BATHURST
RESOURCES LIMITED

2017 Annual Report

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Year in Review

In this section

Chairman's and CEO's report

We are pleased to report on a successful year of consolidation and planning for growth against a backdrop of challenging conditions and a very volatile market.

The focus for Bathurst during this period was the successful bid for the purchase of three operating mines from Solid Energy New Zealand Limited (Subject to Deed of Company Arrangement) in a joint venture with Talleys Energy Limited.

Combining Bathurst's existing operations with the Solid Energy operations provides economies of scale, a mix of assets and access to markets that will help deliver our strategic goals far earlier than could be expected through organic growth alone.

The acquired assets include:

- West Coast: Buller Plateau operating assets of Stockton Mine, including Cypress, Upper Waimangaroa, Mt William North and the Ngakawau rail loadout
- Waikato: Rotowaro Mine, Maramarua Mine and certain assets at Huntly West Mine.

The addition of the Stockton assets to our portfolio opens the door to international sales and marketing opportunities with great promise.

Importantly the purchase has the potential to unlock and realise synergies with the company's existing assets, especially on the South Buller Plateau at Denniston.

We ended the year with strong cash reserves to fund the anticipated purchase and have returned an underlying profit of $1.3 million – our second consecutive surplus.

The effort to achieve our end of year result and the healthy position with which we begin FY2018 cannot be overstated. The commitment and dedication of the leadership team and those managing our operations is worthy of special mention.

Our operational staff have continued to develop and grow our existing resources, stripping out costs where possible, improving sustainability as well as increasing sales and providing a base for our planned expansion.

The mines at Takitimu and Canterbury have been the backbone of our domestic operations without which we could not have competed the purchase of the Solid Energy assets – for that we are very grateful.

We also need to acknowledge the effort of the leadership team in managing the acquisition in addition to maintaining a healthy business.

The transition to become the country's largest specialist coal mining company has been time consuming and intensive, both in the planning and the management of the complex relationships with numerous stakeholders.

“

New Zealand's largest specialist coal mining company

“Successful bid for the purchase of three operating mines from Solid Energy New Zealand

What has also been pleasing for Bathurst is the confidence of our shareholders who embraced and supported the acquisition plans. They have supported a variety of mechanisms to fund the purchase while maintaining existing shareholder value. It is a confidence that is already paying dividends and we are confident it will continue to add value.

The focus on health and safety and developing an improved safety culture has remained a fundamental part of our operations and we continue to invest in our people.

Our commitment to the underlying principle that **every worker returns home safe** remains unchanged and takes on even more importance as we plan to integrate our newly acquired operations into Bathurst's Health and Safety Management Systems.

We gladly accept the responsibility that comes with being the country's largest coal producer, not only to our people, but also our shareholders and customers – our aim is to make the biggest synonymous with the best.

Having gone through a period of planning, consolidation and preparation, we are looking forward to a year of implementation where we begin to realise some of the enormous promise and potential we have worked so hard to develop. This includes the development of the Buller assets to realise the value our long-standing shareholders built over the last seven years. We will be pooling resources to bring these projects into production in the near term.

Bathurst has the people and the leadership to deliver on the promise and we look forward to a productive and profitable year ahead.

Toko Kapea
Chairman

Richard Tacon
Chief Executive Officer

Operating and financial review

Bathurst is a New Zealand registered, ASX listed resources company. Our operations are in the South Island of New Zealand where we provide energy for local industrial users, having established ourselves as a leading coal producer.

With recent growth and acquisitions, Bathurst will add two North Island mines to become the country's largest coal producer and an exporter of high-quality metallurgical coal for steel production in Asia.

Domestic operations

With the corporate office based in Wellington, our operations provide energy for the agri-business sector, schools, hospitals and many other sectors in our economy.

During the year, we produced more than 330,000 tonnes of energy coal from two operating mines in the South Island.

We also have permits over 15,000 hectares on the Buller coalfield. This is part of our strategic plan to become an exporter of high-quality metallurgical coal. In addition, Bathurst holds various exploration and prospecting permits in other areas of the South Island to position ourselves for further opportunities and growth.

The recent purchase of the assets in the Buller and the Waikato provide enormous synergies with our existing operations and will be integral to Bathurst's plans for growth and development, domestically as well as internationally.

Takitimu

The Takitimu mine is located at Nightcaps, north of Invercargill, where coal has been produced for over 140 years. Takitimu contains one of the few remaining pockets of sub-bituminous coal in the region and produced more than 230,000 tonnes of sub-bituminous coal during the year.

In 2017, the land acquisition of the Black Diamond Block was finalised. We are now developing the block, an extension of the Takitimu mine, to provide access to 1.8 million tonnes (Mt) of coal. This will help underpin the local economy – providing jobs and supplying energy to local businesses for years to come. Coal will continue to be mined from the North East of the Coaldale block which has performed better than modelled.

We continue rehabilitating the exhausted Takitimu pit, which has now been backfilled. The land is being progressively rehabilitated to pasture and we have had some great results with rehabilitation success over this year.

A highlight from Takitimu this year was the purchase and installation of a Komatsu PC2000 excavator which has significantly improved efficiency.

> “During the year we produced more than 330,000 tonnes of energy coal from two operating mines in the South Island

Canterbury

The Canterbury mine is an open cast mine near Coalgate, 70 kilometres west of Christchurch. The mine produces energy coal which is low in sulphur and ash and in high demand by the local dairy and food processing industries.

Total production from Canterbury was more than 100,000 tonnes during the period. This was a significant increase on the previous year when over 60,000 tonnes were produced. Production capacity at Canterbury is planned to increase in 2018 with run of mine (ROM) production forecast to exceed 150,000 tonnes.

In the last quarter of 2017 Canterbury secured a ten year supply agreement for up to 65,000 tonnes per annum, with an escalation option. This agreement underpins the further development of the mine which is strategically located close to markets in the region.

With the continued development of the mine, we have progressively upgraded our mining fleet and we expect the benefits of this to flow through 2018 and beyond.

Highlights of Canterbury for 2017 include:

- the successful tender for the new coal supply contract, resulting in a production increase from 100kT to 165 kT
- the development of office, workshop and coal production areas, and
- the establishment of 24 hour stripping operations.

Escarpment and Cascade

The Buller coalfield on the west coast of the South Island is regarded as one of the country's most significant fields and is particularly well known for its production of high quality, low ash and high fluidity coking coals, which are highly sought after by international steelmakers.

Escarpment mine has commenced construction works for a mine to produce coking coal used for steel making and Cascade mine produced semi-soft coking coal, for a local New Zealand cement manufacturer.

With the closure of the local cement plant in 2016 a decision was made to place the Escarpment mine into care and maintenance in May 2016. This was the result of detailed planning and feasibility work, which demonstrated that the mine required certain levels of production to be profitable.

During 2017, water chemistry modelling was undertaken which determined that a passive treatment system (mussel shell bioreactor) would be the most cost effective and practical solution to treat the acidity and dissolved metal loads prior to water discharge at Escarpment. Whilst the site is in care and maintenance the ideal opportunity was presented to construct and trial the mussel shell bioreactor to demonstrate the benefits and opportunities for water treatment and engineered landform construction methods once mining recommences. Based on the data available to date, the approach of a well-constructed engineered landform and downgradient passive treatment can manage the acidity and metal loads generated by the operation. This bodes well for the greater project expansion.

We have also been working with an Otago University Masters student who is working towards a thesis on the relationship between rainfall and groundwater flows from historical mine adits on the Denniston Plateau. This research will assist us to understand our future groundwater management requirements when operations recommence.

We plan to maintain the value of the resource and will continue to meet all consent requirements to ensure continued access to the permit.

Exploration and permits

Exploration during the year was focused on meeting short-term operational planning and permit requirements, with a focus on validating the geologic models at both Canterbury and in the Black Diamond block at Takitimu.

We have continued to evaluate the Denniston assets through geochemical coal quality modelling and pre-feasibility studies undertaken to better understand the coal quality.

The pending purchase of the Sullivan Coal Mining License from Solid Energy, located between Coalbrookdale and Whareatea West, is now being evaluated to enhance the Denniston integrated mine plan.

At Takitimu, 16 holes were drilled and 45 trenches excavated to assist in mine planning and geotechnical assessment for excavation works that were scheduled to commence during 2017.

Drilling was concentrated in the Coaldale North East area which has provided sufficient coal for an additional nine months production at the site.

Drilling was completed at Canterbury for mine planning to support expansion plans. As a result of the exploration programme, the confidence and size of the resource increased significantly, with the Measured Resources increasing from 0.5 to 1.2 Mt and total resources increasing by 1.8 to 7.1 Mt. In the two programmes completed at Canterbury, 26 diamond and 26 RC holes were drilled and 13 sample trenches were excavated.

Predominately a single drill crew was deployed and moved to various sites. The use of a single crew provided continuity for the drilling contractor and ensured that consistent operational health and safety standards were met.

Production

Production figures for Bathurst's operating mines for FY2017 are set out below.

Operation	Production (ROM tonnes)	Overburden (BCM)
Takitimu	230,031	1,763,424
Canterbury	101,048	824,187
Total	**331,079**	**2,587,611**

Financial

We have consolidated our domestic business after changes to the market mix and have delivered on our promises through a sustainable and reliable domestic business. The environment in which we operate remains challenging and with the loss of the West Coast cement market, revenue was considerably reduced in 2017. This was offset by cost reduction across the operations.

An underlying profit after tax of $1.3m was recorded for the domestic business ($1.0m in 2016), equating to a statutory loss of $1.9m ($1.0m statutory profit in 2016) once finance costs on debt instruments and transition costs relating to Bathurst's joint venture acquisition in BT Mining Limited were included.

An EBITDA of $11.2m ($13.5m in 2016) reflects a continued focus on cost control given the spend required on the acquisition.

We continue to drive this strategy and expect to deliver further positive returns in 2018.

The company produced a positive cash flow from operations of $8.9m in the year ended 30 June 2017, compared with an operating cash inflow of $1 million in the same period two years ago. This result demonstrates a strong operational performance and creates a solid platform for us to deliver on the group's operational efficiency targets in the coming year.

	FY2017 $000	FY2016 $000
Underlying profit	**1,264**	**1,031**
Add back		
Finance Costs on Debt Instruments	1,858	
Transaction Costs on BT Mining Acquisition	1,304	
Statutory (loss)/profit after tax	**(1,898)**	1,031
Add back		
Depreciation and Amortisation	10,632	11,220
Net Finance Costs	2,416	1,250
EBITDA	**11,150**	**13,501**

We have continued to seek operational improvements throughout the year and operating cash flows for the year are favourable. This has enabled us to invest in the development of the Canterbury mine, extend into owned land at Takitimu (Black Diamond block), and support BT Mining's extended transitional period through to completion on the Solid Energy assets acquisition.

We began the year ahead of production forecasts, and ended the year in the same position. Operations continued to perform well throughout the year and cash costs remain under tight control.

The group had $28.9 million of cash and cash equivalents on hand as at 30 June 2017, compared with $3.3 million at 30 June 2016. $24.9 million held related to cash held in escrow, which was called in accordance with the debt instruments issued during the period. This was subsequently drawn down to enable BT Mining's purchase of the Solid Energy mine site assets, and provide working capital in BT Mining.

Financial highlights

Underlying profit of $1.3m

EBITDA of $11.2m – continued focus on cost control despite acquisition costs and investments

Strong cash flow from operations of $8.9m – solid platform to deliver future value

Cash flow positive

> **Over 230,000 tonnes of sub-bituminous coal produced at Takitimu – extension to provide access to 1.8 million tonnes of coal**

Debt instruments

A number of debt instruments were issued during the year. These were issued primarily to fund our investment in BT Mining and also to repay secured bank lending and fund the due diligence work on BT Mining's purchase of the Solid Energy mine site assets.

A summary of these instruments are as follows:

Instrument	Date of Issue	Original Face Value	Conversion Price
Convertible Notes	July 2016	AUD $4.25m	AUD $0.0220
Convertible Notes	February 2017	AUD $7.5m	AUD$0.0375
RCPS*	February 2017	AUD $11.3m	AUD $0.0220
Subordinated Bonds	February 2017	USD $7.9m	n/a

**Redeemable Convertible Preference Shares*

Our commitment

Our focus is on being a safe, responsible development company that adds value to shareholders, the communities we work in and the country as a whole.

Sustainable development and responsible resource use is fundamental to all that we do – it extends beyond resource extraction across all phases of our business from exploration through to development, operation, and closure. This means that everything we do is guided by a commitment to provide positive outcomes for shareholders, employees, stakeholders, local communities and, importantly, the environment. We strive to live our values every day.

The company is constantly looking for ways to improve productivity in ways that are better for the environment and safer for our people.

During 2017, we had numerous site and company-wide sustainability projects. One of the key projects investigated our logistic supply chains where we realised that focusing our efforts to look for improvements for our business would also benefit our customers.

The project investigated our South Island rail and road freight movements to look for supply chain efficiencies across the company on a customer by customer basis. Where customer needs were flexible, the project has led to matching supply from the closest mine gate to the customer. The outcomes have seen customer bottom line improvements for reduction in transportation costs per tonne of coal, shorter transportation routes delivering a reduction in fuel consumption, and will deliver a reduction in over a million CO_2 equivalent emissions per annum. All from just this one project.

Next year our central sustainability focus will be to understand the exciting changes to our business created through the BT Mining joint venture acquisitions through a materiality review. This review will be completed to ensure we commence to gather information on the issues which matter most to our stakeholders post acquisition.

It will include reviewing items such as:

- water use and management
- re-examining our approach to life of mine integration into mine closure
- supplier efficiency analysis for our existing 200 suppliers
- functional expertise in business support areas such as finance to deliver services to the operations where all hubs work to a common framework to create greater efficiencies and strengthened governance
- advances to our land management and rehabilitation practices
- continuing our journey in seeking further health and safety improvements.

“Sustainable development and responsible resource use is fundamental to all that we do

Health and safety

Our operations are focused on its people. Our objective is to have an injury-free workplace. We are working hard to encourage a committed safety mindset in all of our employees and contractors, and to ensure supporting behaviours, cultures and processes are in place across every area of our operations.

The health and safety culture at Bathurst is reinforced through training initiatives, updated standards and risk minimisation procedures. Our ultimate goal is to ensure every employee and contractor goes home healthy and safe at the end of the day.

Following the introduction of the *Health and Safety at Work Act 2015*, we have maintained our high standards of health and safety. Training continued across the company in FY2017 to ensure that the company meets its obligations under the new health and safety act and revised mining regulations which came into effect on 4 April 2016.

Bathurst has Health and Safety Management Systems at each site and is committed to a continuous process of review and improvement.

Key focuses on health and safety included:

- a full day of learning for all mine workers on risk management and health and safety procedures
- increasing training and testing of Bathurst's emergency systems
- the delivery of a three day supervisor management training course, including conflict management, situational leadership and negotiation management
- review of broad-brush and principal hazard risk assessments for Takitimu and Canterbury
- development of nine additional corporate health and safety standards
- the set up and training of a rescue team for Takitimu as the team begin opencast mining of old underground mine workings at Black Diamond.

During FY2017, there was one Lost Time Injury across all Bathurst's operating mines, project works and exploration activities. The injury involved a serviceman who slipped on ground ice within the pit operations, and required shoulder surgery.

As part of the due diligence process ahead of the Solid Energy asset acquisition, extensive reviews of existing health and safety systems were completed and a 150 day transition plan developed. This due diligence has now been incorporated into the existing Bathurst Health and Safety Management System as we undertake to foster a positive, safe culture and drive continuous improvement.

Environment

We support the vision "for us and our children after us" and are committed to delivering positive outcomes for present and future generations of New Zealanders through careful stewardship of assets, resources and mining activities.

Being given access to a mineral resource is a responsibility that we take seriously. We recognise that coal is an important and finite resource that must be used as efficiently and effectively as possible for the medium-term.

We work to understand environmental impacts through geological surveys, environmental planning, management of infrastructure, extraction of natural resources, regeneration of natural landforms and habitats and reinvestment in the conservation estate.

Our environmental policy commits the company to effective environmental management in all areas of our business. We work to achieve leading industry practise in managing the environmental and social impacts of our operations.

During FY2017, efforts included:

- terrestrial and riparian planting of rehabilitation areas at Takitimu
- growing of plants within the Escarpment and Cascade nursery for rehabilitation
- resource consents for Takitimu Black Diamond block and Canterbury extension areas.

As part of the due diligence process ahead of the Solid Energy asset acquisition, we completed reviews of environmental operational risks, life of mine closure planning, and environmental personnel resources. These reviews have led the creation of an action plan for alignment of site environmental management systems.

Community

We aspire to be valued as a trusted member of each of the communities that host our operations. Our ambition is to develop partnerships based on regular and open dialogue, transparency and mutual respect.

We work with a range of groups and businesses to return benefits from our operations while working with them to minimise any negative impacts from our activities. We also understand the importance of keeping neighbours informed with regular information sessions and updates.

Bathurst proudly supports a local hiring policy and we maintain collaborative relationships with the wider community.

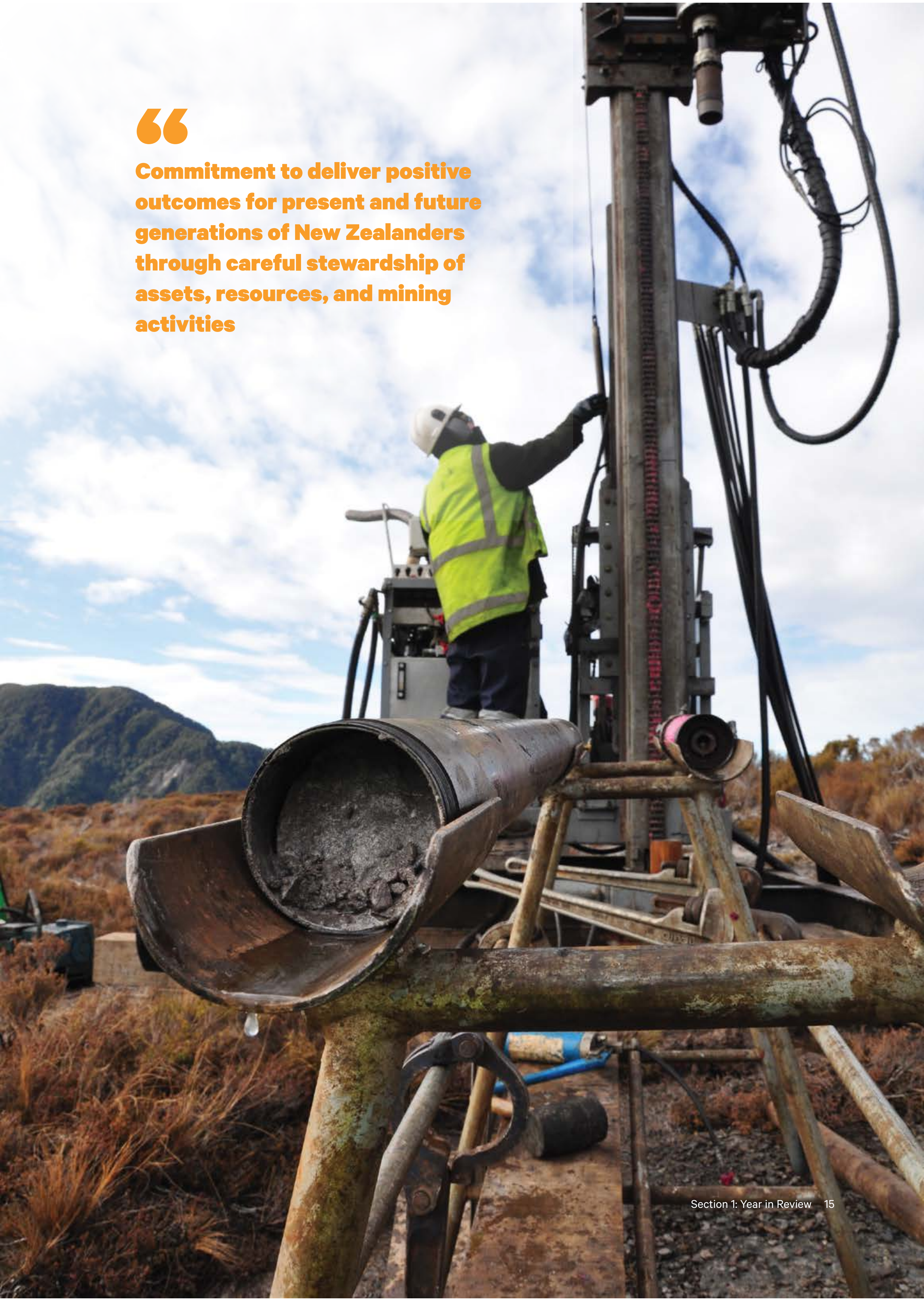
A good example of our commitment to engagement is Takitimu in Southland where we have established a successful relationship with the local community development association and have regular interaction with neighbours, local residents and regional businesses to anticipate and address any issues that arise.

During the year, we supported the communities we are part of by sponsoring and donating to local groups such as the Buller High School and the Mount Linton, which we have sponsored annually since 2012.

Buller High School sponsorship is a scholarship that supports a local student to study a tertiary qualification in science, with strength in the biological sciences. The annually awarded scholarship assists the student for each year of their university studies.

We are also proud to have supported the Mount Linton Muster over the past five years, which comprises of mountain bike - run - walk events throughout the scenic Mount Linton Station. The event is organised by the Lions Club of Ohai / Nightcaps and the Takitimu Primary School's Parent and Teacher Association.

“ We recognise that coal is an important and finite resource that must be used as efficiently and effectively as possible for the medium-term



"Commitment to deliver positive outcomes for present and future generations of New Zealanders through careful stewardship of assets, resources, and mining activities

Our people

Martin Doull

General Manager, Export Operations

Martin is a mining engineer with over 25 years' experience in a variety of countries, commodities and industries, each with differing degrees of complexity. In resources, Martin has had roles in mid-tier and blue chip companies ranging from working in operations as a professional mining engineer, driving and implementing commercial, cost and productivity improvements, to the implementation of strategic business plans for growth, acquisition and/or divestment.

More recently, Martin has been Project Manager/Director with the overall responsibility for the development of several large scale mine projects from optimisation of the project during the study phase, to meeting schedule, safety and cost targets during construction and commissioning.

Damian Spring

General Manager, Domestic Operations

Damian is a Mining Engineer with over 25 years in underground and open pit mines, mining coal, gold, polymetallics and nickel in New Zealand, Australia, Mexico and Argentina.

Until recently Damian operated a mining consultancy serving clients in Australasia and the Americas, including Bathurst and a recent role as Chief Operating Officer for a junior Australian producer. Prior to that Damian has held roles as Chief Mining Engineer for a world class silver-lead deposit in Argentina, Underground Manager with WMC Resources and Senior Mining Engineer with Solid Energy.

Damian holds a degree in mine engineering from the University of Auckland and is a Chartered Professional Mining Engineer of the Australian Institute of Mining and Metallurgy.

Sam Johnstone

General Manager, Export Marketing and Logistics

Sam brings a wealth of experience in marketing New Zealand's unique coal internationally to Japan, India, China, South East Asia, US, Europe and other specialist markets.

Prior to joining BT Mining, Sam spent over ten years with the Solid Energy marketing team, initially within the domestic markets and then transitioned into export marketing in 2009. In 2013, Sam was appointed General Manager – Marketing and Logistics, managing the domestic and export markets through a period of consolidation, mine and market optimisation and the sale of Solid Energy assets.

Sam holds a Postgraduate Masters in Science, majoring in Geography from the University of Canterbury. Sam is based in the Christchurch office and leads the Export Marketing and Logistics Team.

Craig Pilcher

General Manager, Domestic Marketing

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 on March 2011. He is based in Timaru at Bathurst's Coal handling and distribution centre.

Craig is a director of BT Mining Limited as a Bathurst Resources representative.

Craig Palmer

General Manager, Commercial

Craig is an experienced commercial and corporate finance practitioner, having worked in industry and in consulting.

Craig has joined BT Mining from Solid Energy, where he held a variety of roles over 12 years. This has included managing the sales of company assets (land and business units), being part of the team negotiating the Deed of Company Arrangement, being Acting CEO of Nature's Flame (the Solid Energy pellet business), commercial manager/corporate finance roles and Emissions Trading Scheme management.

Prior to his employment at Solid Energy, Craig worked in the energy and telecommunications industries and professional consulting as a corporate finance practitioner, in New Zealand and Europe.

Craig has a Master of Commerce and is a holder of the Chartered Financial Analyst (CFA) designation.

Fiona Bartier

General Manager, Health, Safety, Environment and Community

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

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

Before joining Bathurst, Fiona lived for nine years in mining communities in the Hunter Valley and western coalfields of New South Wales, working first as a consultant, and then within the industry on operations and projects.

Fiona holds a Bachelor of Applied Science (Resource Science) and New Zealand Senior Site Executive competency. She joined Bathurst in 2012 and is based in the Wellington office.

Alison Brown

General Counsel

Alison has more than 35 years' legal experience in private law practices and as in-house counsel for commercial enterprises.

She has specialised in mining, environmental and climate change law, has worked for Simpson Grierson, Minter Ellison Rudd Watts and the Minister of Foreign Affairs and Trade, and has taught law professionals.

Alison was General Counsel for Solid Energy from 2000 to 2011 and holds a Master of Laws with Honours. She has held the position of General Counsel with Bathurst since 2013.

Jason Hungerford

*Chief Financial Officer and Joint Company Secretary (up to 31 August, 2017)**

Jason joined the Bathurst team in 2013 following the relocation of its head office to Wellington. He began his career as a chartered accountant with KPMG in Wellington prior to spending a number of years in the UK. Jason has broad sector experience in the resources, FMCG and financial services sectors, having worked in senior finance roles at Anglo American, Cadbury and Kiwibank.

Jason brings a commercial outlook to the business underpinned by a strong focus on risk, governance and financial control. He holds a Bachelor's degree in commerce and administration with a post-graduate Diploma in Professional Accounting. Jason is a member of Chartered Accountants Australia and New Zealand. Jason was appointed Chief Financial Officer in July 2015 and Joint Company Secretary in June 2016.

**Mr Hungerford resigned effective 31 August 2017 and Mr Middleton was appointed as Chief Financial Officer (interim) from 31 August 2017*

Directors' report

Your directors present their report on the consolidated entity ("the Group") consisting of Bathurst Resources Limited ("Bathurst") and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors

The following persons were directors of Bathurst Resources Limited as at 30 June 2017.

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

**Mr Middleton was appointed an executive director on 4 May 2017. Prior to this time he was a non-executive director. On 31 August 2017 Mr Middleton was also appointed to the role of Chief Financial Officer (interim).*

Principal activities

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

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

Dividends

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

Environmental regulation

Our exploration and mining activities are subject to a range of environmental controls which govern how we carry out our business. These are set out below.

Mine development/mining activities

Mining activities are regulated by the following:

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

Controls around water and air discharges that result from mining operations are governed by the conditions of the resource consents that the particular mining operation is operating under. Our mining operations are inspected on a regular basis and no significant instances of non-compliance have been noted.

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

Exploration activities

To carry out exploration, we need to hold a relevant exploration permit (where the coal is Crown owned) or consent from the mineral owner where the coal is privately owned, relevant resource consents to permit exploration, access arrangements with the relevant landowner and occupier and where wildlife is impacted a wildlife authority.

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

Hazardous substances

Mining activities involve the storage and use of hazardous substances, including fuel. We 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 us liable for greenhouse gas emissions associated with the coal we mine and sell in New Zealand and for the fugitive emissions of methane associated with that mined coal. Liability is based on the type and quantity of coal tonnes sold, with the cost of such being passed onto customers. Bathurst's Emissions Trading Policy can be found on our website ***www.bathurst.co.nz/our-commitment/supporting-our-environment/emissions-trading-scheme***

Corporate Governance

Bathurst's Corporate Governance Statement is available on the company's website ***www.bathurst.co.nz/our-company/corporate-governance/***

Information on directors

Mr Toko Kapea BA, LLB
Non-executive Chairman

Experience and expertise

Toko is a Wellington based commercial lawyer, consultant and director at Tuia Group Limited. He has worked at Chapman Tripp and in legal roles in-house at Meridian Energy, Bank of New Zealand, St. George Bank NZ and ANZ. He currently sits on the board of TVNZ Limited (New Zealand Crown entity), Ngāti Apa Developments Limited (Wanganui-Rangitikei region), and Iron Duke Exploration Pty Limited (Brisbane). Toko is also an independent committee member of the Banjima Direct Benefits Trust in Perth, Western Australia.

Other current directorships of listed companies

Nil

Former directorships in last three years of listed companies

Nil

Special responsibilities

Chairman of the Remuneration and Nomination committee

Chairman of the Audit and Risk committee*

**appointed on 31 August 2017*

Interests in shares and options

485,000 fully paid ordinary shares in Bathurst Resources Limited

2,000,000 unlisted performance rights over shares in Bathurst Resources Limited

24 redeemable convertible preference shares AUD $1,000 each, convertible at AUD $0.022 per share up to 1 February 2018*

**Converted to 1,090,909 ordinary fully paid shares on 18 September 2017*

Richard Tacon

Executive Director and Chief Executive Officer

Experience and expertise

Richard's first job in the industry was at Greymouth's Liverpool State Mine. He moved to Australia to further his mining career and went on to hold several management roles in coal mines around the country, working his way from undermanager to General Manager. Richard has held senior leadership roles in the coal sector for the past decade.

After living and working in Australia for 32 years, Richard returned to New Zealand to take up the position of Chief Operating Officer in 2012. He was appointed to the role of Chief Executive Officer in March 2015.

He has also spent 15 years on a rescue crew, making him familiar with the principles and practices of mine safety. Richard is the Chair of the Coal Association of New Zealand and sits on the board of the New Zealand Mines Rescue Trust and Straterra as well as other industry stakeholder organisations.

Richard is Chair and a director of BT Mining Limited as a Bathurst Resources representative.

Other current directorships of listed companies

Nil

Former directorships in last three years of listed companies

Nil

Special responsibilities

Chief Executive Officer

Member of the Health, Safety, Environment and Community committee

Interests in shares and options

5,976,596 fully paid ordinary shares in Bathurst Resources Limited

4,000,000 unlisted performance rights over shares in Bathurst Resources Limited

80 redeemable convertible preference shares AUD $1,000 each, convertible at AUD $0.022 per share up to 1 February 2018[1]

[1]*Converted to 3,636,364 ordinary fully paid shares on 18 September 2017*

Mr Russell Middleton MBA, BBus

*Executive director**

Experience and expertise

Russell has almost 30 years in the mining and construction sector with significant experience in the project evaluation, construction and development of new operations.

He has held various executive and board positions for ASX listed resources companies over the last 15 years.

Russell has had extensive experience with both large and small enterprises including senior management roles with BHP before working with both Shell / Anglo American in development, construction and production of a major mining operations.

Russell is a director of BT Mining Limited as a Bathurst Resources representative.

Other current directorships of listed companies

Nil

Former directorships in last three years of listed companies

Non-executive director Tiger Resources Limited
July 2016 – October 2016

Special responsibilities

Chairman of the Audit and Risk committee**

Interests in shares and options

2,926,453 fully paid ordinary shares in Bathurst Resources Limited

4,000,000 unlisted performance rights over shares in Bathurst Resources Limited

80 redeemable convertible preference shares AUD $1,000 each, convertible at AUD $0.022 per share up to 1 February 2018[1]

[1] *Converted to 3,636,364 ordinary fully paid shares on 18 September 2017*

**Mr Middleton was appointed an Executive Director on 4 May 2017.*
On 31 August 2017 Mr Middleton was appointed to the role of Chief Financial Officer (interim).

***Upon Mr Middleton's appointment to Chief Financial Officer Mr Kapea was appointed Chairman of the Audit and Risk Committee and Mr Middleton became a member of the committee at this time.*

Peter Westerhuis MBA, BEng
Non-executive director

Experience and expertise

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

Peter has undertaken many complex commercial negotiations for joint ventures, capital funding, contracts, litigation, product marketing and off-take agreements. He is particularly passionate about health and safety, teamwork, operational effectiveness, business improvement and project delivery.

Peter is the CEO of Batchfire Resources Pty Ltd, owner of the Callide Mine in Central Queensland. Previously he worked for 11 years at the Ensham Joint Venture, including four years as CEO, developing and operating large open cut and underground coal reserves in Queensland.

Other current directorships of listed companies

Nil

Former directorships in last three years of listed companies

Nil

Special responsibilities

Chairman of the Health, Safety, Environment and Community committee

Member of the Remuneration and Nomination committee

Interests in shares and options

365,000 fully paid ordinary shares in Bathurst Resources Limited

1,500,000 unlisted performance rights over shares in Bathurst Resources Limited

30 redeemable convertible preference shares AUD $1,000 each, convertible at AUD $0.022 per share up to 1 February 2018[1]

[1]Converted to 1,363,636 ordinary fully paid shares on 18 September 2017

Joint company secretary

Bill Lyne

Company Secretary (Joint Company Secretary up to 31 August, 2017) Mr Lyne has a wealth of experience in the role of company secretary for public companies ranging from stock exchange listed to small private companies and "not-for-profit" entities.

He has operated his own business, Australian Company Secretary Service, since 1998, providing professional, specialist company secretarial, corporate compliance, governance and administrative services to various clients in diverse businesses in a wide range of industries. He is currently company secretary of four other ASX listed companies, including Jumbo Interactive Limited, of which he is also a director.

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

Mr Lyne was appointed company secretary in May 2015.

Jason Hungerford

Chief Financial Officer and Joint Company Secretary (up to 31 August, 2017). Refer to Jason's profile on page 17 of Our People.

Interests in shares and options

20 redeemable convertible preference shares AUD $1,000 each, convertible at AUD $0.022 per share up to 1 February 2018[2]

[2]Converted to 909,091 ordinary fully paid shares on 18 September 2017

Remuneration report

Role of the Remuneration and Nomination committee

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

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

There were no major changes to the remuneration framework during the year as Bathurst focussed on the BT Mining joint venture and transition. Now that the transition is complete the R&N Committee will re-evaluate the remuneration policy and framework to ensure they are updated to reflect changes to the business and market.

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 fees paid to the Chairman are determined independently to the fees of non-executive directors. The Chairman is not present at any discussions relating to determination of his own remuneration.

Directors' fees

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

The total remuneration and other benefits to directors for services in all capacities during the year ended 30 June 2017 was:

Director	Directors fees	Short-term benefits	Share-based payments	Total
Mr T Kapea	$120,000	-	$39,014	$159,014
Mr R Middleton	$63,653	$316,788	$74,356	$454,797
Mr P Westerhuis	$63,653	-	$30,178	$93,831
Mr R Tacon	-	$505,605	$82,922	$588,527

During the year, Mr Middleton provided consulting services to the Company in relation to commercial due diligence activities.

Mr Middleton was appointed Executive Director (previously Non-Executive Director) on 4 May 2017. On 31 August 2017 Mr Middleton was appointed to the role of Chief Financial Officer (interim).

Directors' securities interests

The interests of directors in securities of the company as at 30 June 2017 were:

Director	Ordinary shares	Performance rights	Redeemable Convertible Preference Shares*
Mr T Kapea	485,000	2,000,000	24
Mr R Middleton	2,926,453	4,000,000	80
Mr P Westerhuis	365,000	1,500,000	30
Mr R Tacon	5,976,596	4,000,000	80

**AUD $1,000 each, convertible at AUD $0.022 per share up to 1 February 2018. Note that these shares converted into ordinary fully paid shares on 18 September 2017. Refer to information in the directors report earlier in this report for further details.*

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 to industry practice.

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

- base pay and benefits, including superannuation, and
- long-term incentives.

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

Base pay and benefits

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

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

Long-term incentives

The Bathurst Resources Limited Long Term Incentive Plan (LTIP) was approved by shareholders at the 2015 AGM. The purpose of the plan is to reinforce a performance focused culture by providing a long-term performance-based element to the total remuneration packages of certain employees and non-executive directors (in the form of performance rights) by aligning and linking the interests of Bathurst's leadership team and shareholders, and to attract and retain executives and key management.

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

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

Service agreements

On appointment to the board, 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 Chief Executive Officer and other key management personnel are also formalised in service agreements.

Employees' remuneration

During the year ended 30 June 2017, 17 employees (excluding the Chief Executive Officer) received individual remuneration over $100,000.

Range	# of employees
100,001 – 110,000	2
110,001 – 120,000	2
120,001 – 130,000	4
130,001 – 140,000	1
170,001 – 180,000	1
180,001 – 190,000	1
190,001 – 200,000	1
210,001 – 220,000	1
220,001 – 230,000	1
250,001 – 260,000	1
270,001 – 280,000	1
330,001 – 340,000	1

The interests of the current company officers (excluding the Chief Executive Officer) in securities of the company at 30 June 2017 were nil[1].

[1]*Refer to p21 for Chief Financial Officer interests.*

Donations

The company made donations to several local groups during the year totalling $10,240.

Directors' and officers' liability insurance

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

This report is made in accordance with a resolution of directors on 10 October 2017.

“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

02

Financial statements

In this section

Contents

The Directors of Bathurst Resources Limited authorised these financial statements for issue on behalf of the Board on 31 August 2017

Toko Kapea
Chairman

Russell Middleton
Director

Income Statement

For the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Revenue	3	41,591	50,879
Less: cost of sales	4	(32,379)	(40,356)
Gross Profit		**9,212**	**10,523**
Other income		618	460
Depreciation	15	(2,952)	(4,330)
Administrative and other expenses	5	(7,650)	(6,541)
Fair value gain on deferred consideration	22	1,749	2,175
Gain on disposal of fixed assets		110	122
Impairment losses	9	-	(100)
Share of joint venture loss	14	(569)	(28)
Finance cost	7	(3,212)	(1,334)
Finance income	7	796	84
(Loss)/profit before income tax		**(1,898)**	**1,031**
Income tax benefit	8	-	-
Total (loss)/profit after tax		**(1,898)**	**1,031**

(Loss)/profit per share		**Cents**	**Cents**
Basic (loss)/earnings per share	26	(0.19)	0.11
Diluted (loss)/earnings per share	26	(0.19)	0.11

The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

For the year ended 30 June 2017

	2017 $'000	2016 $'000
Total (loss)/profit after tax	**(1,898)**	**1,031**
Other comprehensive loss, net of tax		
Items that may be reclassified to profit or loss:		
Exchange differences on translation	-	(14)
Total comprehensive (loss)/income for the year	**(1,898)**	**1,017**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2017

	Notes	2017 $'000	2016 $'000
Cash and cash equivalents	10	28,892	3,325
Restricted short term deposits		3,808	2,628
Trade and other receivables	11	4,033	2,777
Inventories	12	2,083	1,901
Intangible assets – New Zealand emission units		233	313
Other financial assets		20	20
Assets held for sale	13	-	790
Total current assets		**39,069**	**11,754**
Loans to related parties	14	3,721	-
Property, plant and equipment	15	15,825	11,948
Mining licences, properties, exploration and evaluation assets	16	19,114	20,127
Other financial assets		114	154
Total non-current assets		**38,774**	**32,229**
TOTAL ASSETS		**77,843**	**43,983**
Trade and other payables	20	7,677	5,167
Borrowings	21	23,591	2,563
Deferred consideration	22	953	873
Provisions	23	1,111	350
Total current liabilities		**33,332**	**8,953**
Trade and other payables	20	143	287
Borrowings	21	13,959	2,577
Deferred consideration	22	6,975	8,796
Provisions	23	2,874	3,419
Total non-current liabilities		**23,951**	**15,079**
TOTAL LIABILITIES		**57,283**	**24,032**
NET ASSETS		**20,560**	**19,951**
Contributed equity	24	247,865	247,378
Debt Instruments – equity component	24	1,794	-
Reserves	25	(32,636)	(32,862)
Accumulated losses		(196,463)	(194,565)
TOTAL EQUITY		**20,560**	**19,951**

These Financial Statements were authorised for issue on behalf of the Board of Directors on 31 August 2017.

Toko Kapea
Chairman

Russell Middleton
Director

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2017

	Contributed Equity $'000	Debt Instrument Equity Component $'000	Share Based Payment $'000	Foreign Exchange $'000	Retained Earnings $'000	Re-organisation Reserve $'000	Total Equity $'000
Balance at 1 July 2015	**247,378**	**-**	**2,028**	**(140)**	**(197,587)**	**(32,760)**	**18,919**
Profit for the year	-	-	-	-	1,031	-	1,031
Other comprehensive income	-	-	-	(14)	-	-	(14)
Transactions with owners in their capacity as owners:							
Share based payments expense	-	-	15	-	-	-	15
Conversion of performance rights and transfer of reserves	-	-	(1,991)	-	1,991	-	-
Balance at 30 June 2016	**247,378**	**-**	**52**	**(154)**	**(194,565)**	**(32,760)**	**19,951**
Loss for the year	-	-	-	-	(1,898)	-	(1,898)
Transactions with owners in their capacity as owners:							
Contributions of equity	487	1,794	-	-	-	-	2,281
Share based payments expense	-	-	226	-	-	-	226
Balance at 30 June 2017	**247,865**	**1,794**	**278**	**(154)**	**(196,463)**	**(32,760)**	**20,560**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		41,155	52,870
Payments to suppliers and employees		(31,992)	(42,473)
Interest received		81	99
Interest and other finance costs paid		(382)	(255)
Net cash inflow from operating activities	**28**	**8,862**	**10,241**
Cash flows from investing activities			
Exploration and consenting expenditure		(898)	(972)
Mining assets (including elevated stripping)		(5,759)	(4,050)
Property, plant and equipment purchases		(3,770)	(382)
Proceeds from disposal of property, plant and equipment		925	463
Restricted deposits		(1,225)	143
Deferred consideration		(809)	(1,603)
Advances paid to related parties		(4,290)	-
Net cash outflow from investing activities		**(15,826)**	**(6,401)**
Cash flows from financing activities			
Proceeds from borrowings		35,557	-
Repayment of borrowings		(3,026)	(2,980)
Net cash inflow/(outflow) from financing activities		**32,531**	**(2,980)**
Net increase in cash and cash equivalents		25,567	860
Cash and cash equivalents at the beginning of the year		3,325	2,465
Cash and cash equivalents at the end of the year	**10**	**28,892**	**3,325**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2017

1. Summary of significant accounting policies

A. General information

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

These financial statements have been approved for issue by the Board of Directors on 31 August 2017.

The financial statements presented as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). Joint ventures are accounted for using the equity method.

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

B. Basis of preparation

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

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

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

C. Measurement basis

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

D. Critical estimates, judgements and errors

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 Group 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. This impacts both an assessment of whether impairment should be recognised, as well as if there are indicators that previously recognised impairment should be reversed.

(ii) Convertible Notes and Redeemable Convertible Preference Shares

The conversion feature of the Convertible Notes and Redeemable Convertible Preference Shares ("RCPS") is included in Equity as Debt Instruments – equity component. The Group has made a judgement that the conversion feature of these debt instruments should be classified as equity. This judgement was made on the basis that the conversion feature satisfies the equity classification test of converting a fixed amount of debt principal to a fixed quantity of the Group's own shares (the 'fixed for fixed' test). As a result of this classification the value attributed to the conversion feature is not subsequently remeasured after initial recognition.

An alternative approach that the Group considered but did not adopt is that the fixed for fixed test is not met and as such does not satisfy the equity classification requirement. When the debt principal in AUD is translated to the Group's functional currency (NZD), this creates variability in the amount recorded. However because both the debt and share price conversion value are both in AUD, at the point of converting these instruments into the Group's shares, no further cash would change hands and the instrument holder would receive the same number of shares on conversion date as at issue date. Adoption of the alternative approach would mean that the conversion feature of the Convertible Notes and RCPS would be classified as a derivative liability and not equity. A derivative is re-measured at fair value through profit or loss at each reporting date.

1. Summary of significant accounting policies (continued)

D. Critical estimates, judgements and errors continued

(iii) 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 22.

(iv) 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 2012 (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.

(v) Provision for rehabilitation

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

Changes in the estimates and assumptions used could have a material impact on the carrying value of the rehabilitation provision and related asset. The provision is reviewed at each reporting date and updated based on the best available estimates and assumptions at that time. The carrying amount of the rehabilitation provision is set out in note 23.

(vi) 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.

E. Principles of consolidation

Subsidiaries

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

E. Principles of consolidation continued

Joint arrangements

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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

F. Foreign currency translation

(i) 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.

(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.

G. Revenue recognition

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

(i) Sale of goods

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

(ii) Freight income

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

(iii) Interest income

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

H. Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries 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 financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

1. Summary of significant accounting policies (continued)

H. Income tax continued

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 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 Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

I. Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

J. Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and short term deposits, other financial assets, loans to related parties, deferred consideration, borrowings and other payables.

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

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

Financial assets carried at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those that are not expected to be recovered within the next 12 months.

Management determines the classification of its investments at initial recognition.

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

Cash and cash equivalents

Cash and cash equivalents in note 10 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 statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, and excluding restricted cash deposits.

Trade receivables

Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Trade and other payables

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

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

Deferred consideration

The fair value of deferred consideration payments is determined at acquisition date. Subsequent changes to the fair value of the deferred consideration are recognised through the income statement. The portion of the fair value adjustment due to the time value of money (unwinding of discount) is recognised as a finance cost. For further information on deferred consideration refer to note 22.

Notes to the Financial Statements

For the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

J. Financial instruments continued

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 denominated in foreign currency are re-translated at each reporting period to account for un-realised foreign exchange movements.

The fair value of the liability portion of a convertible instrument is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

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

(ii) Derivative financial instruments

Derivative instruments are initially recognised at fair value, and subsequently measured at fair value with movements in fair value recognised in profit or loss. Associated transaction costs are expensed as incurred.

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

K. Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that an asset or group of assets is impaired.

Financial assets

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 an event 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 that can be reliably estimated.

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. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

Non-financial assets

For non-financial assets, 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). Exploration and evaluation assets as well as property, plant and equipment are assessed for impairment collectively as part of their respective cash generating units.

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

L. Property, plant and equipment

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

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

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

1. Summary of significant accounting policies (continued)

L. Property, plant and equipment continued

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

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

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

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

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

M. Exploration and evaluation expenditure

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

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

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

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

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

N. Mining and development properties

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

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

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

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

O. Waste in advance

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

P. Provisions

Provision for rehabilitation

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

If the change in the liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written down to nil and the excess is recognised immediately in the income statement. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying value is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the write down recognised in the income statement in the period in which it occurs.

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

Q. Share-based payments

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

The fair value of performance rights granted under the Bathurst Resources Limited Long Term Incentive 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 rights 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 rights 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 Company revises its estimates of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

R. Leases

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

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

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

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

S. Intangible assets – emissions trading units

Emissions trading units are acquired by the Group to satisfy its obligations under the New Zealand Emissions Trading Scheme. These units have a finite useful life but are not amortised because they are expected to be utilised to offset the Group's obligation under the Emissions Trading Scheme within 12 months of balance date. The units are recognised at cost.

T. Goods and Services Tax

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows 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.

1. Summary of significant accounting policies (continued)

U. 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.

V. 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.

W. 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.

X. New accounting standards and interpretations not yet effective

At the date of authorisation of the financial statements, three accounting standards were on issue but not yet effective. The Group does not intend to apply these pronouncements until their effective date.

(i) NZ IFRS 9 Financial Instruments.

Effective for periods beginning on or after 1 January 2018, expected to be applied in the financial year ending 30 June 2019. The standard adds requirements related to the classification, measurement of financial instruments. No material impact is expected from the adoption of this standard.

(ii) NZ IFRS 15 Revenue from contracts with customers

Effective for periods beginning on or after 1 January 2018, expected to be applied in the financial year ending 30 June 2019. The standard details a comprehensive principles based approach on how to recognise revenue from contracts with customers. It is expected that this standard may affect the Group's recognition of certain revenue items but is not expected to have a material impact.

(iii) NZ IFRS 16 Leases

Effective for periods beginning on or after 1 January 2019, expected to be applied in the financial year ending 30 June 2020. The standard eliminates the distinction between operating and finance leases. A formal impact assessment is yet to be undertaken.

Y. Standards and Interpretations adopted during the year

The financial information presented for the year ended 30 June 2017 has been prepared on the basis of accounting policies consistent with those applied in the 30 June 2016 financial statements contained within the 2016 Annual Report of Bathurst Resources Limited.

Notes to the Financial Statements

For the year ended 30 June 2017

2. Segment information

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

The 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 and Canterbury mines 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.

Revenue is not presented to the chief operating decision maker on a segmented basis, instead it is presented as a sales function across the Group.

Total assets and total liabilities are reported on a group basis and are not provided internally on a segmented basis.

Two Bathurst customers met the reporting threshold of ten percent of Bathurst's operating revenue in the year to 30 June 2017, contributing $11.4m and $5.7m (2016: two customers contributing $10.4m and $9.4m).

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

30 June 2017	Buller Coal $'000	Eastern Coal $'000	Corporate $'000	Total $'000
EBITDA[1]	(1,184)	15,497	(3,163)	11,150
Loss before tax	**(1,294)**	**4,604**	**(5,208)**	**(1,898)**
Profit before tax includes:				
Depreciation and amortisation	(44)	(10,529)	(59)	(10,632)

30 June 2016				
EBITDA	3,949	11,502	(1,951)	13,500
Profit before tax	**3,419**	**244**	**(2,632)**	**1,031**
Profit before tax includes:				
Net impairment losses	(3)	(97)	-	(100)
Depreciation and amortisation	(257)	(10,866)	(97)	(11,220)

3. Sales revenue

	2017 $'000	2016 $'000
Coal sales	29,063	36,981
Freight	12,528	13,898
Sales Revenue	**41,591**	**50,879**

[1] Earnings before interest, tax, depreciation and amortisation

4. Cost of sales

	2017 $'000	2016 $'000
Raw materials, mining costs and consumables used	7,124	12,632
Freight costs	11,508	13,060
Mine labour costs	6,253	8,705
Amortisation expenses	7,680	6,890
Changes in inventories of finished goods and work in progress	(186)	(931)
Total cost of sales	**32,379**	**40,356**

5. Administrative and other expenses

Administrative and other expenses includes the following items:

Audit and review fees	176	172
Directors fees	282	248
Legal fees	1,112	542
Consultants	1,144	1,133
Employee benefit expense	2,557	2,210
Rent	271	307
Share based payments expense	226	15

Included in the above for the current year is $0.80m of legal fees and $0.47m of consulting fees relating to due diligence work on purchasing certain mine site assets from Solid Energy, via the Company's joint venture BT Mining Limited ("BT Mining"). For further information refer to note 18.

6. Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditor of the Group:

Audit and review of financial statements	176	170
Share registry audit	-	2
Total remuneration for auditors	**176**	**172**

7. Net finance costs

Interest income		142	81
Foreign exchange gain		654	3
Total finance income		**796**	**84**
Interest expense		(2,216)	(335)
Foreign exchange loss		-	(5)
Provisions: unwinding of discount	23	(210)	(173)
Deferred consideration: unwinding of discount	22	(786)	(821)
Total finance costs		**(3,212)**	**(1,334)**
Total net finance costs		**(2,416)**	**(1,250)**

Included in the above interest expense is $1.9m relating to the debt instruments issued during the year. The debt instruments were issued primarily to enable funding in the Company's joint venture BT Mining (refer note 18 and 21 for further information).

Notes to the Financial Statements

For the year ended 30 June 2017

8. Income tax benefit

	Notes	2017 $'000	2016 $'000
(a) Income tax benefit			
Current tax		(480)	1,111
Deferred tax		480	(1,111)
Income tax benefit		**-**	**-**
Reconciliation of income tax benefit to prima facie tax payable			
(Loss)/profit before income tax		(1,898)	1,031
Tax at the standard New Zealand rate of 28%		(531)	289
Tax effects of amounts not assessable in calculating taxable income:			
Share based payment expense		63	4
Fair value gain on deferred consideration		(511)	(609)
Deferred consideration: unwinding of discount		220	230
Tax losses not recognised		511	17
Other deferred tax movements		(257)	(100)
Permanent adjustments		505	169
Income tax benefit		**-**	**-**
Further information relating to deferred tax is set out in note 19.			
(b) Imputation credits			
New Zealand imputation credit account			
Available for use in future periods		**-**	**815**

9. Impairment losses

	Notes	2017 $'000	2016 $'000
Impairment of exploration and evaluation assets	16	-	374
Impairment of plant, property and equipment	15	-	97
Reversal of impairment		-	(608)
Impairment of other assets		-	237
Total impairment losses		**-**	**100**

Management has assessed the cash generating units ("CGU") for the Group as follows:

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

Management assessed each CGU for indicators of impairment, or indicators that previously recognised impairment losses may no longer be relevant, where appropriate. Further details for each CGU are noted below.

9. Impairment losses (continued)

Bathurst Domestic Coal

No indicators of impairment were present at 30 June 2017, and no impairment was recorded as at 30 June 2017.

Buller Coal Project

The Buller Coal Project was previously fully impaired in the year ended 30 June 2015, in the context of reducing coking coal prices. The Buller Coal Project has remained on care and maintenance and Management has no immediate plans to reinstate the project. As such the CGU remains fully impaired at 30 June 2017.

Cascade Mine

The Cascade mine was placed on care and maintenance during the year ended 30 June 2016 and remains on care and maintenance at 30 June 2017. The only remaining assets attributable to this CGU are low levels of inventory, which are held at the lower of cost and net realisable value.

10. Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and on hand	3,950	3,325
Cash held in escrow	24,942	-
Cash and cash equivalents	**28,892**	**3,325**

Cash and cash equivalents includes cash called in accordance with debt instruments issued during the period (refer to note 21). The cash is held in escrow, is unrestricted, and will be used to settle the acquisition of certain Solid Energy assets via the Company's joint venture BT Mining (for further information see note 18).

11. Trade and other receivables

Trade receivables	3,264	3,049
Less: provision for impairment	(500)	(500)
	2,764	2,549
Receivable from BT Mining	823	-
Other receivables	410	212
Prepayments	36	16
Total trade and other receivables	**4,033**	**2,777**

The provision for impairment relates to the Company's joint venture Bathurst Industrial Coal Limited.

12. Inventories

Raw materials and stores	241	857
Finished goods	1,563	1,010
Other	279	34
Total inventories	**2,083**	**1,901**

Notes to the Financial Statements

For the year ended 30 June 2017

13. Assets held for sale

Previous assets held for sale ($790k at 30 June 2016) included a residential property subject to a conditional sale and purchase agreement and some heavy machinery listed for sale. These were sold in the year ended 30 June 2017.

14. Loans to related parties

	2017 $'000	2016 $'000
Loan to BT Mining	4,290	-
Share of BT Mining's Loss	(569)	-
	3,721	**-**

The loan enabled BT Mining to pay the deposit required under the conditional sale and purchase agreement ("SPA") to acquire selected Solid Energy assets, and provided working capital. The Company's contribution to fund the deposit was in proportion to the Company's shareholding. The loan is not secured, does not attract interest, and can be settled either by cash or converted to an investment in BT Mining. It is expected that on completion of the SPA, the loan will be transferred to represent an equity investment in BT Mining.

The share of BT Mining's loss represents the Company's proportionate share of the loss recorded in BT Mining for the year ended 30 June 2017. BT Mining is not yet operating and the loss reflects transaction costs of the intended asset acquisitions.

15. Property, plant and equipment

Year ended 30 June 2017	Freehold Land $'000	Buildings $'000	Mine Infrastructure $'000	Plant & Machinery $'000	Furniture Fittings and Equipment $'000	Work in Progress $'000	Total $'000
Opening net book value	**1,970**	**796**	**347**	**8,598**	**219**	**18**	**11,948**
Additions	2,347	68	14	3,579	73	774	6,855
Transfers	82	150	(20)	(200)	-	(12)	-
Depreciation	(889)	(112)	(196)	(1,648)	(107)	-	(2,952)
Assets held for sale and other disposals	-	-	-	(26)	-	-	(26)
Closing net book value	**3,510**	**902**	**145**	**10,303**	**185**	**780**	**15,825**
As at 30 June 2017							
Cost	16,967	6,085	2,669	22,879	2,236	12,904	63,740
Accumulated depreciation and impairment	(13,457)	(5,183)	(2,524)	(12,576)	(2,051)	(12,124)	(47,915)
Closing net book value	**3,510**	**902**	**145**	**10,303**	**185**	**780**	**15,825**
Year ended 30 June 2016							
Opening net book value	**9,854**	**892**	**803**	**4,891**	**312**	**400**	**17,152**
Additions	-	15	15	4,615	49	18	4,712
Transfers	-	-	82	300	16	(398)	-
Depreciation	(2,509)	(111)	(471)	(1,090)	(149)	-	(4,330)
Impairment recognised	-	-	(82)	(15)	-	-	(97)
Impairment reversed	720	-	-	61	-	-	781
Assets held for sale and other disposals	(6,095)	-	-	(164)	(9)	(2)	(6,270)
Closing net book value	**1,970**	**796**	**347**	**8,598**	**219**	**18**	**11,948**
As at 30 June 2016							
Cost	14,538	5,867	2,675	19,526	2,163	12,142	56,911
Accumulated depreciation and impairment	(12,568)	(5,071)	(2,328)	(10,928)	(1,944)	(12,124)	(44,963)
Net book value	**1,970**	**796**	**347**	**8,598**	**219**	**18**	**11,948**

Notes to the Financial Statements

For the year ended 30 June 2017

15. Property, plant and equipment (continued)

Included in property, plant and equipment above are the following amounts where the Group is a lessee under a finance lease:

	2017 $'000	2016 $'000
Cost	6,473	5,037
Accumulated depreciation	(1,232)	(766)
Net book value	**5,241**	**4,271**

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

Exploration and evaluation assets		
Opening balance	**1,245**	**650**
Expenditure capitalised	777	969
Impairment recognised	-	(374)
Total exploration and evaluation assets	**2,022**	**1,245**
Mining licenses and property assets		
Opening balance	**18,882**	**21,848**
Expenditure capitalised	30	-
Amortisation	(7,680)	(6,890)
Abandonment provision movement	132	93
Waste moved in advance capitalised	5,728	3,831
Total mining licenses and property assets	**17,092**	**18,882**
Total mining licenses, property, exploration and evaluation assets	**19,114**	**20,127**

17. Investment in subsidiaries

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

			Equity Holding	
Name of entity	**Country of Incorporation**	**Class of Shares**	**2017 %**	**2016 %**
BR Coal Pty Limited	Australia	Ordinary	100	100
Bathurst New Zealand Limited	New Zealand	Ordinary	100	100
Bathurst Coal Holdings Limited	New Zealand	Ordinary	100	100
Buller Coal Limited	New Zealand	Ordinary	100	100
Bathurst Coal Limited	New Zealand	Ordinary	100	100
New Brighton Collieries Limited	New Zealand	Ordinary	100	100

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

18. Joint ventures

BT Mining Limited

The Company holds a 65% shareholding in BT Mining, which was incorporated on the 21 September 2016. On the 2 November 2016 BT Mining successfully entered into a conditional sale and purchase agreement ("SPA") with Solid Energy New Zealand Limited (Subject to Deed of Company Arrangement). Under the agreement BT Mining will acquire certain coal mining assets located in New Zealand, including:

- Buller Plateau operating assets of the Stockton Mine including Cypress, Upper Waimangaroa, Mt William North and the Ngawakau loadout; and
- Rotowaro Mine, Maramarua Mine and certain assets at Huntly West Mine located in the North Island.

The Company invested $20.4m on 28 August 2017 to allow BT Mining to complete its sale and purchase obligations, and provide working capital. This was based on the Company's proportional share of BT Mining's final purchase price for the coal mining assets, and working capital requirements. The economic interest held in these assets will be finalised post settlement, and is effective from 1 July 2017 up to the date of settlement.

BT Mining is accounted for using the equity method, and is treated as a joint venture as the Company jointly shares control of BT Mining with BT Mining's other shareholder, Talleys Energy Limited ("TEL"). This is evidenced through unanimous approval being required on activities that significantly affect BT Mining's operations. The material balances sitting in BT Mining's Balance Sheet at 30 June 2017 were loans due to related parties ($6.6m) and deposit paid to Solid Energy ($4.6m). BT Mining secured bank funding of $15.0m which was drawn on the 30 August 2017 to provide working capital in advance of the intended SPA.

The legal ownership of the associated mining permits and licenses transferred to BT Mining on settlement of the SPA which was the 31 August 2017, which is considered to be the acquisition date. Other key conditions met include approval from the New Zealand Overseas Investment Office (received 27 July 2017), approval from New Zealand Petroleum and Minerals ("NZP&M") to transfer the key mining licences (received 14 June 2017), and acceptable owner status granted by NZ Treasury on 25 August 2017.

Bathurst Industrial Coal Limited

The Company holds 50% shareholding in Bathurst Industrial Coal Limited. This venture has ceased to operate and it is intended that this entity will be wound up.

19. Net deferred tax asset

	2017 $'000	**2016 $'000**
The balance comprises temporary differences attributable to:		
Tax losses	14,621	14,010
Employee benefits	196	184
Provisions	1,322	1,246
Mining licenses	16,661	16,422
Exploration and evaluation expenditure	421	1,446
Property, plant and equipment	8,175	8,003
Total deferred tax assets	**41,396**	**41,311**
Waste moved in advance	(787)	(1,057)
Total deferred tax liabilities	**(787)**	**(1,057)**
Net deferred tax asset not recognised	(40,609)	(40,254)
Net deferred tax asset	**-**	**-**

The Group has not recognised a net deferred tax asset of $40.6m (2016: $40.2m) on the basis that it is not probable these losses will be utilised in the foreseeable future.

Notes to the Financial Statements

For the year ended 30 June 2017

20. Trade and other payables

	2017 $'000	2016 $'000
Current		
Trade payables	2,604	2,484
Accruals	1,849	1,448
Employee benefit payable	948	854
Other payables	626	381
Interest payable	1,650	-
	7,677	5,167
Non-current		
Other payables	143	287
Total trade and other payables	**7,820**	**5,454**

21. Borrowings

Current		
Secured Bank loans	-	1,439
Lease liabilities	1,582	1,124
Subordinated bonds	10,733	-
Unsecured Redeemable convertible preference shares ("RCPS")	11,276	-
Total current borrowings	**23,591**	**2,563**
Non-current		
Secured *Lease liabilities*	3,531	2,577
Unsecured *Convertible notes*	10,428	-
Total non-current borrowings	**13,959**	**2,577**
Total borrowings	**37,550**	**5,140**

The Company issued a number of debt instruments during the year primarily to enable funding in its joint venture BT Mining (refer note 18). A summary of key details of these instruments at 30 June 2017 are as follows:

Instrument	Denomination Currency	Face Value $m	Coupon Rate %	Issue Date	Maturity Date	Conversion Price $AUD
Convertible Notes	AUD	$3.8m	8%	22/07/2016	22/07/2019	$0.0220
Convertible Notes	AUD	$7.5m	8%	1/02/2017	1/02/2021	$0.0375
RCPS	AUD	$11.3m	8%	1/02/2017	1/02/2018	$0.0220
Subordinated Bonds	USD	$7.9m	10%	1/02/2017	1/02/2020	n/a

The carrying value of the debt is different to the face value due to effects of foreign exchange translation on the debt portion, and the recognition of the equity component of the RCPS and convertible notes (refer to note 24). 474,000 of the convertible notes from the issue due to mature in July 2019 were converted to equity during the year.

21. Borrowings (continued)

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.

RCPS

Conversion

The RCPS can be converted into ordinary shares at the Company's election at any time after the SPA becomes unconditional.

Redemption

The Company is entitled to early redeem all or any of the RCPS, if within two business days following the exercise of the Company's discretion to convert all of the RCPS, all of the RCPS have not converted. The RCPS must be redeemed on the earlier of maturity date or partial conversion of some of the RCPS. If the SPA becomes unconditional and the Company elects to only convert some of the RCPS, a coupon rate of 12% comes into effect.

Ranking

The RCPS rank in priority to any payment to ordinary shareholders.

Convertible Notes ("Notes")

Conversion

- July 2016 issue - the Notes can be converted into ordinary shares at the election of the holder any time until ten days prior to maturity date.
- February 2017 issue - the Notes can be converted into ordinary shares at the election of the holder any time after the SPA becomes unconditional during the period starting 90 days after the completion of SPA and 180 days after the issue date, and finishing 10 days before maturity date. The Company has a one-off right to redeem some or all of the Notes within ten business days after the SPA becomes unconditional. The Company must redeem all of the Notes if the SPA is terminated.

Ranking

The Notes rank equally with all other present and future unsecured obligations except for obligations accorded preference by mandatory provisions of applicable law. Any shares issued on conversion will rank equally with all other ordinary shares.

Subordinated Bonds

Redemption

The Company is entitled to elect early redemption, at any time prior to the SPA going unconditional, or after the SPA becoming unconditional and after the 1 February 2019. If the Subordinated Bonds are redeemed early the Company must pay 104% of the issue price. The Subordinated Bonds are classified as current liabilities due to a technical breach of covenants. Refer note 29 (d).

Ranking

The Subordinated Bonds rank equally with existing and future bonds and without priority or preference amongst themselves.
The Subordinated Bonds will be formally secured by the Company's share ownership in BT Mining once the SPA is settled.

Notes to the Financial Statements

For the year ended 30 June 2017

22. Deferred consideration

	2017 $'000	2016 $'000
Current		
Acquisition of subsidiary deferred consideration	953	873
Non-current		
Acquisition of subsidiary deferred consideration	6,975	8,796
Total deferred consideration	**7,928**	**9,669**
Movement:		
Opening balance	9,670	12,613
Unwinding of discount	786	821
Fair value adjustment	(1,749)	(2,175)
Consideration paid during the year	(779)	(1,590)
Closing balance	**7,928**	**9,669**

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

(a) Buller Coal Project

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

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

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

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

Bathurst has and will continue to remit royalty payments to L&M Coal Holdings (the vendor) on all Escarpment coal sold as required by the Royalty Deed and this includes ongoing sales from stockpiles. Further information is included in note 31 (d).

(b) Canterbury Coal Limited

The acquisition of Canterbury Coal Limited in November 2013 contained a royalty agreement. The amounts that are payable in the future under this royalty agreement are required to be recognised as part of the consideration paid for Canterbury Coal Limited. The fair value of the future royalty payments is estimated using a discount rate based upon the latest New Zealand ten year government bond rate and production profile at a set rate per tonne of coal produced. A reasonable change in discount rate does not have a material impact on the deferred consideration.

22. Deferred consideration (continued)

(c) New Brighton Collieries Limited

The Company completed the acquisition of New Brighton Collieries Limited on 10 March 2015. The balance due on settlement is to be satisfied by an ongoing royalty based on mine gate sales revenue. The fair value of the future royalty payments is estimated using a discount rate based upon a risk adjusted New Zealand ten year government bond rate of 8.98% (2016: 8.37%), projected production profile, and forecast domestic coal prices. These are based on the Group's forecasts which are approved by the Board of Directors.

A 1% increase or decrease in the discount rate used would impact the deferred consideration balance by -$0.4m and +$0.3m respectively (2016: -$0.4m and +$0.5m respectively).

Security

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

23. Provisions

	2017 $'000	2016 $'000
Current		
Rehabilitation	1,111	295
Restructuring provision	-	55
	1,111	**350**
Non-current		
Rehabilitation	2,874	3,419
Total provisions	**3,985**	**3,769**
Rehabilitation provision movement:		
Opening balance	3,714	3,521
Change recognised in the mining and property asset	(132)	92
Unwinding of discount	210	173
Other changes recognised in the income statement	193	(72)
Closing balance total rehabilitation provision	**3,985**	**3,714**

Rehabilitation provision

Provision is made for the future rehabilitation of areas disturbed in the mining process. Management estimates the provision based on expected levels of rehabilitation, areas disturbed and an appropriate discount rate. A reasonable change in assumptions would not have a material impact on the provision.

Notes to the Financial Statements

For the year ended 30 June 2017

24. Equity

	2017 Number of Shares 000s	2016 Number of Shares 000s
Contributed equity		
Ordinary fully paid shares	986,028	964,483
	986,028	**964,483**
Movement: Opening balance	964,483	947,828
Issue of shares	21,545	16,500
Exercise of options and conversion of performance rights	-	154
Closing balance	**986,028**	**964,483**

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. During the year 21,545,454 shares were issued on conversion of 474,000 convertible notes.

Equity component of debt instruments	2017 $'000	2016 $'000
Debt Instrument:		
RCPS	414	-
Convertible Notes	1,380	-
Closing balance	**1,794**	**-**

During the year the Company issued a number of debt instruments that contain an option to convert the debt into equity. The value attributed to these options is the difference between the present value of interest and principal repayments of the instruments, discounted at a discount rate for a similar type of debt without the conversion option, and the fair value of cash received.

25. Reserves

Share based payment reserve	278	52
Foreign exchange translation reserve	(154)	(154)
Re-organisation reserve	(32,760)	(32,760)
Total reserves	**(32,636)**	**(32,862)**

Nature and purpose of reserves

Share based payment reserve

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

Foreign exchange translation reserve

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

25. Reserves (continued)

Reorganisation reserve

Bathurst Resources Limited was incorporated on 27 March 2013. A scheme of arrangement between Bathurst Resources Limited and its shareholders resulted in Bathurst Resources (New Zealand) Limited becoming the new ultimate parent company of the Group on 28th June 2013. A reorganisation reserve was created, which reflects the previous retained losses of subsidiaries.

26. Earnings per share

	2017 Cents	2016 Cents
Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	(0.19)	0.11
Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	(0.19)	0.11

Reconciliation of earnings used in calculation	2017 $'000	2016 $'000
Earnings from continued operations	(1,898)	1,031
Earnings used in calculation of basic and diluted earnings per share	**(1,898)**	**1,031**

Weighted average number of shares used as denominator	Number of Shares 000s	Number of Shares 000s
Used in the calculation of basic earnings per share	**977,645**	**958,360**
Adjustments for diluted earnings per share:		
Performance rights	-	9,500
Used in the calculation of diluted earnings per share	**977,645**	**967,860**

Potential ordinary shares from the convertible notes and RCPS and performance rights issued during the year are excluded from the calculation of diluted earnings per share as they are anti-dilutive.

27. Share-based payments

(a) Employee long term incentive plan

The purpose of the plan is to reinforce a performance focused culture by providing a long term performance based element to the total remuneration packages of certain employees. This aligns the interests of Bathurst's leadership team and Shareholders, and helps to retain key executives.

Share based payments are recognised based on the fair value of performance rights offered at the grant date. The fair value of the Long term incentive plan (LTIP) performance rights is AUD$0.00832 per performance right. This was determined using the price path of Bathurst shares modelled using the Monte Carlo simulation. The total number of performance rights that will vest to participants and the payoff to participants is then calculated and discounted back to present value today. No LTIP performance rights were granted in the year ended 30 June 2017.

Performance rights granted under the plan carry no dividend or voting rights. When exercised each performance right converts into one fully paid ordinary share. The exercise price of all performance rights is nil.

Notes to the Financial Statements

For the year ended 30 June 2017

27. Share based payments (continued)

(b) Transaction performance rights

Transaction performance rights were issued to certain key executives during the year, conditional on the successful signing of a sale and purchase agreement for the acquisition of certain Solid Energy mine site assets via the Company's joint venture vehicle, BT Mining. These form part of the Group's overall retention strategy, and recognises their instrumental roles in relation to the negotiation and signing of the contract. These were approved by Shareholders at the 2016 Annual General Meeting. The fair value of these rights was assessed as equal to the market value of the Company's share price at grant date.

Performance rights granted carry no dividend or voting rights. When exercised each performance right converts into one fully paid ordinary share. The exercise price of all performance rights is nil.

Grant date	Vesting Date	Opening Balance 000s	Issued 000s	Expired/ Forfeited 000s	Closing Balance 000s	Exercisable 000s
LTIP Performance Rights						
22 January 16	30 June 18	9,500	-	(9,500)	-	-
Transaction Performance Rights						
6 February 17	31 December 18	-	13,000	(1,500)	11,500	-
		9,500	**13,000**	**(11,000)**	**11,500**	**-**

28. Reconciliation of (loss)/profit before income tax to net cash flow from operating activities

	2017 $'000	2016 $'000
(Loss)/profit before income tax	**(1,898)**	**1,031**
Non-cash items:		
Depreciation and amortisation expense	10,632	11,220
Fair value adjustment to deferred consideration	(1,749)	(2,175)
Impairment losses	-	100
Share of loss of BT Mining	569	-
Unwinding of discount rate on deferred consideration	786	821
Unwinding of discount rate on rehabilitation provision	184	173
Share based payment expense	226	15
Unrealised foreign exchange movements	(358)	-
Other	17	254
Non-operating items:		
Gain on sale of property, plant and equipment	(110)	(122)
Realised foreign exchange gain on borrowing activities	(356)	-
Other	24	-
Movement in working capital	895	(1,076)
Cash flow from operating activities	**8,862**	**10,241**

29. Financial risk management

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

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

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

(a) Market risk

Foreign exchange risk

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

The Group had minimal operating exposure to foreign currency risk at the end of the reporting period. The Group assesses potential foreign currency exposures on foreign currency denominated debt instruments as follows:

		Foreign Exchange Rate Movement	
Debt Instrument	**Denomination Currency**	**+3% $'000**	**-3% $'000**
Subordinated Bonds	USD	314	(334)
RCPS and convertible notes	AUD	684	(726)

The above assessment is estimated based on future foreign exchange movements similar to what was experienced during the year end 30 June 2017, on the face value of the underlying debt instruments.

(b) Credit risk

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

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

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

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

(c) Liquidity risk

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

Maturities of financial liabilities

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

Notes to the Financial Statements

For the year ended 30 June 2017

29. Financial risk management (continued)

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

30 June 2017	Less than 6 Months $'000	6 – 12 Months $'000	Between 1 – 2 Years $'000	Between 2 – 5 Years $'000	Over 5 Years $'000	Total Contractual Flows $'000
Trade and other payables	7,677	-	143	-	-	7,820
Borrowings[2]	1,886	13,390	2,027	25,142	-	42,445
Finance leases[3]	904	929	1,224	2,623	-	5,680
Deferred consideration	460	497	1,172	3,620	7,268	13,017
Total	**10,927**	**14,816**	**4,566**	**31,385**	**7,268**	**68,962**
30 June 2016						
Trade and other payables	5,167	-	287	-	-	5,454
Borrowings	696	679	110	-	-	1,485
Finance leases	723	533	1,054	1,679	-	3,989
Deferred Consideration	416	457	1,480	4,657	8,241	15,251
Total	**7,002**	**1,669**	**2,931**	**6,336**	**8,241**	**26,179**

(d) Capital management

The Group's capital includes contributed equity, reserves, and retained earnings. The Board's policy is to maintain a strong capital base 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 covenants within the USD Subordinated Bond agreements issued during the year, specify that the Company will maintain shareholders' funds of no less than 30% of the adjusted tangible assets (including mining licences and permits) and the Company's consolidated earnings for any 12 month period will be no less than two times interest costs whilst the Subordinated Bonds are outstanding. Whilst it was the intent of both the bond holders and Company for the covenants to only be applied after the settlement of BT Mining's intended acquisition of the Solid Energy coal mining assets, the wording in the agreement does not clarify this. This means that there was a technical breach of these covenants during the period from the date of issue and at 30 June 2017, and if more than 50% of bond holders give notice to the Company the bonds are repayable. Therefore the bonds are classified as current liabilities. The bond holders and the Company intend to change the terms of the bond agreement to reflect the original intent.

The Company is not subject to any other externally imposed capital requirements.

2 Borrowings in this context represent the underlying contractual commitments on the USD denominated Subordinated Bonds, and AUD denominated RCPS and convertible notes. The RCPS and convertible notes have the option to convert to equity, so future interest and principal repayments may not occur.

3 Total contractual cash flows equal minimum lease payments plus interest.

29. Financial risk management (continued)

(e) Financial instruments by category

	2017 $'000	2016 $'000
Financial Assets		
Loans and receivables		
Cash and cash equivalents	28,892	3,325
Restricted short term deposits	3,808	2,628
Trade and other receivables	4,032	2,761
Loans to related parties	3,721	-
Other financial assets	134	174
Total	**40,587**	**8,888**
Financial Liabilities		
Amortised Cost		
Trade and other payables	7,820	5,454
Borrowings	37,549	5,140
Fair Value		
Deferred consideration	7,928	9,669
Total	**53,297**	**20,263**

(f) Fair value measurements

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in a transaction between active market participants or in its absence, the most advantageous market to which the Group has access to at the reporting date. The fair value of a financial liability reflects its non-performance risk.

When available, fair value is measured using the quoted price in an active market. A market is active if transactions take place with sufficient frequency and volume to provide pricing information on an on-going basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The following fair value hierarchy, as set out in NZ IFRS 13: Fair Value Measurement, has been used to categorise the inputs to valuation techniques used to measure the financial assets and financial liabilities which are carried at fair value:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) 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

(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Group's only financial asset or liability measured at a fair value hierarchy of level 3 is deferred consideration. This is discussed further in note 22.

Notes to the Financial Statements

For the year ended 30 June 2017

29. Financial risk management (continued)

(f) Fair value measurements continued

Debt instruments in note 21 are carried at amortised cost. Their fair values have been measured at a fair value hierarchy of level 2 as noted below:

	Fair Value $'000	Carrying Value $'000
Instrument		
Subordinated Bonds	10,812	10,733
Convertible Notes	10,413	10,428
RCPS	11,699	11,276

All other assets and liabilities have a carrying value that is equivalent to fair value.

30. Key management personnel

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

Key management personnel compensation

	Short term benefits $'000	Share based payments $'000	Termination benefits $'000	Total $'000
30 June 2017				
Management	1,149	82	-	1,231
Directors	247	144	-	391
Total	**1,396**	**226**	**-**	**1,622**
30 June 2016				
Management	1,163	284	289	1,736
Directors	248	25	-	273
Total	**1,411**	**309**	**289**	**2,009**

Other transactions or loans with key management personnel

During the year, Mr Middleton in his capacity as independent director provided consulting services to the Company in relation to commercial due diligence activities. The amount paid during the year was $265k (30 June 2016: $271k). Mr Middleton was an executive director from 2 May 2017 with fees paid from that date to 30 June 2017 disclosed as part of Management fees in the table above.

31. Commitments and contingent liabilities

(a) Capital commitments

There was no capital expenditure contracted for at the reporting date but not recognised as a liability (2016: $2.3m).

(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 non-cancellable minimum lease payments are payable as follows:

31. Commitments and contingent liabilities (continued)

	2017 $'000	2016 $'000
Lease commitments		
Within one year	123	112
Later than one year but not later than five years	40	71
Total lease commitments	**163**	**183**

During the year ended 30 June 2017 $0.3m (2016: $0.3m) was recognised as an expense in the income statement in respect of operating leases.

(ii) Finance leases

The Group leases various plant and equipment expiring within one to five years. Refer to note 21 for further information.

(c) Exploration expenditure commitments

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

(d) Contingent assets and liabilities

On 23 December 2016, the Company announced that LMCH had filed legal proceedings in the High Court of New Zealand in relation to an alleged breach of the first USD$40m performance payment described in note 22. The Company, with its position supported by its legal advisors, denies any default in payment and will vigorously defend the claim. Proceedings have been set down for hearing in February 2018.

32. Events after the reporting period

Other than as disclosed in these financial statements, there are no material events that occurred subsequent to reporting date, that require recognition of, or additional disclosure in these financial statements.

Independent Auditor's Report

To the shareholders of Bathurst Resources Limited

The financial statements comprise:

- the Balance Sheet as at 30 June 2017;
- the Income Statement for the year then ended;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the Notes to the Financial Statements, which include a summary of significant accounting policies.

Our qualified opinion

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the financial statements of Bathurst Resources Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for qualified opinion

The Company issued Australian Dollar denominated convertible notes in July 2016 and February 2017 and Australian Dollar denominated redeemable convertible preference shares in February 2017 (collectively, the "convertible instruments"). Management assessed the convertible instruments to be hybrid instruments, containing both debt contracts and embedded conversion options and have accounted for the debt contracts as financial liabilities, valued at $21,704,000, as disclosed in note 21 of the financial statements, and the embedded conversion options as equity, valued at $1,794,000, as at 30 June 2017.

The convertible instruments are denominated in Australian Dollars which differs from the New Zealand Dollar functional currency of the Company. Therefore, in accordance with IFRIC Update April 2005, the embedded conversion options meet the definition of financial liabilities, rather than equity, under NZ IFRS and IFRS, and should be recognised as derivative liabilities, measured at fair value through profit or loss. As a result, the treatment adopted by management constitutes a departure from NZ IFRS and IFRS.

While recognising the possible effect of judgements and assumptions on the value of the embedded derivative, if management had recognised the embedded conversion options as liabilities measured at fair value through profit or loss, management's estimate of the fair value of those options indicates a derivative liability of $16,508,000 would be recognised at 30 June 2017, and there would be an overall increase in liabilities and decrease in equity of $15,807,000. This arises because the loss before tax, the loss after tax and accumulated losses would have increased by $15,116,000, current borrowings would have increased by $414,000, non-current borrowings would have decreased by $1,115,000, debt instruments – equity component would have decreased by $1,794,000 and due to the conversion of some options during the year, contributed equity would have increased by $1,103,000. Had management adopted the treatment as defined by the IFRIC Update April 2005, the notes to the financial statements would have included details of management's valuation method, model inputs and sensitivities. These would have been disclosed as critical estimates and judgements due to the range of assumptions that could be used in the valuation of the derivative liabilities.

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We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Our audit approach

Overview

An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Overall group materiality was $415,000, which represents 1% of total revenue for the year.

We chose revenue as the benchmark because, in our view, the Group is currently in a break even position as the business transforms and revenue is a stable metric which more accurately reflects the performance of the Group.

Our key audit matters are:

- Conditional acquisition of Solid Energy assets; and
- Deferred consideration.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	*How our audit addressed the key audit matter*
Conditional acquisition of Solid Energy assets As disclosed in Note 18 of the financial statements, there was a conditional acquisition transaction entered into during the year. This was an area of audit focus due to the significance of the transaction to the Company. During the year the Company incorporated BT Mining Limited ("BT Mining") as the vehicle through which it would undertake the acquisition of certain assets from Solid Energy New Zealand Limited ("Solid Energy"). The sale and purchase agreement was signed on 29 October 2016 and management assessed the transaction against the requirements of NZ IFRS 3 *Business Combinations* and concluded that it was a business combination. Management also determined that the acquisition had not occurred as at 30 June 2017 as substantive conditions included in the agreement had not been satisfied at that date. *Assessment of joint control of BT Mining* BT is 65% owned by the Company, with the remaining shareholding held by Talley's Energy Limited ("TEL"). This ownership is subject to a "Joint Venture Agreement" between the Company and TEL which sets out a number of matters that require unanimous approval of both parties including matters relating to the operational decisions and activities of BT Mining. Management assessed that the Company has joint control with TEL over BT Mining and determined that it is a joint venture for financial reporting purposes. Consequently the Group equity accounts its investment in BT Mining, recognising its share of profit or loss from the joint venture in the income statement.	For the purposes of our audit, we considered the two components of the transaction which impact both the timing of the recognition of the transaction and basis of accounting for the transaction. *Assessment of the nature and timing of the transaction* We obtained an understanding of the acquisition by reading the relevant contractual agreements, including but not limited to, the sale and purchase agreement between BT Mining and Solid Energy. We considered whether the acquisition is a business combination or asset acquisition and the date at which the acquisition is considered to have occurred. Specifically, we validated that substantive conditions exist within the sale and purchase agreement (in particular, approval by the Overseas Investment Office, the Minister of Energy and the Minister of Conservation) and assessed whether these conditions had been satisfied by 30 June 2017. *Assessment of joint control of BT Mining* We assessed the judgements made by management in determining the accounting treatment of BT Mining by reading the joint venture agreement. We challenged management's judgement by considering the Company's majority ownership of BT Mining, its proposed role as operator of the mining permits acquired and the nature of the operational decisions and relevant activities of BT Mining that require unanimous approval and compared these to the requirements of the relevant accounting standards. We obtained an accounting consultation from our internal accounting technical team to support our evaluation of both the timing of the recognition and accounting treatment of the transaction. We also considered the adequacy of the Company's disclosures in respect to the acquisition. Our own evaluation is consistent with that of management.

Key audit matter	*How our audit addressed the key audit matter*
Deferred consideration As disclosed in Note 22 of the financial statements, the fair value of the Group's deferred consideration in respect of previous mine acquisitions was $7,928,000 at 30 June 2017. Management uses a discounted cash flow model to estimate the fair value of deferred consideration. This model requires significant judgement in relation to estimating future coal prices, coal production, the timing of cash flows and the appropriate discount rate. The discount rate is based on the risk free rate plus a mine-specific risk premium to reflect the risk that is not incorporated into the estimated future cash flows. This was an area of audit focus because of the estimation uncertainties and significant judgements applied by management in estimating future coal prices, production levels and timing of cash flows.	Our audit procedures included the following: We updated our understanding of the deferred consideration obligations related to each mine where a deferred consideration arrangement exists. We assessed the reasonableness of the assumptions used by comparing the key assumptions used in management's models to external and internal data. Specifically, we have: • Tested the mathematical accuracy of the models; • Compared coal production with Board approved mine plans; • Compared future coal prices with current prices charged to the Company's largest customers and a growth rate based on historic achieved growth rates; • Assessed management's forecasting accuracy by comparing historical forecasts to actual results; • Considered the reasonableness of the discount rate by comparison to an independently calculated discount rate developed via the use of an internal valuation expert; and • Performed a sensitivity analysis on the key estimates and assumptions applied. We also assessed whether the Group's disclosures in relation to deferred consideration and the sensitivities of key assumptions were appropriate in the financial statements. Whilst recognising that cash flow forecasting and estimation of the fair value of deferred consideration is inherently judgmental, our audit procedures did not identify evidence of management bias in determining the value of the deferred consideration.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our qualified opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our auditor's report.

Who we report to

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

The engagement partner on the audit resulting in this independent auditor's report is Chris Ussher.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants — Wellington
31 August 2017


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BATHURST
RESOURCES LIMITED

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1 September 2017

Update on FY17 results

Bathurst Resources Limited (ASX: BRL) (**Bathurst** or **the Company**) released on 31 August 2017 its audited financial statements for the year ending 30 June 2017 (**Accounts**). Bathurst has disagreed with its auditor, PricewaterhouseCoopers (**PwC**), on the accounting treatment of Convertible Notes and Redeemable Convertible Preference Shares ("**Convertible Instruments**") issued in July 2016 and February 2017.

The Convertible Instruments were issued by Bathurst primarily to fund Bathurst's investment in BT Mining Limited ("BT Mining"), a joint venture of which Bathurst owns 65%. BT Mining on the 31 August 2017 successfully acquired assets from Solid Energy New Zealand Limited (**Solid Energy Transaction**).

How the Convertible Instruments can be measured

As the Convertible Instruments can be converted into equity (the "conversion option") there are two potential accounting outcomes. The difference in opinion relates to how the accounting standard that governs these instruments (NZ IAS 32 *Financial Instruments: Presentation*) should be interpreted and applied to the conversion option.

The debt and conversion option can be accounted for as either:

1. Debt held at amortised cost and an embedded derivative component (representing the conversion option) which is measured at fair value through profit or loss; or
2. Debt held at amortised cost and an equity component (representing the conversion option) which remains unchanged until conversion or the debt is repaid.

Where Bathurst's and PwC's interpretations diverge

For the convertible option to be able to be treated as equity (the second accounting treatment noted above), the fixed for fixed test must be met. Specifically, the debt must be settled by exchanging a fixed amount of cash for a fixed number of shares. The specific point of difference that arises is whether the exchange of AUD debt into AUD denominated shares constitutes fixed for fixed, as the AUD has to be re-translated into NZD for financial reporting purposes (NZD being Bathurst's functional currency).

Bathurst believes that in substance, the conversion option of the Convertible Instruments results in the extinguishment of a fixed amount of debt (denominated in AUD) for a fixed amount of Bathurst's equity (also denominated in AUD). The number of shares the instrument holders will receive was fixed at the date the instruments were issued, likewise the amount of cash Bathurst will receive for these shares if the instruments do convert was fixed on the same date.

What would be the impact of PwC's interpretation

The accounting treatment for the Convertible Instruments in the FY17 accounts is consistent with the treatment applied in the Company's financial statements for 31 December 2016. Despite the fact that PwC performed a formal review of the 31 December 2016 financial statements, PwC no longer agrees with this accounting treatment as they believe the Convertible Instruments fail the fixed for fixed test, and has issued a qualified audit report.

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If PwC's view were adopted in the FY17 accounts, it would result in Bathurst reporting a net loss of $17.0m versus the $1.9m loss position it has reported; the difference being a net increase in its liabilities. It is important to note that this increase in liabilities would not represent an actual additional liability for Bathurst that required settlement – it is a technical accounting matter that will not in any way change the actual cash flows relating to these Convertible Instruments. Importantly, if the convertible instruments are repaid by Bathurst instead of converting, any fair value movements on these Convertible Instruments previously recognised would recycle back through the Income Statement, leading to greater volatility in Bathurst's reported financial performance.

What this means

Bathurst in its financial statements for FY17 has made full disclosure of the accounting treatment applied to the Convertible Instruments (see Note 1 D (ii)) which the Directors consider provide a fair presentation of the Convertible Instruments, and as such the financial performance and position of the Company. The Directors note that this approach has been adopted by other companies listed on ASX with similar instruments on issue, and that if Bathurst's functional currency was AUD, there would be no question raised over the applied treatment.

The Directors maintain that the Accounts provide a fair presentation of the financial performance and financial position of Bathurst as at 30 June 2017. Bathurst is not aware of any other issues with the Accounts.

Further information

For further information in respect of this announcement, please contact Richard Tacon (Chief Executive Officer) or Russell Middleton (Chief Financial Officer) on +64 4 499 6830.


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03

Shareholder information

In this section

Shareholder information

Shareholder information

Additional information required by the Australian Securities Exchange (ASX) and not shown elsewhere in the Annual Report, current as at 29 September 2017, is advised hereunder.

Stock exchange quotation

The Company's shares are quoted on the ASX under the code "BRL".

Classes of securities

The Company has the following equity securities on issue:

		Number on issue	Number of holders
Quoted	Ordinary shares, each fully paid	1,513,164,577	3,860
Unquoted	Convertible notes of A$1,000 each, converting to shares at A$0.022 per share maturing 22 July 2019	3,483	3
	Convertible notes of A$1,000 each, converting to shares at A$0.0375 per share maturing 1 February 2021	7,500	10
	Transaction Performance Rights exercisable at $nil up to 31 March 2019	11,500,000	4

Voting rights

Only holders of ordinary shares have voting rights. These are set out in Clause 21 of the Company's Constitution and are summarised as follows:

- where voting is by show of hands or by voice, every Shareholder present in person or by proxy or Representative has one vote; and
- on a poll every Shareholder present in person or by proxy or Representative has, in respect of each fully paid Share held by that Shareholder, one vote.

Holders of convertible notes and performance rights have no voting rights until they are converted/exercised into ordinary shares.

Restricted securities

There are no restricted securities or securities subject to voluntary escrow.

On-market buy-backs

There is no current on-market buy-back of any securities.

Distribution of quoted equity securities

Analysis of the numbers of holders of ordinary shares by size of holding:

Holding range	Total Shareholders	Ordinary Shares
1 – 1,000	337	55,411
1,001 – 5,000	618	1,634,361
5,001 – 10,000	465	3,096,912
10,001 – 100,000	1,672	52,926,727
100,001 and over	768	1,455,451,166
TOTAL	**3,860**	**1,513,164,577**

There are 761 shareholders holding less than a marketable parcel of ordinary shares as determined by the ASX (A$500) based on the closing price of A$0.155 per share on 29 September 2017.

Substantial holders

Holders of 5% or more ordinary shares as disclosed in substantial holding notices given to the Company as of 29 September 2017:

	Number Held	Percentage of Issued Shares
Republic Investment Management Pte Limited	288,225,323	**19.05%**
Asian Dragon Acquisitions Limited	151,343,823	**10.00%**

Corporate government statement

The Corporate Governance Statement is available on the Company's website at ***www.bathurst.co.nz/our-company/corporate-governance/***

Twenty largest shareholders

The names, numbers and percentages of the twenty largest holders of quoted equity securities are listed below:

	Shareholding name	Number of Shares Held	Percentage of Issued Shares
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	396,849,964	26.23
2.	ASIAN DRAGON ACQUISITIONS LIMITED	63,636,364	4.21
3.	CHNG SENG CHYE	54,545,455	3.60
4.	JP MORGAN NOMINEES AUSTRALIA LIMITED	45,773,745	3.03
5.	OOI THEAN YAT RONALD ANTHONY	45,454,545	3.00
6.	AVVENTURA HOLDINGS LIMITED	40,909,091	2.70
7.	TEO PENG KWANG	40,909,091	2.70
8.	BELL POTTER NOMINEES LIMITED <BB NOMINEES A/C>	34,553,255	2.28
9.	TH INVESTMENTS PTE LIMITED	31,818,182	2.10
10.	CITICORP NOMINEES PTY LIMITED	30,391,249	2.01
11.	BERNE NO 132 NOMINEES PTY LTD <608725 A/C>	27,888,773	1.84
12.	ANG POON LIAT	27,272,727	1.80
13.	ARMADA TRADING PTY LTD	24,114,272	1.59
14.	RICH TREND VENTURES LIMITED	22,727,273	1.50
15.	KARAMJIT SINGH NARULA	18,181,818	1.20
16.	JOHN MCCALLUM	18,181,017	1.20
17.	FORSYTH BARR CUSTODIANS LIMITED <FORSYTH BARR LTD-NOMINEE A/C>	17,852,460	1.18
18.	NATIONAL NOMINEES LIMITED <DB A/C>	17,202,940	1.14
19.	ROBERT JAMES GRIFFITHS + JEAN DARLING GRIFFITHS	15,000,000	0.99
20.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	13,373,548	0.88
Total top 20 shareholders		**986,635,769**	**65.20**
Total remaining shareholders		**526,528,808**	**34.80**

04

Resources and reserves

In this section

Tenement schedule

Coal resources and reserves

Corporate directory

Tenement schedule

For the year ended 30 June 2017

Permit Id	Location (Region)	Minerals	Permit Type	Permit Operator	Bathurst Interest
60047	West Coast	Coal	Exploration Permit	Bathurst Coal Limited	100%
60194	Canterbury	Coal	Exploration Permit	Bathurst Coal Limited	100%
57205	West Coast	Coal	Exploration Permit	Bathurst Coal Limited	100%
56927	Southland	Minerals	Prospecting Permit	Bathurst Coal Limited	100%
56233	West Coast	Coal	Mining Permit	Buller Coal Limited	100%
55401	West Coast	Minerals	Mining Permit	Buller Coal Limited	100%
54846	Canterbury	Coal	Exploration Permit	Bathurst Coal Limited	100%
53614	Southland	Coal	Mining Permit	Bathurst Coal Limited	100%
51279	West Coast	Coal	Mining Permit	Buller Coal Limited	100%
51260	Southland	Coal	Exploration Permit	Bathurst Coal Limited	100%
51212	West Coast	Coal	Exploration Permit	Buller Coal Limited	100%
41456	West Coast	Coal	Mining Permit	Buller Coal Limited	100%
41455	West Coast	Coal	Mining Permit	Bathurst Coal Limited	100%
41372	Canterbury	Coal	Mining Permit	Bathurst Coal Limited	100%
41332	West Coast	Coal	Mining Permit	Buller Coal Limited	100%
41274	West Coast	Coal	Mining Permit	Buller Coal Limited	100%
40628	West Coast	Coal	Exploration Permit	Buller Coal Limited	100%
40625	Southland	Coal	Exploration Permit	New Brighton Collieries Limited	100%
40591	West Coast	Coal	Exploration Permit	Bathurst Coal Limited	100%

Bathurst Resources permitting changes 1 July 2016 – 30 June 2017

Permits granted in past twelve months

Permit Id	Permit Type	Operator	Bathurst Interest	Location (Region)	Granted Date	Operation Name
60047	Exploration Permit	Bathurst Coal Limited	100%	West Coast	03.08.16	Wellington
60194	Exploration Permit	Bathurst Coal Limited	100%	Canterbury	13.04.17	Waihao Forks

Extension of duration

Permit Id	Permit Type	Operator	Bathurst Interest	Operation Name	Location (Region)	Permit Extension (Years)
41455	Mining Permit	Bathurst Coal Limited	100%	Cascade	West Coast	10

Change of mineral

Permit Id	Permit Type	Operator	Bathurst Interest	Operation Name	Location (Region)	Mineral Added
41455	Mining Permit	Bathurst Coal Limited	100%	Cascade	West Coast	Aggregate

Partial surrender

Permit Id	Permit type	Operator	Bathurst Interest	Operation Name	Location (Region)	Reduction (ha)
51260	Exploration Permit	Bathurst Coal Limited	100%	Ohai	Southland	140.7881

Full surrender

Permit Id	Permit Type	Operator	Bathurst Interest	Operation Name	Location (Region)
54658	Exploration Permit	Buller Coal Limited	100%	Coal	West Coast

Expired

Permit Id	Permit Type	Operator	Bathurst Interest	Operation Name	Location (Region)
54935	Prospecting Permit	Bathurst Coal Limited	100%	Waitaki	Otago
54896	Prospecting Permit	Buller Coal Limited	100%	Buller Metals	West Coast

Coal resources and reserves

Resources

Table 1 – Resource Tonnes [1]

Area	2017 Measured Resource (Mt)	2016 Measured Resource (Mt)	Change (Mt)	2017 Indicated Resource (Mt)	2016 Indicated Resource (Mt)	Change (Mt)	2017 Inferred Resourced (Mt)	2016 Inferred Resource (Mt)	Change (Mt)	2017 Total Resource (Mt)	2016 Total Resource (Mt)	Change (Mt)
Escarpment	3.1	3.1	0.0	2.1	2.1	0.0	1.0	1.0	0.0	6.2	6.2	0.0
Cascade	0.5	0.5	0.0	0.6	0.6	0.0	0.3	0.3	0.0	1.5	1.5	0.0
Deep Creek [2]	6.2	6.2	0.0	3.1	3.1	0.0	1.6	1.6	0.0	10.9	10.9	0.0
Coalbrookdale	0.0	0.0	0.0	3.8	3.8	0.0	5.4	5.4	0.0	9.2	9.2	0.0
Whareatea West	7.6	7.6	0.0	10.8	10.8	0.0	4.9	4.9	0.0	23.3	23.3	0.0
South Buller Totals	**17.4**	**17.4**	**0.0**	**20.4**	**20.4**	**0.0**	**13.2**	**13.2**	**0.0**	**51.1**	**51.1**	**0.0**
Millerton North [2]	0.0	0.0	0.0	1.9	1.9	0.0	3.6	3.6	0.0	5.5	5.5	0.0
North Buller	2.4	2.4	0.0	7.3	7.3	0.0	10.9	10.9	0.0	20.6	20.6	0.0
Blackburn [2]	0.0	0.0	0.0	5.8	5.8	0.0	14.1	14.1	0.0	19.9	19.9	0.0
North Buller Totals	**2.4**	**2.4**	**0.0**	**15.0**	**15.0**	**0.0**	**28.6**	**28.6**	**0.0**	**46.0**	**46.0**	**0.0**
Buller Coal Project Totals	**19.8**	**19.8**	**0.0**	**35.4**	**35.4**	**0.0**	**41.8**	**41.8**	**0.0**	**97.1**	**97.1**	**0.0**
Takitimu [3]	0.9	1.0	-0.1	2.0	1.9	0.1	0.5	0.8	-0.3	3.4	3.7	-0.3
New Brighton	0.2	0.2	0.0	0.4	0.4	0.0	1.3	1.3	0.0	1.9	1.9	0.0
Canterbury [4]	1.2	0.5	0.7	2.5	1.4	1.1	3.4	3.4	0.0	7.1	5.3	1.8
Southland/ Canterbury Totals	**2.3**	**1.7**	**0.6**	**4.9**	**3.7**	**1.2**	**5.2**	**5.5**	**-0.3**	**12.4**	**10.9**	**1.5**
Total	**22.1**	**21.6**	**0.5**	**40.3**	**39.2**	**1.1**	**47.0**	**47.3**	**-0.3**	**109.4**	**108.1**	**1.3**

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

All resources quoted are reported as of 30 June 2017.

Resources (continued)

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

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

   Rounding of tonnes as required by reporting guidelines may result in summation differences between tonnes and coal quality

2. *No additional work has been was undertaken on the coal resources for Deep Creek, Millerton North, Blackburn and New Brighton since originally reported.*

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

3. *Resources were depleted by mining. Additional drilling and a revision of the geological model resulted in an overall decrease in the resource tonnage. Takitimu resources include Black Diamond and Coaldale.*

4. *Additional drilling, improved mining economics and a revision of the geological model have resulted in improved resource confidence and an overall increase in the resource tonnage.*

Table 2 – Average Coal Quality – Measured

Area	Measured Resource (MT)	Ash% (AD)	Sulphur %(AD)	Volatile Matter %(AD)	Fixed Carbon %(AD)	CSN	Inherent Moisture	In Situ Moisture	Calorific Value (AD)
Escarpment	3.1	20.0	0.57	32.7	46.3	7.0	0.9	5.5	28.5
Cascade	0.5	15.5	1.66	39.3	42.6	4.5	2.6	7.6	30.8
Deep Creek	6.2	11.0	2.50	32.9	53.9	-	2.2	5.2	29.7
Whareatea West	7.6	23.0	0.82	24.2	52.2	7.0	0.6	6.3	26.8
Millerton North	0.0	-	-	-	-	-	-	-	-
North Buller	2.4	8.6	4.70	43.1	45.4	4.5	2.9	11.4	29.7
Blackburn	0.0	-	-	-	-	-	-	-	-
Takitimu	0.9	11.1	0.40	37.4	36.1	N/A	15.5	24.5	21.5
New Brighton	0.2	10.7	0.37	35.9	39.1	N/A	14.3	21.0	22.7
Canterbury	1.2	9.0	0.84	35.3	38.9	N/A	16.8	26.1	21.7

Resources (continued)

Table 3 – Average Coal Quality – Indicated

Area	Inferred Resource (MT)	Ash% (AD)	Sulphur % (AD)	Volatile Matter % (AD)	Fixed Carbon % (AD)	CSN	Inherent Moisture	In Situ Moisture	Calorific Value (AD)
Escarpment	2.1	19.2	1.11	35.0	44.6	7.0	1.2	5.3	30.3
Cascade	0.6	14.8	1.79	38.3	44.5	4.0	2.4	8.0	29.3
Deep Creek	3.1	9.7	2.70	34.7	53.6	-	2.0	4.8	30.3
Coalbrookdale	3.8	18.4	1.43	36.3	43.5	5.0	1.8	6.1	30.0
Whareatea West	10.8	22.1	0.93	22.7	54.5	6.5	0.6	6.3	25.6
Millerton North	1.9	9.7	4.90	36.9	52.4	10.0	1.0	6.1	31.1
North Buller	7.3	8.8	5.10	42.6	46.3	5.0	2.3	9.4	30.0
Blackburn	5.8	3.9	4.30	42.1	51.8	6.0	2.2	10.1	30.4
Takitimu	2.0	9.4	0.28	35.9	38.4	N/A	16.2	25.6	21.5
New Brighton	0.4	9.0	0.34	35.9	42.1	N/A	12.9	20.5	23.7
Canterbury	2.5	8.8	0.89	35.4	39.1	N/A	16.7	26.3	21.8

Table 4 – Average Coal Quality – Inferred

Area	Inferred Resource (MT)	Ash% (AD)	Sulphur % (AD)	Volatile Matter % (AD)	Fixed Carbon % (AD)	CSN	Inherent Moisture	In Situ Moisture	Calorific Value (AD)
Escarpment	1.0	18.4	1.70	35.5	44.7	7.0	1.4	5.7	30.2
Cascade	0.3	16.5	2.16	36.7	44.7	4.0	2.1	6.7	27.6
Deep Creek	1.6	10.1	2.40	29.7	57.8	-	2.4	7.1	29.7
Coalbrookdale	5.4	16.4	1.50	35.2	46.7	5.0	1.7	5.5	29.1
Whareatea West	4.9	21.7	0.92	21.3	56.3	6.0	0.7	6.3	24.6
Millerton North	3.6	12.0	5.50	35.3	51.6	9.0	1.1	7.2	30.2
North Buller	10.9	9.9	5.10	45.6	42.3	5.0	2.2	9.6	29.5
Blackburn	14.1	6.4	4.80	41.8	49.5	6.0	2.3	11.2	30.1
Takitimu	0.5	11.1	0.30	35.6	37.3	N/A	16.0	25.6	21.0
New Brighton	1.3	9.0	0.30	35.7	43.6	N/A	11.6	19.6	24.1
Canterbury	3.4	9.3	1.1	35.3	38.8	N/A	16.6	26.4	21.7

Reserves [5]

Table 5 – Coal Reserves (ROM [6]) Tonnes

ROM Coal	Proved (Mt)			Probable (Mt)			Total (Mt)		
Area	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Escarpment Domestic	0.2	0.2	0.0	0.1	0.1	0.0	0.3	0.3	0.0
Escarpment Export	2.3	2.3	0.0	0.5	0.5	0.0	2.8	2.8	0.0
Whareatea West	0.0	0.0	0.0	15.8	15.8	0.0	15.8	15.8	0.0
Takitimu [7]	0.5	0.5	0.0	1.3	1.1	0.2	1.8	1.6	0.2
Canterbury [8]	0.5	0.1	0.4	1.1	0.1	1.0	1.6	0.1	1.5
Total	**3.5**	**3.0**	**0.5**	**18.7**	**17.5**	**1.2**	**22.2**	**20.5**	**1.7**

Table 6 – Marketable Coal Reserves [9] Tonnes

	Proved (Mt)			Probable (Mt)			Total (Mt)		
Area	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Escarpment Domestic	0.2	0.2	0.0	0.1	0.1	0.0	0.3	0.3	0.0
Escarpment Export	1.9	1.9	0.0	0.4	0.4	0.0	2.3	2.3	0.0
Whareatea West	0.0	0.0	0.0	9.9	9.9	0.0	9.9	9.9	0.0
Takitimu [7]	0.5	0.5	0.0	1.2	1.0	0.2	1.7	1.5	0.2
Canterbury [8]	0.5	0.1	0.4	0.9	0.1	0.8	1.4	0.2	1.2
Total	**3.1**	**2.7**	**0.4**	**12.5**	**11.5**	**1.0**	**15.6**	**14.2**	**1.4**

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

	Proved Marketable [9]						Probable Marketable [9]					
Deposit [6,7,8,9]	**(Mt)**	**Ash (%)**	**Sulphur (%)**	**VM (%)**	**CSN (#)**	**CV (MJ/Kg)**	**(Mt)**	**Ash (%)**	**Sulphur (%)**	**VM (%)**	**CSN (#)**	**CV (MJ/Kg)**
Escarpment Export	1.9	8.9	0.5	35.1	8.5	31.3	0.4	7.1	0.6	36.4	8.5	32.0
Whareatea West	0.0	-	-	-	-	-	9.9	12.1	0.9	26.0	9.5	31.9
Escarpment Domestic	0.2	12.9	1.9	35.0	6.8	28.9	0.1	14.5	1.5	34.0	6.1	28.4
Takitimu [7]	0.5	8.9	0.28	33.1	N/A	19.8	1.2	5.9	0.21	32.6	N/A	20.0
Canterbury [8]	0.5	8.4	0.83	35.2	N/A	21.9	0.9	8.4	0.87	35.4	N/A	21.9

Table 8 – Marketable Coal Reserve – Total Average Quality

Deposit (6,7,8,9)	Coal Type	Mining Method	Total Marketable (9)					
			(Mt)	Ash (%)	Sulphur (%)	VM (%)	CSN	CV (MJ/Kg)
Escarpment Export	Met	Open Pit	2.3	8.6	0.5	35.3	8.5	31.4
Whareatea West	Met	Open Pit	9.9	12.1	0.9	26.0	9.5	31.9
Escarpment Domestic	Thermal	Open Pit	0.3	13.4	1.8	34.7	6.6	28.7
Takitimu (7)	Thermal	Open Pit	1.7	6.8	0.2	32.7	N/A	19.9
Canterbury (8)	Thermal	Open Pit	1.4	8.4	0.9	35.3	N/A	21.9

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

All Reserves quoted are reported as of 30 June 2017.

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

   Reserve tonnages have been calculated using a density value calculated using approximated in-ground moisture values (Preston and Sanders method) and as such reserve tonnages quoted in this report are wet tonnes. All coal qualities quoted are on an Air Dried Basis.

   Rounding of tonnes as required by reporting guidelines may result in summation differences between tonnes and coal quality.
6. *Coal reserve estimates (Run of Mine (ROM) tonnes), include consideration of standard mining factors (JORC Code 2012).*
7. *Increase in coal reserves due to revised mining plans and economics. Takitimu reserves include Black Diamond and Coaldale.*
8. *Increase in coal reserves due to increase of available resources, revised mining plans and economics.*
9. *Marketable Reserves are based on geologic modelling of the anticipated yield from ROM Reserves. Total Marketable Coal Reserves are reported at a product specific moisture content (10–12% for Escarpment Export and Whareatea West, 5-8% at Escarpment Domestic and 22-23% at Takitimu and Canterbury) and at an air-dried quality basis, for sale after the beneficiation of the Total Coal Reserves, converted using ASTM D3180 ISO 1170.*

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

Resource quality

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

Further resource and reserve information can be found on the company's website at *www.bathurst.co.nz*

Mineral resource and ore reserves governance and estimation process

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

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

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

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

The Resources and Reserves statements included in Bathurst's 2017 Annual Report have been reviewed by qualified internal and external Competent Persons, and internal management, prior to their inclusion.

Competent Person Statements

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

The information in this report that relates to exploration results and mineral resources for Escarpment, Cascade, Coalbrookdale, Whareatea West, Millerton North, North Buller, Blackburn, Takitimu, Canterbury and New Brighton and is based on information compiled by Hamish McLauchlan as a Competent Person who is a full time employee of Bathurst Resources Limited and is a member of the Australasian Institute of Mining and Metallurgy. Mr. McLauchlan has a B.Sc and M.Sc (Hons) majoring in geology from the University of Canterbury, and has had 20 years of experience in the mineral resource industry in New Zealand and offshore. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. McLauchlan consents to the inclusion in this 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 Domestic, Takitimu and Canterbury is based on information compiled by Terry Moynihan who is a full time employee of Core Mining Consultants Ltd and is a member of the Australasian Institute of Mining and Metallurgy. Mr. Moynihan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Moynihan 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

Toko Kapea
Non–executive chairman

Peter Westerhuis
Non-executive director

Richard Tacon
Executive director and chief executive officer

Russell Middleton
Executive director and chief financial officer

Company secretary

Bill Lyne

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New Zealand business number

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Solicitor

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Banker

ANZ Bank New Zealand Limited

Stock exchange listing

Bathurst Resources Limited shares are listed on the Australian Securities Exchange (ASX) under the code BRL

Website address

www.bathurst.co.nz

Disclaimer

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