at 30 June 2012.

(b) 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'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.

The performance payments are due on the production targets discussed above; until these production targets are met no amounts are due or payable under the Sale and Purchase Agreement with L&M Coal Holdings Limited.

NOTE 18 PROVISIONS

	2012 \$'000	2011 \$'000
CURRENT		
Employee benefits	442	286
Rehabilitation	195	223
	637	509
NON-CURRENT		
Rehabilitation	1,745	668
	1,745	668
Total provisions	2,382	1,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 18 PROVISIONS (CONTINUED)

(a) Rehabilitation

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. Refer to note 1(t) for the group's accounting policy on rehabilitation.

(b) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Rehabilitation Provision \$'000
Carrying amount at start of year	891
Unwinding of discount rate	54
Additional provisions recognised	974
Exchange differences	21
Carrying amount at the end of the year	1,940

NOTE 19 DEFERRED TAX LIABILITIES

	2012 \$'000	2011 \$'000
THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:		
Mining licences	76,077	76,261
Waste moved in advance	315	290
Exploration and evaluation expenditure	611	350
Property, plant and equipment	448	207
Total deferred tax liabilities	77,451	77,108
Set-off of deferred tax assets pursuant to set-off provisions (see note 14)	(6,854)	(2,081)
Net deferred tax liabilities	70,597	75,027
Deferred tax liabilities expected to be settled within 12 months	191	2,068
Deferred tax liabilities expected to be settled after 12 months	77,260	75,040
	77,451	77,108

MOVEMENTS	Mining licences \$'000	Waste in advance \$'000	Exploration & evaluation \$'000	Property, plant and equipment \$'000	Total \$'000
AT 30 JUNE 2011	76,261	290	350	207	77,108
Movement to the profit or loss	(233)	36	255	272	330
Effect of prior period adjustment	(1,040)	-	-	-	(1,040)
Reclassification (see note 14)	18	-	-	(35)	(17)
Exchange differences	1,071	(11)	6	4	1,070
At 30 June 2012	76,077	315	611	448	77,451

NOTE 20 CONTRIBUTED EQUITY

(a) Share capital

	2012 Shares	2011 Shares	2012 \$'000	2011 \$'000
Ordinary fully paid shares	695,747,997	667,907,997	224,497	205,560
Cost of capital raising			(13,434)	(13,370)
	695,747,997	667,907,997	211,063	192,190

(b) Movements in ordinary share capital

DETAILS		Number of shares	Issue price	\$'000
OPENING BALANCE 1 JULY 2010		224,924,333		32,958
Issue of shares	(c)	253,333,334	\$0.30	76,000
Rights issue (including shortfall)	(e)	116,269,357	\$0.30	34,881
Conversion of listed and unlisted options	(d)	20,980,973	various	4,630
Issue of shares	(c)	52,400,000	\$1.05	55,020
				205,560
Less: cumulative costs of capital raising				(13,370)
Balance 30 June 2011		667,907,997		192,190
Issue of shares for Coalbrookdale purchase	(f)	15,000,000	\$1.07	16,042
Conversion of unlisted options	(d)	12,840,000	Various	2,895
				224,497
Less: cumulative costs of capital raising				(13,434)
Balance 30 June 2012		695,747,997		211,063

(c) 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.

(d) Options

Information relating to the Bathurst Resources Limited Employee Share Option Plan, including details on options issued and exercised during the financial year and options outstanding at the end of the reporting period is set out in note 31.

(e) Rights issue

On 7 October 2010 the company invited shareholders to subscribe to a rights issue of 116,269,357 ordinary shares at an issue price of \$0.30 per share on the basis of 1 share for every 2 fully paid ordinary shares held. The issue was fully subscribed.

(f) Coalbrookdale assets

On 21 July 2011 the group completed the acquisition of the Coalbrookdale assets. As part of the acquisition 15,000,000 shares in Bathurst Resources Limited were issued to the vendor.

(g) Capital risk 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 21 RESERVES

	2012 \$'000	2011 \$'000
Option issue reserve	14,763	14,858
Foreign currency translation reserve	1,200	172
	15,963	15,030

The movements in the reserves for the year are shown in the consolidated statement of changes in equity.

Nature and purpose of reserves

Option issue reserve

The option reserve is used to recognise the fair value of options issued.

Foreign currency translation reserve

Exchange differences arising on the translation of foreign controlled entities and from the translation of 'quasi equity' inter-company loans in foreign operations are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity.

NOTE 22 DIVIDENDS

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

NOTE 23 FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price 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.

	2012 \$'000	2011 \$'000
The group holds the following financial instruments:		
FINANCIAL ASSETS		
Cash and cash equivalents	53,823	87,418
Trade and other receivables	2,615	3,987
Other financial assets	3,441	282
	59,879	91,687
FINANCIAL LIABILITIES		
Trade and other payables	5,561	4,682
Borrowings	2,013	2,819
Deferred consideration	138,583	130,439
	146,157	137,940

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(a) Market risk

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Due to the stage that the group is in regards to its development, management has not set up formal foreign exchange risk policies.

As certainty around the timing of the cash flows required and generated by the project become clearer an appropriate foreign exchange risk management policy will be introduced.

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	30 June 2012 USD \$'000	30 June 2011 USD \$'000
Deferred consideration	(138,583)	(130,439)

Sensitivity

Profit is sensitive to movements in the NZ dollar / US dollar exchange rates due to the US dollar denominated deferred consideration shown in the table above. Had the NZ dollar weakened / strengthened by 10% against the US dollar with all other variables held constant, the group's post-tax profit for the year would have been \$15,544,000 lower / \$12,718,000 higher (2011: \$14,520,000 lower / \$16,090,000 higher) due only to the conversion of the US dollar denominated deferred consideration payments.

(ii) Cash flow and fair value interest rate risk

The group's main interest rate risk arises from long term borrowings. Borrowings that are issued at variable interest rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk if the borrowings are carried at fair value. The group has limited debt and as such there is no formal policy around levels of fixed and variable borrowings to be maintained. During 2012, the group's borrowings (both fixed and variable) were denominated in NZ dollars.

As at the end of the reporting period, the group had the following variable rate borrowings:

	30 June 2012		30 June 2011	
	Weighted avg interest rate	Balance	Weighted avg interest rate	Balance
	%	\$'000	%	\$'000
Bank loans	5.5%	1,405	4.2%	1,658

An analysis by maturities is provided in (c) below.

The group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

Due to the relatively low borrowings of the group the group does not regularly analyse its interest rate exposure and cash flow interest rate risk.

As the group matures and the borrowings increase management will develop appropriate policies and manage the risk accordingly.

Sensitivity

At 30 June 2012, if interest rates had been 100 basis points higher or lower during the year with all other variables held constant, post-tax profit for the year would have been \$619,000 higher / lower (2011: \$300,000 higher / lower), mainly as a result of higher/lower interest income from cash and cash equivalents. Profit is more sensitive to movements in the interest rates in 2012 than 2011 because the average cash balance for 2012 was higher than 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents as well as credit exposures to our customers, including outstanding receivables. For banks and financial institutions, only S&P rated parties with a minimum rating of 'A-1+' are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The compliance with credit limits by corporate customers is regularly monitored by management. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2012 \$'000	2011 \$'000
TRADE RECEIVABLES		
Counterparties with an external credit rating (S&P)		
A-1	122	201
A-2	590	640
	712	841
Counterparties without external credit rating		
Group 1*	723	920
Total trade receivables	1,435	1,761
Cash at bank and short-term deposits		
A-1+	53,823	87,418

*Group 1 – existing customers (more than 6 months) with no defaults in the past.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when they fall due. At the end of the reporting period the group held deposits at call of \$44,372,630 (2011–\$78,187,202) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the project, the group maintains flexibility in liquidity through the use of rolling deposit maturity cycles and by maintaining availability under committed credit lines.

Given the large cash reserves of the business the focus of management is to maximise returns on this cash rather than adopt a formal liquidity management policy.

Financing arrangements

The group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2012 \$'000	2011 \$'000
FLOATING RATE		
Bank overdraft (expiring within one year)	422	416

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

FINANCIAL STATEMENTS

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 FINANCIAL LIABILITIES	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
At 30 June 2012	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables	5,561	-	-	-	-	5,561	5,561
Borrowings (exc. finance leases)	1,405	-	-	-	-	1,405	1,405
Finance leases	608	-	-	-	-	608	608
Deferred consideration	-	-	43,506	60,031	82,650	186,187	138,583
Total	7,574	-	43,506	60,031	82,650	193,761	146,157

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
At 30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables	4,682	-	-	-	-	4,682	4,682
Borrowings (exc. finance leases)	170	167	1,390	-	-	1,727	1,658
Finance leases	321	321	383	287	-	1,312	1,161
Deferred consideration	575	41,176	46,053	36,190	17,383	141,377	130,439
Total	5,748	41,664	47,826	36,477	17,383	149,098	137,940

(d) Fair value measurements

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

AASB 7 *Financial Instruments: Disclosures* requires disclosure of 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 following table presents the groups assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011:

At 30 June 2012	Level 3	Total
	\$'000	\$'000
LIABILITIES		
Deferred consideration (see note 17)	138,583	138,583

At 30 June 2011	Level 3	Total
	\$'000	\$'000
LIABILITIES		
Deferred consideration (see note 17)	130,439	130,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements (continued)

The fair value of the deferred consideration is calculated as the present value of the expected cash flows using a discount rate that reflects the specific risk to the expected payment profile. If the risk adjusted discount rate was 10% higher or lower, the fair value of the deferred consideration would decrease by \$3,446,122 / increase by \$3,669,214. If the expected cash flows from the royalty component of the deferred consideration were 10% higher or lower, the fair value of the deferred consideration would increase by \$6,267,096 / decrease by \$6,267,096.

NOTE 24 KEY MANAGEMENT PERSONNEL DISCLOSURES

	2012 \$	2011 \$
(a) Key management personnel compensation		
Short-term employee benefits	3,032,349	2,346,640
Post-employment benefits	142,987	96,576
Share based payments	(14,181)	9,997,537
	3,161,155	12,440,753

Detailed remuneration disclosures are provided in the remuneration report on pages 33 to 41.

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with the terms and conditions of such options, can be found in the remuneration report on pages 33 to 41.

(ii) Option holdings

2012 NAME	Balance at start of year	Exercised	Other	Balance at end of year	Vested and exercisable	Unvested
DIRECTORS OF BATHURST RESOURCES LIMITED						
Craig Munro	4,500,000	-	-	4,500,000	3,250,000	1,250,000
Rob Lord	3,500,000	-	-	3,500,000	2,250,000	1,250,000
Malcolm Macpherson	2,000,000	-	-	2,000,000	2,000,000	-
Hamish Bohannan	12,400,000	(2,400,000)	-	10,000,000	7,500,000	2,500,000
Gerald Cooper	8,000,000	(500,000)	-	7,500,000	5,500,000	2,000,000
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
Richard Tacon	-	-	-	-	-	-
Timothy Manners	5,700,000	(2,000,000)	-	3,700,000	1,700,000	2,000,000
Marianne Rogers	5,000,000	-	-	5,000,000	3,000,000	2,000,000
Craig Pilcher	-	-	-	-	-	-
Laura McMahon Blechynden	-	-	-	-	-	-

All vested options are exercisable at the end of the year.

FINANCIAL STATEMENTS

2011 NAME	Balance at start of year	Granted as compensation	Exercised	Balance at end of year	Vested and exercisable	Unvested
DIRECTORS OF BATHURST RESOURCES LIMITED						
Craig Munro	-	4,500,000	-	4,500,000	3,250,000	1,250,000
Rob Lord	-	3,500,000	-	3,500,000	2,250,000	1,250,000
Malcolm Macpherson	-	2,000,000	-	2,000,000	2,000,000	-
Hamish Bohannan	2,400,000	10,000,000	-	12,400,000	9,900,000	2,500,000
Gerald Cooper	1,500,000	6,500,000	-	8,000,000	6,000,000	2,000,000
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
Timothy Manners	-	6,000,000	300,000	5,700,000	3,700,000	2,000,000
Max Brunsdon	-	5,000,000	-	5,000,000	3,000,000	2,000,000
Alan Thom	-	2,000,000	-	2,000,000	2,000,000	-
Marianne Rogers	-	5,000,000	-	5,000,000	3,000,000	2,000,000
Craig Pilcher	-	-	-	-	-	-

All vested options are exercisable at the end of the year.

(iii) Share holdings

The number of shares in the company held during the financial year by each director of Bathurst Resources Limited and other key management personnel of the group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2012 NAME	Balance at start of year	Received during the year on exercise of options	Other changes during the year	Balance at end of year
DIRECTORS OF BATHURST RESOURCES LIMITED				
Craig Munro	462,526	-	-	462,526
Rob Lord	460,938	-	70,000	530,938
Malcolm Macpherson	40,000	-	60,000	100,000
Hamish Bohannan	9,670,658	2,400,000	(1,465,658)	10,605,000
Gerald Cooper	300,000	500,000	(240,000)	560,000
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP				
Richard Tacon	-	-	-	-
Timothy Manners	462,498	2,000,000	(1,862,498)	600,000
Marianne Rogers	-	-	-	-
Craig Pilcher	12,000	-	90,000	102,000
Laura McMahon Blechynden	-	-	9,027	9,027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 24 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(iii) Share holdings (continued)

2011 NAME	Balance at start of year	Received during the year on exercise of options	Other changes during the year	Balance at end of year
DIRECTORS OF BATHURST RESOURCES LIMITED				
Craig Munro	200,000	-	262,526	462,526
Rob Lord	-	-	460,938	460,938
Malcolm Macpherson	-	-	40,000	40,000
Hamish Bohannan	5,645,000	-	4,025,658	9,670,658
Gerald Cooper	200,000	-	100,000	300,000
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP				
Timothy Manners	351,000	300,000	(188,502)	462,498
Max Brunsdon	1,002,000	-	(100,000)	902,000
Alan Thom	-	-	-	-
Marianne Rogers	-	-	-	-
Craig Pilcher	-	-	12,000	12,000

(c) Loans to 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.

(i) Aggregates for loans to key management personnel

	Balance at the start of the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Number in the group at the end of the year
	\$	\$	\$	\$	
2012	380,000	47,630	-	380,000	1
2011	-	31,363	-	380,000	1

(ii) Individuals with loans above \$100,000 during the financial year

	Balance at the start of the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Highest indebtedness during the year
	\$	\$	\$	\$	\$
H Bohannan	380,000	47,630	-	380,000	380,000

The loan outstanding at the end of the year to H Bohannan is an unsecured loan which is repayable on 31 October 2012. Interest is payable on the loan at a rate of 12.5%.

NOTE 25 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2012 \$	2011 \$
PWC AUSTRALIA		
(i) Audit and other assurance services		
Audit and review of financial statements	203,033	225,000
Due diligence services	-	52,648
Total remuneration for audit and other assurance services	203,033	277,648
(ii) Taxation services		
Tax compliance services	26,000	23,700
Consulting advice on mergers and other structuring	182,341	9,000
Total remuneration for taxation services	208,341	32,700
(iii) Other services		
ESOP & remuneration structuring advice	9,500	10,000
Total remuneration for other services	9,500	10,000
Total remuneration of PwC Australia	420,874	320,348
PWC NEW ZEALAND		
(i) Audit and other assurance services		
Audit and review of financial statements	41,696	-
Due diligence services	-	29,621
Total remuneration for audit and other assurance services	41,696	29,621
(ii) Taxation services		
Tax compliance services	57,682	28,418
Consulting advice on mergers and other structuring	118,849	49,091
Total remuneration for taxation services	176,531	77,509
Total remuneration of PwC New Zealand	218,227	107,130
NON-PWC AUDIT FIRMS		
BDO NEW ZEALAND		
(i) Audit and other assurance services		
Audit and review of financial statements	15,675	41,000
Total remuneration for audit and other assurance services of non-PwC audit firms	15,675	41,000
Total auditors' remuneration	654,776	468,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 26 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:	2012 \$'000	2011 \$'000
Property, plant & equipment		
Within one year	13,183	1,009

(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.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	2012 \$'000	2011 \$'000
Within one year	444	306
Later than one year but not later than five years	781	532
Later than five years	121	104
	1,346	942

(ii) Finance leases

The group leases various plant and equipment with a carrying amount of \$1,158,000 (2011: \$1,607,000) under finance leases expiring within one to four years.

Commitments in relation to finance leases are payable as follows:	2012 \$'000	2011 \$'000
Within one year	608	642
Later than one year but not later than five years	-	670
Later than five years	-	-
Minimum lease payments	608	1,312
Future finance charges	-	(151)
Recognised as a liability	608	1,161
The present value of finance lease liabilities is as follows:		
Within one year	608	558
Later than one year but not later than five years	-	603
Later than five years	-	-
Minimum lease payments	608	1,161

(c) Exploration expenditure commitments

The group holds various exploration permits which have as part of their conditions minimum work programs.

Commitments in relation to exploration permits are payable as follows:	2012 \$'000	2011 \$'000
Within one year	224	720
Later than one year but not later than five years	1,585	1,961
Later than five years	37	965
	1,846	3,646

NOTE 27 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 following subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2012 %	2011 %
Bathurst New Zealand Limited	New Zealand	Ordinary	100	100
Bathurst Coal Limited	New Zealand	Ordinary	100	100
Buller Coal Limited	New Zealand	Ordinary	100	100
Eastern Coal Limited	New Zealand	Ordinary	100	100
Cascade Coal Limited	New Zealand	Ordinary	100	100
Somervilles Land Holdings Limited	New Zealand	Ordinary	100	100
Cascade West Limited	New Zealand	Ordinary	100	100
Cascade East Limited	New Zealand	Ordinary	100	100
Takitimu Coal Limited	New Zealand	Ordinary	100	100
Rochfort Coal Limited	New Zealand	Ordinary	100	100
Eastern Coal Supplies Limited	New Zealand	Ordinary	100	100
Bathurst Resources USA, LLC	USA	Ordinary	-	100

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 24.

(d) Transactions with other related parties

The following transactions occurred with other parties:

	2012 \$	2011 \$
Rental Income		
Other related parties	11,700	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 28 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Acquisition of Strategic Land Holding

On 25 July 2012 the company received Overseas Investment Office of New Zealand approval for the acquisition of a strategic land holding adjoining the Takitimu operation for NZ\$14 million (A\$11 million). A deposit of NZ\$2 million (A\$1.8 million) had been paid before the reporting date with a further NZ\$5 million (A\$4 million) being paid in August 2012. The transaction is expected to complete by December 2012.

NOTE 29 RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2012 \$'000	2011 \$'000
Loss for the year	(21,520)	(13,475)
Share based payments	(95)	11,641
Unrealised foreign exchange gain / (loss)	6,987	(8,239)
Unwinding of discount rate	3,865	3,004
Revaluation of deferred consideration	(1,905)	2,176
Impairment loss	6,365	-
Depreciation and amortisation	2,432	688
Loss on disposal of property, plant and equipment	27	6
Write off of capital works in progress	192	-
Changes in operating assets and liabilities:		
Decrease in trade debtors	353	2,586
Increase in other operating assets	(104)	(1,683)
Increase in inventories	(943)	(67)
Increase / (decrease) in trade and other payables	1,673	(94)
Decrease in other liabilities	-	(1,006)
Increase in other provisions	1,137	130
Decrease in income taxes payable	(956)	(30)
Decrease in deferred tax liabilities	(4,598)	(1,603)
Net cash outflow from operating activities	(7,090)	(5,966)

(a) Non-cash financing and investing activities

Acquisition of Coalbrookdale

During the 2012 financial year shares were issued to the vendor of the Coalbrookdale assets as part of the settlement for the assets. The value of the shares issued was \$16,041,500.

Options issued on Capital Raising

During the 2011 financial year options were issued to Helmsec Global Capital Limited in satisfaction of capital raising fees. The value of the options issued was \$2,069,475 - refer to note 31 for further information.

NOTE 30 EARNINGS PER SHARE

	2012 cents	2011 cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the company	(3.12)	(2.76)
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the company	(3.12)	(2.76)
(c) Reconciliation of earnings used in calculating earnings per share		
Earnings used in the calculation of basic and dilutive Earnings per share:	\$'000	\$'000
Earnings from continued operations	(21,520)	(13,475)
Total earnings	(21,520)	(13,475)
(d) Weighted average number of shares used as the denominator	Shares	Shares
Weighted average number of ordinary shares during the period used in the calculation of basic and dilutive earnings per share	689,327,339	488,234,924
Adjustments for calculation of diluted earnings per share:		
Options ⁽¹⁾	66,245,132	37,703,440
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	755,572,471	525,938,364

(1) Options that could potentially dilute earnings per share in the future, but were not included in the calculation per share because they are anti – dilutive for the periods presented.

(e) Rights issue

During the 2011 financial year a two for one rights issue was made to existing shareholders at an offer price below the quoted share price on the day the issue was made. Under AASB 113 Earnings Per Share such an issue results in an implied bonus which is applied retrospectively to the earnings per share calculations.

NOTE 31 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 is 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. The ESOP has been established to enable the company to attract and retain skilled and experienced directors, senior executives, employees, and consultants and to provide them with the motivation to make the company more successful and deliver long-term shareholder returns.

Under the plan, participants are 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 is at the board’s discretion.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 31 SHARE-BASED PAYMENTS (CONTINUED)

(a) Employee share option plan (continued)

30 June 2012

Issue	Grant date	Expiry date	Exercise Price	Balance at start of year	Forfeited during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
A	18 Aug 10	30 Sept 13	10.8 cents	9,500,000	-	-	9,500,000	9,500,000
B	20 Aug 10	30 Sept 13	16.8 cents	1,000,000	-	-	1,000,000	1,000,000
C	20 Aug 10	30 Sept 13	10.8 cents	11,000,000	-	4,500,000	6,500,000	6,500,000
D	29 Nov 10	30 Sept 13	21 cents	1,000,000	-	-	1,000,000	1,000,000
E	29 Nov 10	31 Dec 13	40 cents	14,000,000	-	-	14,000,000	7,000,000
F	6 Dec 10	31 Dec 13	40 cents	14,700,000	-	2,000,000	12,700,000	5,200,000
G	18 Apr 11	31 Dec 13	113 cents	2,000,000	-	-	2,000,000	2,000,000
H	18 Apr 11	31 Dec 13	85 cents	2,000,000	-	-	2,000,000	2,000,000
Total				55,200,000	-	6,500,000	48,700,000	34,200,000
Weighted average exercise price				32.7 cents	-	19.8 cents	34.4 cents	32 cents

30 June 2011

Issue	Grant date	Expiry date	Exercise Price	Balance at start of year	Granted during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
A	18 Aug 10	30 Sept 13	15 ⁽¹⁾ cents	-	9,500,000	-	9,500,000	9,500,000
B	20 Aug 10	30 Sept 13	21 ⁽²⁾ cents	-	1,000,000	-	1,000,000	1,000,000
C	20 Aug 10	30 Sept 13	15 ⁽¹⁾ cents	-	11,000,000	-	11,000,000	11,000,000
D	29 Nov 10	30 Sept 13	21 cents	-	1,000,000	-	1,000,000	1,000,000
E	29 Nov 10	31 Dec 13	40 cents	-	14,000,000	-	14,000,000	7,000,000
F	6 Dec 10	31 Dec 13	40 cents	-	15,000,000	300,000	14,700,000	7,200,000
G	18 Apr 11	31 Dec 13	113 cents	-	2,000,000	-	2,000,000	2,000,000
H	18 Apr 11	31 Dec 13	85 cents	-	2,000,000	-	2,000,000	2,000,000
Total				-	55,500,000	300,000	55,200,000	40,700,000
Weighted average exercise price				-	32.6 cents	40 cents	32.7 cents	30.1 cents

(1) As a result of the rights issue in November 2010 the exercise price of these options was adjusted to 10.8 cents

(2) As a result of the rights issue in November 2010 the exercise price of these options was adjusted to 16.8 cents

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2012 was \$0.74 (2011 – \$1.22).

The weighted average remaining contractual life of share options outstanding at the end of the reporting period was 1.41 years (2011 – 2.40 years).

Fair value of options granted

No options were issued during the year ended 30 June 2012.

FINANCIAL STATEMENTS

(b) Other option issues

No options were issued during the year ended 30 June 2012. As at 30 June 2012 there were 16,010,776 options on issue outside the ESOP which have an expiry date of between 31 October 2012 and 15 November 2013 along with an exercise price of between 15.5 cents and 37.8 cents.

(c) Expenses arising from the share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	2012 \$'000	2011 \$'000
Options issued under the employee option plan recognised in the income statement	-	11,191
Options issued recognised in the income statement	-	450
Vesting and forfeiture adjustments from unvested options	(95)	-
Other options issued recognised directly in equity as costs of equity raising	-	2,069
	(95)	13,710

NOTE 32 PARENT ENTITY INFORMATION

(a) Summary of financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2012 \$'000	2011 \$'000
BALANCE SHEET		
Current assets	37,004	85,491
Total assets	197,240	175,850
Current liabilities	823	570
Total liabilities	823	570
Shareholders' equity		
Issued capital	211,063	192,190
Reserves		
Option issue reserve	14,763	14,858
Foreign currency translation reserve	32	32
Accumulated losses	(29,441)	(31,800)
Total shareholders' equity	196,417	175,280
Profit / (Loss) for the year	2,359	(11,835)
Total comprehensive income	2,359	(11,835)

(b) Contractual commitments

No later than one year	158	146
Later than one but not later than five years	164	269
	322	415

(c) Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of bank loans of subsidiaries amounting to \$4,665,000 (2011: \$4,665,000). This loan is secured by registered mortgages over the freehold properties of Eastern Coal Limited (and its subsidiaries) as well as a first ranking security interest over Eastern Coal Limited (and its subsidiaries) present and future acquired property (including proceeds).

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 55 to 99 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



CRAIG MUNRO | Chair
Perth
27 September 2012



Independent auditor's report to the members of Bathurst Resources Limited

Report on the financial report

We have audited the accompanying financial report of Bathurst Resources Limited (the company), which comprises the balance sheet as at 30 June 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Bathurst Resources Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Auditor's opinion

In our opinion:

- (a) the financial report of Bathurst Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Report on the Remuneration Report

We have audited the remuneration report included in pages 33 to 41 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Bathurst Resources Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

John O'Connor

John O'Connor
Partner

Perth
27 September 2012

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SECTION THREE

Other Information

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ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 27 September 2012.

A. Distribution of equity securities

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

Holding	Ordinary shares
1 – 1,000	422
1,001 – 5,000	972
5,001 – 10,000	778
10,001 – 100,000	1,761
100,001 and over	403
	4,336

There were 452 holders of less than a marketable parcel of ordinary shares.

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
National Nominees Limited	109,397,168	15.70
J P Morgan Nominees Australia Limited	99,692,232	14.31
HSBC Custody Nominees	74,060,996	10.63
JP Morgan Nominees Australia Limited	70,400,419	10.10
Bell Potter Nominees Limited	34,553,255	4.96
Merrill Lynch (Australia) Nominees Pty Limited	20,043,704	2.88
Mr RJ Griffiths & Mrs JD Griffiths	15,000,000	2.15
Citicorp Nominees Pty Limited	11,412,462	1.64
RBC Investor Services Australia Nominees Pty Limited	6,529,394	0.94
Mr H Bohannan & Ms J Bohannan	6,300,000	0.90
BNP Paribas Noms Pty Limited	4,161,199	0.60
Passio Pty Limited	4,000,000	0.57
UBS Wealth Management Aust Nominees Pty Limited	3,995,187	0.57
CTS Funds Pty Limited	3,146,000	0.45
Citicorp Nominees Pty Limited	3,089,475	0.44
AMP Life Limited	3,003,108	0.43
HSBC Custody Nominees	2,786,799	0.40
Mrs Vicky Teoh	2,600,000	0.37
Mr Michael Kable	2,541,000	0.36
Bond Street Custodians Limited	2,415,017	0.35
	479,127,415	68.77

ASX ADDITIONAL INFORMATION

B. Equity security holders (continued)

Unquoted equity securities

	Number on issue	Number of holders
Unquoted options on issue	61,210,776	24

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage of issued shares
Bank of America Corporation *	83,066,099	11.92
L1 Capital Pty Ltd	78,924,030	11.33
Mathews Capital Partners Pty Limited *	52,849,280	7.59
Coupland Cardiff Asset Management	43,532,420	6.25
JP Morgan Chase & Co	34,850,398	5.00

* The shares held by Mathews Capital Partners Pty Limited ("Mathews") are subject to hypothecation with Bank of America Corporation ("Bank of America") and as such Bank of America is required to report these holdings in their notice of substantial holdings. This has resulted in the shares of Mathews being double counted in the above table.

D. Voting rights

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

(a) *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.

(b) *Options*

No voting rights.

TENEMENT SCHEDULE

TENEMENT SCHEDULE

Permit Number	Location	Registered Holder	Bathurst Interest
MP51279	Escarpment	Buller Coal Limited	Bathurst 100%
MP41455	Cascade Creek	Cascade Coal Limited	Bathurst 100%
MP41274	Denniston	Buller Coal Limited	Bathurst 100%
MP41456	Denniston	Buller Coal Limited	Bathurst 100%
MP41332	Denniston	Buller Coal Limited	Bathurst 100%
MP53614	Coaldale	Takitimu Coal Limited	Bathurst 100%
EP40591	Whareatea West	Rochfort Coal Limited	Bathurst 100%
EP51078	Coal Creek	Buller Coal Limited	Bathurst 100%
EP40628	Buller	Buller Coal Limited	Bathurst 100%
EP53047	Charleston	Buller Coal Limited	Bathurst 100%
EP53756	Mokihinui	Buller Coal Limited	Bathurst 100%
EP54031	10 Mile Creek	Buller Coal Limited	Bathurst 100%
EP51260	Ohai	Rochfort Coal Limited	Bathurst 100%
PP52484	Albury	Rochfort Coal Limited	Bathurst 100%

COAL RESOURCES AND RESERVES

TABLE 1 - RESOURCES

AREA	Measured Resource (Mt)	Indicated Resource (Mt)	Inferred Resource (Mt)	Total Resource (Mt)
SOUTH BULLER				
Escarpment	2.8	2.1	0.9	5.8
Deep Creek	6.2	3.1	1.6	10.9
Whareatea West	5	12.4	8.1	25.5
Coalbrookdale	-	2.3	4.9	7.2
Cascade	0.5	0.3	0.7	1.5
Totals	14.5	20.2	16.2	50.9
NORTH BULLER				
Millerton North	-	1.9	3.6	5.5
North Buller	-	4.9	10.2	15.1
Blackburn	-	5.8	14.1	19.9
Totals	-	12.6	27.9	40.5
Buller Coal Project	14.5	32.8	44.1	91.4
TAKITIMU				
Coaldale	1.2	1.2	0.7	3.1
GRAND TOTAL	15.7	34.0	44.8	94.5

Note

- Resources are inclusive of reserves
- All resources and reserves quoted in this release are reported in terms as defined in the 2004 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").

TABLE 2 - RESERVES (ALL SOUTH BULLER)

ROM COAL (MT)	Proved	Probable	Total
Escarpment	2.7	1.9	4.6
Deep Creek	5.8	2.7	8.5
Whareatea West	5.0	10.6	15.6
Coalbrookdale	-	1.8	1.8
Cascade	0.4	0.2	0.6
Total	13.9	17.2	31.1
PRODUCT COAL (MT)			
	Proved	Probable	Total
Escarpment	2.2	1.6	3.8
Deep Creek	5.1	2.4	7.5
Whareatea West	3.6	6.7	10.3
Coalbrookdale	-	1.6	1.6
Cascade	0.4	0.2	0.6
Total	11.3	12.5	23.8

COAL RESOURCES AND RESERVES

RESERVES QUALITY – PRODUCT COAL (AT 15% MOISTURE)

AREA	Ash %		CSN		Volatile Matter		Sulphur	
	Average	Range	Average	Range	Average	Range	Average	Range
Escarpment	8.2	2.1 – 11.4	8	6 – 9+	28.4	25.9 – 31.3	0.6	0.4 – 0.8
Deep Creek (coking)	5.0	4.9 – 5.2	>9	5 – 9++	37.0	18.0 – 38.0	2.5	2.0 - 3.1
Deep Creek (thermal)	11.8	6.4 - 16.5	N/A	N/A	N/A	N/A	1.7	0.9 - 2.0
Whareatea West	10.5	3.2 – 11.8	9	8 – 9++	29.7	23.9 – 31.7	0.8	0.8 – 0.9
Coalbrookdale	7.9	2.1 – 11.2	5.5	5 – 8	32.0	29.1 – 32.1	1.0	0.3 – 1.4
Cascade	2.0	0.3 - 2.1	4.5	2 – 5	34.9	31.3 – 34.9	1.5	0.3 – 1.9

RESOURCES QUALITY

The company is not aware of any information to indicate that they 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

COMPETENT PERSON STATEMENTS:

The information on this report that relates to mineral resources and reserves for Deep Creek is based on information compiled by Neil Fraser who is a full time employee of Golder Associates Pty Ltd and is a member of the Australasian Institute of Mining and Metallurgy. Mr Fraser 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 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Fraser consents to the inclusion in this report of the matters based on his information in the form and context in which it appears above.

The information on this report that relates to mineral reserves for Escarpment, Cascade, Coalbrookdale and Whareatea West is based on information compiled by Ainsley Ferrier who is a full time employee of Buller Coal Limited and is a member of the Australasian Institute of Mining and Metallurgy. Ms Ferrier 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 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms Ferrier 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 on this report that relates to exploration results and mineral resources for Millerton North, North Buller, Blackburn and Coaldale is based on information compiled by Hamish McLauchlan who is a full time employee of Buller Coal Limited and is a member of the Australasian Institute of Mining and Metallurgy. Mr McLauchlan 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 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McLauchlan consents to the inclusion in this report of the matters based on his information in the form and context in which it appears above.

CORPORATE DIRECTORY

Directors

CRAIG MUNRO | Non – Executive Chair
HAMISH BOHANNAN | Managing Director
GERALD COOPER | (Executive)
ROB LORD | (Non-Executive)
MALCOLM MACPHERSON | (Non-Executive)

Secretaries

TIMOTHY MANNERS
LAURA MCMAHON BLECHYNDEN

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New Zealand office

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Share registry

Computershare Investor Services Pty Limited
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1300 557 010 (within Australia)
+ 61 3 9415 4000 (outside Australia)

Auditor

PricewaterhouseCoopers
QV1, 250 St Georges Terrace, Perth, WA 6000

Solicitors

Allion Legal
Level 2, 50 Kings Park Road, West Perth, WA 6005

Bell Gully

Level 21, 171 Featherston Street, Wellington 6140, New Zealand

Banker

Westpac Banking Corporation

Stock exchange listings

Bathurst Resources Limited shares are listed on the Australian Securities Exchange (ASX) and the New Zealand Exchange (NZX), under the code BTU.

Website address

www.bathurstresources.co.nz

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